

**FREEDOM AREA SCHOOL DISTRICT**  
**FREEDOM, WISCONSIN**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Freedom Area School District  
Freedom, Wisconsin

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1, the District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the required supplementary information as listed in the table of contents, 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 about 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The nonmajor governmental fund, special revenue fund, general fund, and agency fund combining schedules as listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The nonmajor governmental fund, special revenue fund, general fund, agency fund combining schedules, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2014, 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* in considering the District's internal control over financial reporting and compliance.

*Erickson & Associates, S.C.*

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

November 24, 2014

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

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, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- General Fund (Fund 10) fund balance increased by \$185,240 to \$2,878,029. The fund balance is 17.1% of general fund expenditures. The Board of Education policy is to have a fund balance of greater than 5%.
- General Fund actual revenues of \$16,160,651 were \$103,584 more than final budgeted revenues of \$16,057,067. Actual expenditures of \$15,975,411 were \$81,656 less than the final budgeted expenditures of \$16,057,067. Actual expenditures were approximately 99% of revenue.
- For 2013-2014 the District was able to increase all compensation across the District by the allowed CPI increase of 2.07%. The District continued with health and wellness initiatives to keep costs contained in that area. The cost of salaries and health insurance for the District across all funds and for all purposes was \$11,614,158 during 2013-2014 or 54.6% of the entire budget.
- During 2013-2014 the District spent time developing a new compensation model for the professional staff. This model will be a point system model. If staff members earn enough points each year a raise will be given for the following year. The model was developed with a constant \$1,200 increase between each level. Using this amount allows the District to better budget for future raises. If additional money is available, a raise up to the CPI may also be instituted.
- During 2013-2014 the District continued implementation of the Common Core Curriculum Standards (CCCS) for Math and English and looked at the new next Generation Science Standards. A large financial investment came in the way of staff development to train the staff on the new standards. Implementation will continue into the future years.
- A resolution was passed in September of 2013 for an \$800,000 technology upgrade to the District. The year was also spent assessing the District's technology. This upgrade includes fiber optics between the two buildings, new wiring in the two buildings, new servers, additional wireless connectivity ports and 150 new end point devices for student use. Part of this technology project included purchasing a new telephone system which will make it easier to contact people internally and externally. This system will also help provide additional safety for students during emergencies. This project was fully complete during 2013-2014.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts - management's discussion and analysis and the basic financial statements, including notes to the financial statements and supplementary information.

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

#### District-wide Financial Statements

- The *Statement of Net Position* compares assets to liabilities to give an overall view of the financial health of the District. This statement includes fixed assets and long-term liabilities.
- 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 position for the District from the previous year.

#### Fund Financial Statements

- 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.

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.

*Other Supplemental Information* provides information specific to nonmajor governmental funds and schedules of federal and state awards.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

The major features of the District's financial statements, including the scope of the activities reported and type of information contained is shown in the following table. (Table #1)

**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. <b><u>The District does not report any program for this designation.</u></b>	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.
Required financial statements	Statement of net position and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balance.	Statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position and statement of changes in fiduciary net position.
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, 2014

**Table #2**

<b>Condensed Statement of Net Position</b>			
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
<b><u>Assets</u></b>			
Current Assets	\$6,238,921	\$6,167,593	1%
Noncurrent Assets	\$11,246,701	\$10,907,288	3%
<b>Total Assets</b>	<b>\$17,485,622</b>	<b>\$17,074,881</b>	<b>2%</b>
<b><u>Liabilities</u></b>			
Current Liabilities	\$4,313,815	\$4,256,605	1%
Noncurrent Liabilities	\$5,498,337	\$5,810,100	(5%)
<b>Total Liabilities</b>	<b>\$9,812,152</b>	<b>\$10,066,705</b>	<b>(3%)</b>
<b><u>Deferred Inflows of Resources</u></b>	<b>\$6,500</b>	<b>\$0</b>	<b>100%</b>
<b><u>Net Position</u></b>			
Invested in Capital, net of related debt	\$7,040,095	\$5,584,954	26%
Restricted	\$481,379	\$431,087	12%
Unrestricted	\$145,496	\$992,135	(85%)
<b>Total Net Position</b>	<b>\$7,666,970</b>	<b>\$7,008,176</b>	<b>9%</b>

**Statement of Net Position: (Table #2)**

The District's overall financial status, as reflected in total net position, increased by \$658,794 to \$7.7M. The District reported total assets of \$17.5M, of which \$11.2M are noncurrent assets. The District reported total liabilities of \$9.8M, of which \$5.5M are long-term liabilities. The District reported \$6,500 of deferred inflows of resources.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

**Table #3**

<b>Changes in Net Position from Operating Results For Governmental Activities</b>					
	<u>2013-14</u>	<u>%</u>	<u>2012-13</u>	<u>%</u>	<u>% Change</u>
<b>Revenues:</b>					
<b>Program</b>					
Charges for Services	\$1,246,313	6%	\$1,144,142	6%	9%
Operating Grants & Cont.	\$1,710,488	9%	\$1,461,980	8%	17%
<b>General</b>					
General State Aids	\$9,175,328	48%	\$9,402,472	50%	(2%)
Property Taxes	\$7,055,757	37%	\$6,779,508	36%	4%
Other	\$22,869	0%	\$41,092	0%	(44%)
<b>Total Revenues</b>	<u><b>\$19,210,755</b></u>	<u><b>100%</b></u>	<u><b>\$18,829,194</b></u>	<u><b>100%</b></u>	<b>2%</b>
<b>Expenses:</b>					
Instruction	\$9,887,378	54%	\$9,613,932	53%	3%
Support Services	\$6,161,093	33%	\$5,692,576	31%	8%
Nonprogram	\$964,729	5%	\$900,611	5%	7%
Food Service, Community	\$583,462	3%	\$597,197	3%	(2%)
Interest and Fiscal Charges	\$264,813	1%	\$276,643	2%	(4%)
Unallocated Depreciation	\$690,486	4%	\$1,050,105	6%	(34%)
<b>Total Expenses</b>	<u><b>\$18,551,961</b></u>	<u><b>100%</b></u>	<u><b>\$18,131,064</b></u>	<u><b>100%</b></u>	<b>2%</b>
<b>Change in Net Position</b>	<u><b>\$658,794</b></u>		<u><b>\$698,130</b></u>		<b>(6%)</b>

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

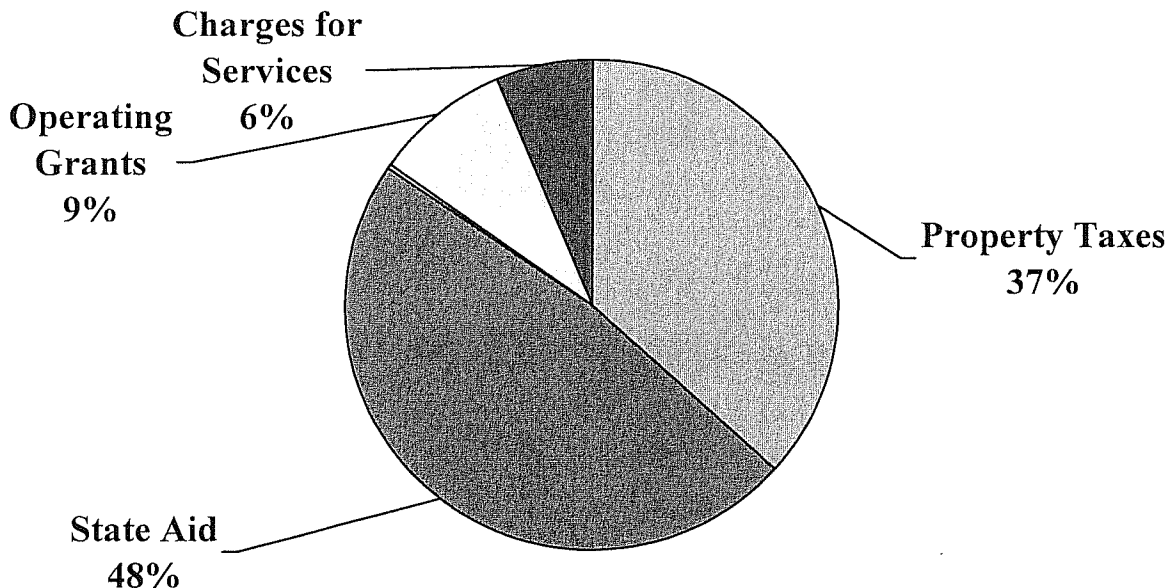
For the Year Ended June 30, 2014

### Revenues: (Table #3)

- For FY2014, the District received \$19.2M in revenue. This is an increase of 2% or \$381,561 over the previous year. General state aids decreased from the prior year by \$227,144 to \$9.2M. Property taxes increased by \$276,249 to \$7.1M. For FY2014, 48% of total revenue came from general state aids, and 37% came from local school property taxes. The District received approximately 15% 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 \$1.2M of the cost, an increase of \$102,171 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 \$1.7M, which is an increase of \$248,508 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.
- The District received \$22,869 in other income, a decrease of \$18,223 from the prior year.

### REVENUES ALL FUNDS

2013 - 2014



# FREEDOM AREA SCHOOL DISTRICT

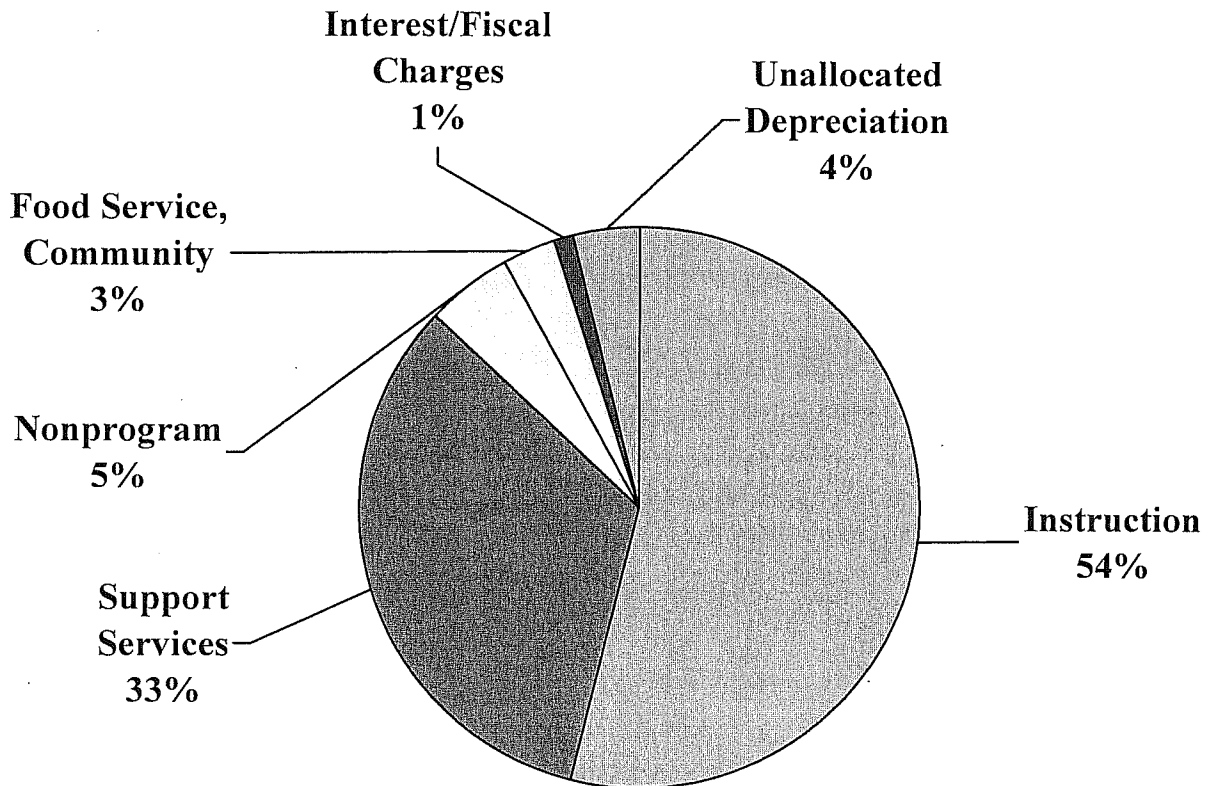
## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### Expenses: (Table #3)

- For FY2014, the District's total expenditure amount was \$18.6M. This is an increase of \$420,897 from the prior year. For FY2014, 54% was directed to instruction and 33% was directed to support services. Nonprogram expenditure amounts were 5% of the total. The food service program and community service represents 3% and costs for debt service represented 1% of total expenditures.

### EXPENDITURES ALL FUNDS 2013 - 2014



# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

**Table #4**

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$9,887,378	\$8,009,565
Support Services	\$6,161,093	\$5,646,432
Nonprogram	\$964,729	\$949,527
Food Service, Community Service	\$583,462	\$34,337
Interest and Fiscal Charges	\$264,813	\$264,813
Unallocated Depreciation	\$690,486	\$690,486
<b>Total</b>	<b><u>\$18,551,961</u></b>	<b><u>\$15,595,160</u></b>

**Net Cost of Governmental Activities: (Table #4)**

- Total cost of all governmental activities was \$18.6M.
- The net cost of governmental activities, \$15.6M, was financed by general revenues, which are primarily made up of general state aids of \$9.2 M and property taxes of \$7.1M. Miscellaneous and investment earnings accounted for \$22,869. In addition, District operations were subsidized by \$3.0M, 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 2013-14. The statement of revenues, expenditures, and changes in fund balances-budget and actual for the general fund shows a comparison of the budget versus actual.
- Actual results for the year showed an excess of revenues over expenditures of \$185,240. Total revenues were higher than budgeted by \$103,584. Total expenditures were less than budgeted by \$81,656.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### Fund Balances:

- The District shows a total for all fund balances of \$3.4M as of June 30, 2014.
- \$2.9M is in the general fund. The District utilizes this fund balance for funding future short-term operations. The fund balance is 17.1% of general fund expenditures. The Board of Education's policy is to have a minimum fund balance of at least 5%. The board policy goal has been met and the District will strive to maintain at least that level of fund balance.
- \$201,978 in the debt service fund (Funds 38 & 39) is reserved to make future payments on long-term debt.
- Fund balances in the food service fund and community service funds will be used to fund continuing operations in those funds.

### Capital Asset and Debt Administration:

#### Capital Assets

- At year-end, the District had \$11.2M in capital assets. Further detail can be found in Note 3 in the financial statements.

#### Long-term Debt

- At year-end, the District had \$7.0M in long-term obligations. Further detail can be found in Note 5 in the financial statements.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

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

Many things occur 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.
- Another 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. Since 2004-2005 to this year the full time equivalency in the District has increased. At this time future student enrollment projections are projected to increase slightly; as this happens budget adjustments and cuts will have to be made to account for this. 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 future to study needs and usage of the facilities.
- The District will take advantage of the opportunity to refinance its callable debt during 2014-2015. This refinancing will allow the District to restructure its debt schedule to have all current debt issues paid off by 2018, three years ahead of the current 2021 finish date. This will provide for additional flexibility when developing the upcoming strategic plan.
- Health insurance is an issue that will be continuously reviewed and changes will be to keep the District compliant with the Affordable Care Act. This will have financial impact on the District that must be considered.
- During 2014-2015, the District will have the first year of implementation of the new compensation model for professional staff. The District is also going to be looking at the redevelopment of pay schedules for co and extracurricular activities.
- The District will continue full implementation of the Common Core Curriculum Standards and Response to Intervention and begin the process for Behavioral Intervention. These programs will involve more rigorous standards for students and staff. Any available funding will be directed toward these needs.
- The District is also preparing for the coming of the new state testing, Smarter Balanced Assessment/Badger Test, which will begin in 2014-2015. This will be a computerized state standardized test. The District feels that with the technology upgrades that were done, we will be ready to administer these new tests.

### *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, WI 54130-7593.

**BASIC FINANCIAL STATEMENTS**



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**STATEMENT OF NET POSITION**

June 30, 2014

**ASSETS**

Current assets:

Cash and investments	\$ 3,700,757
Taxes receivable	1,835,579
Accounts receivable	93,969
Due from other governments	597,589
Inventory	11,027
Total current assets	6,238,921

Capital assets:

Land, buildings and equipment	18,833,665
Less accumulated depreciation	7,586,964
Net capital assets	11,246,701

Total assets	17,485,622
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**LIABILITIES**

Current liabilities:

Short term notes payable	2,100,000
Current portion of bonds and notes payable	1,451,824
Accounts payable	2,046
Food service deposits	15,615
Accrued salaries and wages	26,324
Accrued payroll taxes and withholdings	638,901
Accrued interest payable	79,105
Total current liabilities	4,313,815

Long-term liabilities:

Bonds and notes payable	3,774,782
Other post employment benefits	1,647,640
Unused vested employee benefits	75,915
Total long-term liabilities	5,498,337

Total liabilities	9,812,152
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**DEFERRED INFLOWS OF RESOURCES**

Future pledge collections	6,500
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**NET POSITION**

Invested in capital assets, net of related debt	7,040,095
Restricted	481,379
Unrestricted	145,496
Total net position	\$ 7,666,970

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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction:				
Undifferentiated curriculum	\$ 2,942,423	\$ 444,225	\$ 52,371	\$ ( 2,445,827)
Regular curriculum	3,581,930	444,225	69,260	( 3,068,445)
Special education curriculum	1,792,783	17,616	828,782	( 946,385)
Other instructional curriculum	1,570,242	--	21,334	( 1,548,908)
Total instruction	<u>9,887,378</u>	<u>906,066</u>	<u>971,747</u>	<u>( 8,009,565)</u>
Support services:				
Pupil services	589,161	--	338,104	( 251,057)
Instructional staff services	803,054	--	135,550	( 667,504)
General administration	209,361	--	--	( 209,361)
School building administration	811,306	--	400	( 810,906)
Business administration	2,511,539	--	11,873	( 2,499,666)
Other support services	1,236,672	--	28,734	( 1,207,938)
Total support services	<u>6,161,093</u>	<u>--</u>	<u>514,661</u>	<u>( 5,646,432)</u>
Nonprogram	964,729	--	15,202	( 949,527)
Food service	565,824	340,167	208,878	( 16,779)
Community service	17,638	80	--	( 17,558)
Interest and fiscal charges	264,813	--	--	( 264,813)
Unallocated depreciation	690,486	--	--	( 690,486)
Total activities	<u>\$ 18,551,961</u>	<u>\$ 1,246,313</u>	<u>\$ 1,710,488</u>	<u>( 15,595,160)</u>

General revenues:

General state aids 9,175,328

Property taxes levied for:

General purposes 5,525,757

Debt service 1,510,000

Community service 20,000

Interest income 1,727

Miscellaneous 21,142

Total general revenues 16,253,954

Change in net position 658,794

Net position, beginning of the year 7,008,176

Net position, end of year \$ 7,666,970

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

June 30, 2014

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,202,375	\$ 201,978	\$ 296,404	\$ 3,700,757
Taxes receivable, net	1,835,579	--	--	1,835,579
Accounts receivable	47,146	--	46,823	93,969
Due from other governments	576,183	--	21,406	597,589
Inventory	--	--	11,027	11,027
<b>Total assets</b>	<b>\$ 5,661,283</b>	<b>\$ 201,978</b>	<b>\$ 375,660</b>	<b>\$ 6,238,921</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Short-term liabilities	\$ 2,100,000	\$ --	\$ --	\$ 2,100,000
Accounts payable	2,046	--	--	2,046
Food service deposits	--	--	15,615	15,615
Accrued salaries and wages	26,324	--	--	26,324
Accrued payroll taxes & withholdings	638,901	--	--	638,901
Accrued interest	15,983	--	--	15,983
<b>Total liabilities</b>	<b>2,783,254</b>	<b>--</b>	<b>15,615</b>	<b>2,798,869</b>
<b>Deferred inflows of resources:</b>				
Future pledge collections	--	--	6,500	6,500
<b>Fund balances:</b>				
Nonspendable	--	--	11,027	11,027
<b>Spendable:</b>				
Restricted	--	201,978	268,374	470,352
Assigned	--	--	74,144	74,144
Unassigned	2,878,029	--	--	2,878,029
<b>Total fund balances</b>	<b>2,878,029</b>	<b>201,978</b>	<b>353,545</b>	<b>3,433,552</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,661,283</b>	<b>\$ 201,978</b>	<b>\$ 375,660</b>	<b>\$ 6,238,921</b>

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 POSITION**

June 30, 2014

Total fund balance - governmental funds	\$ 3,433,552
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Amounts reported for governmental activities in the statement of net position 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 \$776,155 accumulated depreciation	345,555	
Buildings, net of \$4,210,460 accumulated depreciation	7,716,750	
Machinery and equipment, net of \$2,562,349 accumulated depreciation	1,682,921	
Building infrastructure, net of \$38,000 accumulated depreciation	<u>    --</u>	
Total capital assets		11,246,701

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.	( 63,122)
--	-----------

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 position. Balances as of June 30, 2014, are:

Bonds and notes payable, including current portion	( 5,226,606)	
Other post employment benefits	( 1,647,640)	
Unused vested employee benefits	<u>( 75,915)</u>	
Total long-term liabilities		<u>( 6,950,161)</u>

Total net position of governmental activities	<u>\$ 7,666,970</u>
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**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2014

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 5,703,450	\$ 1,511,100	\$ 460,526	\$ 7,675,076
Interdistrict sources	739,533	--	--	739,533
Intermediate sources	19,028	--	--	19,028
State sources	9,957,301	--	9,624	9,966,925
Federal sources	571,742	--	218,479	790,221
Other sources	19,972	--	--	19,972
Total revenues	<u>17,011,026</u>	<u>1,511,100</u>	<u>688,629</u>	<u>19,210,755</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	2,922,693	--	21,687	2,944,380
Regular curriculum	3,590,676	--	1,680	3,592,356
Special education curriculum	1,794,183	--	--	1,794,183
Other instructional curriculum	1,583,649	--	48,244	1,631,893
Total instruction	<u>9,891,201</u>	<u>--</u>	<u>71,611</u>	<u>9,962,812</u>
Support services:				
Pupil services	589,161	--	--	589,161
Instructional staff services	808,207	--	--	808,207
General administration	209,361	--	--	209,361
School building administration	815,175	--	--	815,175
Business administration	2,546,272	--	--	2,546,272
Debt service	23,055	1,488,167	--	1,511,222
Other support services	978,625	--	800,000	1,778,625
Total support services	<u>5,969,856</u>	<u>1,488,167</u>	<u>800,000</u>	<u>8,258,023</u>
Nonprogram	964,729	--	--	964,729
Food service	--	--	569,520	569,520
Community service	--	--	17,638	17,638
Total expenditures	<u>16,825,786</u>	<u>1,488,167</u>	<u>1,458,769</u>	<u>19,772,722</u>
Excess of revenues over (under) expenditures	<u>185,240</u>	<u>22,933</u>	<u>( 770,140)</u>	<u>( 561,967)</u>
Other financing sources (uses):				
Loan proceeds	--	--	800,000	800,000
Net change in fund balances	185,240	22,933	29,860	238,033
Fund balances, beginning of year	<u>2,692,789</u>	<u>179,045</u>	<u>323,685</u>	<u>3,195,519</u>
Fund balances, end of year	<u>\$ 2,878,029</u>	<u>\$ 201,978</u>	<u>\$ 353,545</u>	<u>\$ 3,433,552</u>

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, 2014

Net change in fund balance - total governmental funds	\$ 238,033
The change in net position 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 capital outlays exceed depreciation in the current period.	339,413
Other post employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned throughout the year. The increase in other post employment benefits liability is greater than the amounts paid.	( 356,444)
Governmental funds report actual vested employee benefit payments made. The district-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which the accrual basis exceeds actual payments in the current year.	( 8,617)
Accrued interest expense on long-term debt is reported in the district-wide statement of activities and changes in net position but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds.	( 9,319)
Loan proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. This is the amount by which repayments exceed proceeds.	<u>455,728</u>
Change in net position of governmental activities	<u>\$ 658,794</u>

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

FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN

STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

June 30, 2014

	<u>Student Activity</u>
ASSETS	
Cash	<u>\$ 193,094</u>
LIABILITIES	
Due to student organizations	<u>193,094</u>
Net position	<u><u>\$ --</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 U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental 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.

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 other special projects, TEACH, food service, and community service funds.

Additionally, the District reports the following fund type:

Fiduciary Funds - 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.



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

**C. Basis of Presentation**

District-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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, 2014.

The district-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 reconciliation between the district-wide statements and the governmental fund statements.

The statement of net position 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.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, tuition, grants, and student fees.

Expenditures

Under the accrual basis of accounting, expenditures are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**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 the Board of Education (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 2013 tax levy is used to finance operations of the District's fiscal year ended June 30, 2014. All property taxes are considered due on January 1, 2014, 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, 2014, 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. Inventory**

Inventories 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 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:**

**K. Capital Assets and Depreciation**

General capital assets are reported in the district-wide statement of net position 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 position.

**M. Accrued Liabilities and Long-term Debt**

All accrued liabilities and long-term debt are reported in the district-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.

**N. Deferred Outflows / Inflows of Resources**

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category; the future pledge collections are reported in the district-wide statement of net position and the fund financial statements.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

**O. Fund Balances**

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable resources and spendable resources. The District has adopted GASB 54 and the following information relates to its implementation:

In the fund financial statements, governmental funds report aggregate amounts for the classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - this classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions of enabling legislation.

Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board - the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed fund balances as of June 30, 2014.

Assigned fund balance - this classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board, district administrator, and the business manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts in governmental funds, other than in the general fund that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - this fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

The Board has set a general fund minimum fund balance target at least 5% of expenditures and recurring transfers of both the general and special education funds. The special education fund does not meet the definition of a special revenue fund as defined in GASB pronouncements and the activity in this fund is consolidated with the general fund in the fund financial statements.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

**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, agency funds use 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 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 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
- Bonds issued by the Wisconsin Aerospace Authority
- 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

The carrying amount of the District's cash and investments totaled \$3,893,851 on June 30, 2014, as summarized below:

Petty cash funds	\$	275
Deposits with financial institutions		3,885,831
Investments		
Local government investment pool		7,745
		\$ 3,893,851

Reconciliation to the basic financial statements:

Statement of net position	\$	3,700,757
Agency funds		193,094
		\$ 3,893,851

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 2. Cash and Investments - Continued:**

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.

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian. 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.

As of June 30, 2014, the carrying amount of the District's deposits was \$3,886,106 and the bank balance was \$4,177,859. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$3,927,859 was covered by pledged collateral.

The investment in the local government investment pool is insured against defaults in principal payments by Financial Security Assurance Incorporated.

**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 investment in the local government investment pool is not rated.

Following is the distribution of the District's investments:

	Cost	Fair Value
Local government investment pool	\$ 7,745	\$ 7,745

**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.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 3. Capital Assets:**

Capital asset activity for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 1,501,475	\$ --	\$ --	\$ 1,501,475
Land improvements	1,121,710	--	--	1,121,710
Buildings	11,927,210	--	--	11,927,210
Furniture and equipment	3,215,371	1,029,899	--	4,245,270
Building infrastructure	38,000	--	--	38,000
Total	<u>17,803,766</u>	<u>1,029,899</u>	<u>--</u>	<u>18,833,665</u>
Accumulated Depreciation:				
Land improvements	720,069	56,086	--	776,155
Buildings	3,974,413	236,047	--	4,210,460
Furniture and equipment	2,163,996	398,353	--	2,562,349
Building infrastructure	38,000	--	--	38,000
Total	<u>6,896,478</u>	<u>690,486</u>	<u>--</u>	<u>7,586,964</u>
Net total	<u>\$ 10,907,288</u>	<u>\$ 339,413</u>	<u>\$ --</u>	<u>\$ 11,246,701</u>

**Note 4. 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, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance
	<u>\$ 2,300,000</u>	<u>\$ 2,100,000</u>	<u>\$ 2,300,000</u>	<u>\$ 2,100,000</u>

The note was issued on September 26, 2013, and matured on October 10, 2014. The interest rate on the note was 1.00%. The proceeds were used to finance continuing operations.

Interest expense for the year ended June 30, 2014, for short-term notes totaled \$23,055.



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 5. Long-term Obligations:**

Long-term obligations of the District at June 30, 2014:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General obligation debt	\$ 5,682,334	\$ 800,000	\$ 1,255,728	\$ 5,226,606
Other post employment benefits	1,291,196	792,478	436,034	1,647,640
Vested employee benefits	<u>67,298</u>	<u>75,915</u>	<u>67,298</u>	<u>75,915</u>
Totals	<u>\$ 7,040,828</u>	<u>\$ 1,668,393</u>	<u>\$ 1,759,060</u>	<u>\$ 6,950,161</u>

Total interest paid for the year ended June 30, 2014, was \$232,439 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, 2014, 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 promissory note	10/1/2013	4.00%	4/01/2018	\$ 775,000
General obligation refunding bonds	3/02/2009	3.00%-3.50%	4/01/2015	680,000
General obligation refunding bonds	4/01/2005	2.65%-4.20%	4/01/2021	3,345,000
General obligation refunding bonds (JPMorgan Chase)	2/14/2006	5.89%	2/14/2016	181,606
General obligation promissory note	2/15/2007	4.00%	4/01/2016	<u>245,000</u>
Total general obligation debt				<u>\$ 5,226,606</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 5. Long-term Obligations - Continued:**

The 2013 equalized valuation of the District as certified by Wisconsin Department of Revenue is \$723,474,160. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes follows:

Debt limit	
(10% of \$723,474,160)	\$ 72,347,416
Deduct long-term debt applicable to debt margin	5,226,606
Margin of indebtedness	\$ 67,120,810

Aggregate cash flow requirements for the retirement of general-obligation debt and interest on June 30, 2014, follows:

Year ending <i>June 30,</i>	Principal	Interest	Total
2015	\$ 1,451,824	\$ 196,583	\$ 1,648,407
2016	774,782	141,089	915,871
2017	640,000	112,302	752,302
2018	695,000	91,618	786,618
2019-2021	1,665,000	142,194	1,807,194
Totals	\$ 5,226,606	\$ 683,786	\$ 5,910,392

**Note 6. Excess of Actual Expenditures Over Budget:**

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2014:

General fund:

Other instructional curriculum	\$ 5,312
School building administration	10,125
Business administration	116,594

Special Education fund:

Other support services	1,277
Nonprogram	25,246

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 7. Fund Balance Reporting:**

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2014:

<i>Description</i>	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable:				
Inventory - food service	\$ --	\$ --	\$ 11,027	\$ 11,027
Restricted:				
Donations - special revenue trust fund	--	--	61,626	61,626
TEACH fund - future technology expenditures	--	--	45,216	45,216
Debt service	--	201,978	--	201,978
Food service	--	--	161,532	161,532
Assigned:				
Community service fund activities	--	--	74,144	74,144
Unassigned	<u>2,891,226</u>	<u>--</u>	<u>--</u>	<u>2,891,226</u>
Total fund balances	<u>\$ 2,891,226</u>	<u>\$ 201,978</u>	<u>\$ 353,545</u>	<u>\$ 3,446,749</u>

**Note 8. Defined Benefit Pension Plan:**

All eligible Freedom Area School District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for a least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g., teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 8. Defined Benefit Pension Plan - Continued:**

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Contribution rates for 2013 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.65%	6.65%
Executives & elected officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for Freedom Area School District employees covered by the system for the year ended June 30, 2014, was \$8,721,636; the employer's total payroll was \$8,999,583. The total required contribution for the year ended June 30, 2014, was \$1,197,075, which consisted of \$598,538 or 6.65-7.00% of payroll from the employer and \$598,537, or 6.65-7.00% of payroll from employees. Total contributions for the years ended June 30, 2013 and 2012, were \$1,090,493 and \$954,715, 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 benefit. 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, and prior to July 1, 2011, are immediately vested. Participants who initially become WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility for 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: Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. 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. Eligible retirees are retired teachers and administrators that are at least age 55 with a minimum of 15 years of service (if hired after July 1, 2000; at least age 57 with a minimum of 20 years of service are required). The benefit to these eligible retirees is that the District makes the same medical and dental premium contributions as it made on behalf of the retiree until such time that they become Medicare-eligible. The authority to establish and amend benefit provisions is with the Board. There is no financial report issued by the plan.

The contribution requirements of the District are established and may be amended by the Board. The annual required contribution is based on an actuarial study. The actual amounts contributed are based on the pay-as-you-go basis. For the fiscal year ended June 30, 2014, the District contributed \$436,034.

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	\$ 795,470
Interest on net OPEB obligation	51,260
Adjustment to annual required contribution	<u>( 54,252)</u>
Annual OPEB cost	792,478
Contributions made	<u>436,034</u>
Increase in net OPEB obligation	356,444
Net OPEB obligation - beginning of year	<u>1,291,196</u>
Net OPEB obligation - ending of year	<u><u>\$ 1,647,640</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for the current year and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
06/30/14	\$ 792,478	54.81%	\$ 1,647,640
06/30/13	738,768	68.35%	1,291,196
06/30/12	885,108	75.60%	1,057,374

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. Other Post Employment Benefits - Continued:**

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,133,265, and the actuarial value of assets was \$0. This resulted in an unfunded actuarial liability (UAAL) of \$7,133,265. The covered payroll (annual payroll of active employees covered by the plan) was \$8,366,965 and the ratio of UAAL to the covered payroll was 85.26%.

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 - other post employment benefits, presented as required supplementary 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 3.97% 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 10.0% initially, decreasing by 1% per year down to 5.0%. The dental care inflation rate is set at 4.0%. Both rates include a 4.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2014, was 28 years.

**Note 10. 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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 11. 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, 2014. 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 12. Subsequent Events:**

The District has evaluated all subsequent events through November 24, 2014, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FUNDING PROGRESS -  
OTHER POST EMPLOYMENT BENEFITS**

June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratios	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/12	\$ --	\$ 7,133,265	\$ 7,133,265	0.00%	\$ 8,366,965	85.26%
07/01/10	--	8,006,345	8,006,345	0.00%	8,342,724	95.97%
01/01/08	--	7,535,977	7,535,977	0.00%	5,874,414	128.28%

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
GENERAL FUND**

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>				
Local sources	\$ 5,697,349	\$ 5,697,349	\$ 5,703,450	\$ 6,101
Interdistrict sources	720,835	720,835	712,459	( 8,376)
Intermediate sources	6,527	6,527	10,934	4,407
State sources	9,414,873	9,414,873	9,424,127	9,254
Federal sources	190,983	190,983	289,709	98,726
Other sources	26,500	26,500	19,972	( 6,528)
Total revenues	<u>16,057,067</u>	<u>16,057,067</u>	<u>16,160,651</u>	<u>103,584</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Undifferentiated curriculum	2,968,170	2,968,170	2,922,693	45,477
Regular curriculum	3,655,042	3,655,042	3,590,676	64,366
Other instructional curriculum	1,578,337	1,578,337	1,583,649	( 5,312)
Total instruction	<u>8,201,549</u>	<u>8,201,549</u>	<u>8,097,018</u>	<u>104,531</u>
<b>Support services:</b>				
Pupil services	412,812	412,812	410,603	2,209
Instructional staff services	618,463	618,463	608,606	9,857
General administration	230,101	230,101	209,361	20,740
School building administration	805,050	805,050	815,175	( 10,125)
Business administration	2,335,866	2,335,866	2,452,460	( 116,594)
Debt service	25,750	25,750	23,055	2,695
Other support services	981,478	981,478	976,348	5,130
Total support services	<u>5,409,520</u>	<u>5,409,520</u>	<u>5,495,608</u>	<u>( 86,088)</u>
Nonprogram	889,292	889,292	871,983	17,309
Total expenditures	<u>14,500,361</u>	<u>14,500,361</u>	<u>14,464,609</u>	<u>35,752</u>
Excess of revenues over expenditures	<u>1,556,706</u>	<u>1,556,706</u>	<u>1,696,042</u>	<u>139,336</u>
<b>Other financing sources (uses):</b>				
Operating transfers (out)	( 1,556,706)	( 1,556,706)	( 1,510,802)	45,904
Net change in fund balance	--	--	185,240	185,240
Fund balance, beginning of year	<u>2,692,789</u>	<u>2,692,789</u>	<u>2,692,789</u>	--
Fund balance, end of year	<u>\$ 2,692,789</u>	<u>\$ 2,692,789</u>	<u>\$ 2,878,029</u>	<u>\$ 185,240</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
SPECIAL EDUCATION FUND  
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Interdistrict sources	\$ 24,000	\$ 24,000	\$ 27,074	\$ 3,074
Intermediate sources	800	800	8,094	7,294
State sources	515,000	515,000	533,174	18,174
Federal sources	529,272	529,272	282,033	( 247,239)
Other sources	1,000	1,000	--	( 1,000)
Total revenues	<u>1,070,072</u>	<u>1,070,072</u>	<u>850,375</u>	<u>( 219,697)</u>
<b>Expenditures:</b>				
Instruction:				
Special education curriculum	2,046,842	2,046,842	1,794,183	252,659
Support services:				
Pupil services	203,905	203,905	178,558	25,347
Instructional staff services	206,631	206,631	199,601	7,030
Business administration	100,900	100,900	93,812	7,088
Other support services	1,000	1,000	2,277	( 1,277)
Total support services	<u>512,436</u>	<u>512,436</u>	<u>474,248</u>	<u>38,188</u>
Nonprogram	67,500	67,500	92,746	( 25,246)
Total expenditures	<u>2,626,778</u>	<u>2,626,778</u>	<u>2,361,177</u>	<u>265,601</u>
Excess of revenues over (under) expenditures	( 1,556,706)	( 1,556,706)	( 1,510,802)	45,904
Other financing sources (uses):				
Operating transfers in	<u>1,556,706</u>	<u>1,556,706</u>	<u>1,510,802</u>	<u>( 45,904)</u>
Net change in fund balance	--	--	--	--
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>

**OTHER SUPPLEMENTARY INFORMATION**

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2014

	Capital Projects	Special Revenue Funds	Total
<b>ASSETS</b>			
Cash and investments	\$ --	\$ 296,404	\$ 296,404
Accounts receivable	--	46,823	46,823
Due from other governments	--	21,406	21,406
Inventories	--	11,027	11,027
Total assets	\$ --	\$ 375,660	\$ 375,660
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Food service deposits	\$ --	\$ 15,615	\$ 15,615
Deferred inflows of resources			
Future pledge collections	--	6,500	6,500
Fund balances:			
Nonspendable	--	11,027	11,027
Spendable			
Restricted	--	268,374	268,374
Assigned	--	74,144	74,144
Total fund balances	--	353,545	353,545
<b>Total liabilities, deferred inflows of resources and fund balances</b>			
	\$ --	\$ 375,660	\$ 375,660

**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, 2014

	Capital Projects	Special Revenue Funds	Total
Revenues:			
Local sources	\$     --	\$  460,526	\$  460,526
State sources	--	9,624	9,624
Federal sources	--	218,479	218,479
	--	688,629	688,629
Total revenues	--	688,629	688,629
Expenditures:			
Instruction:			
Undifferentiated curriculum	--	21,687	21,687
Regular curriculum	--	1,680	1,680
Other instruction	--	48,244	48,244
Support services:			
Other support services	800,000	--	800,000
Food service	--	569,520	569,520
Community service	--	17,638	17,638
	800,000	658,769	1,458,769
Total expenditures	800,000	658,769	1,458,769
Excess of revenues over (under) expenditures	( 800,000)	29,860	( 770,140)
Other financing sources (uses):			
Loan proceeds	800,000	--	800,000
	800,000	--	800,000
Excess of revenues and other financing sources over expenditures	--	29,860	29,860
Fund balance, beginning of year	--	323,685	323,685
Fund balance, end of year	\$     --	\$  353,545	\$  353,545

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2014

	Other Special Projects	TEACH	Food Service	Community Service	Total
<b>ASSETS</b>					
Cash and investments	\$ 61,106	\$ 45,216	\$ 115,938	\$ 74,144	\$ 296,404
Accounts receivable	7,020	--	39,803	--	46,823
Due from other governments	--	--	21,406	--	21,406
Inventories	--	--	11,027	--	11,027
Total assets	\$ 68,126	\$ 45,216	\$ 188,174	\$ 74,144	\$ 375,660
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Food service deposits	\$ --	\$ --	\$ 15,615	\$ --	\$ 15,615
Deferred inflows of resources:					
Future pledge collections	6,500	--	--	--	6,500
Fund balances:					
Nonspendable	--	--	11,027	--	11,027
Spendable					
Restricted	61,626	45,216	161,532	--	268,374
Assigned	--	--	--	74,144	74,144
Total fund balances	61,626	45,216	172,559	74,144	353,545
Total liabilities, deferred inflows of resources and fund balances	\$ 68,126	\$ 45,216	\$ 188,174	\$ 74,144	\$ 375,660

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

**NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2014

	Other Special Projects	TEACH	Food Service	Community Service	Total
Revenues:					
Local sources	\$ 100,183	\$ 37	\$ 340,167	\$ 20,139	\$ 460,526
State sources	--	--	9,624	--	9,624
Federal sources	19,225	--	199,254	--	218,479
Total revenues	<u>119,408</u>	<u>37</u>	<u>549,045</u>	<u>20,139</u>	<u>688,629</u>
Expenditures:					
Instruction:					
Undifferentiated curriculum	21,687	--	--	--	21,687
Regular curriculum	1,680	--	--	--	1,680
Other instructional curriculum	48,244	--	--	--	48,244
Food service	--	--	569,520	--	569,520
Community service	--	--	--	17,638	17,638
Total expenditures	<u>71,611</u>	<u>--</u>	<u>569,520</u>	<u>17,638</u>	<u>658,769</u>
Net change in fund balances	47,797	37	( 20,475)	2,501	29,860
Fund balances, beginning of year	<u>13,829</u>	<u>45,179</u>	<u>193,034</u>	<u>71,643</u>	<u>323,685</u>
Fund balances, end of year	<u>\$ 61,626</u>	<u>\$ 45,216</u>	<u>\$ 172,559</u>	<u>\$ 74,144</u>	<u>\$ 353,545</u>



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -  
GENERAL FUND**

June 30, 2014

	General Fund	Special Education Fund	Elimination	General Fund Combined
<b>ASSETS</b>				
Cash and investments	\$ 3,202,375	\$ --	\$ --	\$ 3,202,375
Taxes receivable, net	1,835,579	--	--	1,835,579
Account receivable	29,773	17,373	--	47,146
Due from other funds	258,383	--	( 258,383)	--
Due from other governments	335,173	241,010	--	576,183
<b>Total assets</b>	<b>\$ 5,661,283</b>	<b>\$ 258,383</b>	<b>\$ ( 258,383)</b>	<b>\$ 5,661,283</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Short-term liabilities	\$ 2,100,000	\$ --	\$ --	\$ 2,100,000
Accounts payable	2,046	--	--	2,046
Accrued salaries and wages	26,324	--	--	26,324
Accrued payroll taxes & withholdings	638,901	--	--	638,901
Accrued interest	15,983	--	--	15,983
Due to other funds	--	258,383	( 258,383)	--
<b>Total liabilities</b>	<b>2,783,254</b>	<b>258,383</b>	<b>( 258,383)</b>	<b>2,783,254</b>
<b>Fund balances:</b>				
Unassigned	2,878,029	--	--	2,878,029
<b>Total liabilities and fund balances</b>	<b>\$ 5,661,283</b>	<b>\$ 258,383</b>	<b>\$ ( 258,383)</b>	<b>\$ 5,661,283</b>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2014

	General Fund	Special Education Fund	Elimination	General Fund Combined
Revenues:				
Local sources	\$ 5,703,450	\$ --	\$ --	\$ 5,703,450
Interdistrict sources	712,459	27,074	--	739,533
Intermediate sources	10,934	8,094	--	19,028
State sources	9,424,127	533,174	--	9,957,301
Federal sources	289,709	282,033	--	571,742
Other sources	19,972	--	--	19,972
Total revenues	<u>16,160,651</u>	<u>850,375</u>	<u>--</u>	<u>17,011,026</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	2,922,693	--	--	2,922,693
Regular curriculum	3,590,676	--	--	3,590,676
Special education curriculum	--	1,794,183	--	1,794,183
Other instructional curriculum	1,583,649	--	--	1,583,649
Total instruction	<u>8,097,018</u>	<u>1,794,183</u>	<u>--</u>	<u>9,891,201</u>
Support services:				
Pupil services	410,603	178,558	--	589,161
Instructional staff services	608,606	199,601	--	808,207
General administration	209,361	--	--	209,361
School building administration	815,175	--	--	815,175
Business administration	2,452,460	93,812	--	2,546,272
Debt service	23,055	--	--	23,055
Other support services	976,348	2,277	--	978,625
Total support services	<u>5,495,608</u>	<u>474,248</u>	<u>--</u>	<u>5,969,856</u>
Nonprogram	871,983	92,746	--	964,729
Total expenditures	<u>14,464,609</u>	<u>2,361,177</u>	<u>--</u>	<u>16,825,786</u>
Excess of revenues over (under) expenditures	1,696,042	( 1,510,802)	--	185,240
Other financing sources (uses):				
Operating transfers in	--	1,510,802	( 1,510,802)	--
Operating transfers (out)	( 1,510,802)	--	1,510,802	--
Net other financing sources (uses)	<u>( 1,510,802)</u>	<u>1,510,802</u>	<u>--</u>	<u>--</u>
Net change in fund balances	185,240	--	--	185,240
Fund balances, beginning of year	2,692,789	--	--	2,692,789
Fund balances, end of year	<u>\$ 2,878,029</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,878,029</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -  
AGENCY FUNDS**

June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>ASSETS:</b>				
Cash	<u>\$ 202,278</u>	<u>\$ 721,663</u>	<u>\$ 730,847</u>	<u>\$ 193,094</u>
 <b>LIABILITIES</b>				
Due to student organizations:				
High school	\$ 131,135	\$ 503,239	\$ 505,370	\$ 129,004
Summer school	10,570	17,845	19,050	9,365
Officials	444	33,675	34,204	( 85)
Middle school	32,143	88,563	87,524	33,182
Elementary school	21,870	68,298	74,481	15,687
Elementary-Partnership	21	--	--	21
Elementary-Student council	<u>6,095</u>	<u>10,043</u>	<u>10,218</u>	<u>5,920</u>
Total liabilities	<u>\$ 202,278</u>	<u>\$ 721,663</u>	<u>\$ 730,847</u>	<u>\$ 193,094</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2014

Awarding Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Accrued Receivable 6/30/2013	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/2014
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
WI Department of Public Instruction					
<i>Child Nutrition Cluster</i>					
National School Breakfast	10.553	\$ 1,118	\$ 5,338	\$ 5,555	\$ 901
National School Lunch-noncash	10.555	--	46,287	46,287	--
National School Lunch-cash	10.555	19,979	147,453	146,957	20,475
National School Milk	10.556	41	175	186	30
Child Nutrition Cluster total		<u>21,138</u>	<u>199,253</u>	<u>198,985</u>	<u>21,406</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Formula Grants to LEAs	84.060A	--	19,225	19,225	--
Carol M. White Physical Education Program	84.215	92,119	26,457	118,576	--
WI Department of Public Instruction					
<i>Special Education Cluster</i>					
IDEA Flow Through	84.027	313,930	214,775	313,930	214,775
Preschool Entitlement	84.173	15,636	11,061	15,636	11,061
Special Education Cluster total		<u>329,566</u>	<u>225,836</u>	<u>329,566</u>	<u>225,836</u>
Title IA-Basic Grant	84.010	131,946	118,786	131,946	118,786
Title IIA - Quality Teachers	84.367	40,588	38,140	40,588	38,140
CESA #6					
LVEC - Carl Perkins	84.048	--	548	548	--
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
WI Department of Health Services					
Medical Assistance Program	93.778	--	162,524	159,914	2,610
Totals		<u>\$ 615,357</u>	<u>\$ 790,769</u>	<u>\$ 999,348</u>	<u>\$ 406,778</u>

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE AWARDS.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**

For the Year Ended June 30, 2014

Awarding Agency/ Pass-Through Agency/ Award Description	State ID Number	Accrued Receivable 6/30/2013	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/2014
<b>WI DEPARTMENT OF PUBLIC INSTRUCTION</b>					
Special Education and					
School Age Parents	255.101	\$ --	\$ 533,174	\$ 533,174	\$ --
State School Lunch Aid	255.102	--	7,449	7,449	--
Common School Fund Library Aid	255.103	--	59,056	59,056	--
General Transportation Aid	255.107	--	54,601	54,601	--
WI School Day Milk Program	255.109	--	1,570	1,570	--
General Equalization Aids	255.201	171,399	9,175,328	9,182,094	164,633
Alcohol and Other Drug Abuse	255.306	1,000	874	1,000	874
School Breakfast Program	255.344	--	604	604	--
Per Pupil Adjustment Aid	255.925	--	121,425	121,425	--
Educator Effectiveness Grant	255.940	--	10,400	10,400	--
<b>CESA#6</b>					
Special Education and					
School Age Parents	255.101	--	8,094	8,094	--
Local Youth Apprenticeship	445.112	--	3,686	3,686	--
<b>WI DEPARTMENT OF REVENUE</b>					
Exempt Computer Aid	XXX.XXX	<u>2,787</u>	<u>2,444</u>	<u>2,787</u>	<u>2,444</u>
Totals		<u>\$ 175,186</u>	<u>\$ 9,978,705</u>	<u>\$ 9,985,940</u>	<u>\$ 167,951</u>

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE AWARDS.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2014

**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 2013-2014 eligible costs under the state special education program as reported by the District are \$2,054,213.



## **Erickson & Associates, S.C.**

*Certified Public Accountants and Financial Consultants*

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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, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, and 2014-003 to be significant deficiencies in internal control.

## **Compliance and Other Matters**

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

## **The District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Education, management of the District, 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.  
Appleton, Wisconsin  
November 24, 2014





## **Erickson & Associates, S.C.**

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### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES***

Board of Education  
Freedom Area School District  
Freedom, Wisconsin

#### **Report on Compliance for Each Major Federal and State Program**

We have audited the compliance of Freedom Area School District (District), with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2014. The 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.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each federal and state program. However, our audit does not provide a legal determination of the District's compliance.

#### **Opinion on Each Major Federal and State Program**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2014-004 to be a significant deficiency in internal control over compliance.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response is not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Education, management of the District, 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.

Appleton, Wisconsin

November 24, 2014

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2014

**Summary of Auditor's Results:**

*Financial Statements*

Type of auditor's report on financial statements:	Unmodified 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 major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor's report on compliance for major programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section .510(1)?	Yes
Identification of major federal programs:	

10.553  
10.555  
10.555  
10.556

*Child Nutrition Cluster:*  
National School Breakfast  
National School Lunch - noncash  
National School Lunch - cash  
National School Milk

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 major programs:	
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:	Unmodified 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  
255.201  
255.945

Special Education and  
School Age Parents  
General Equalization Aids  
Per Pupil Adjustment Aid

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

For the Year Ended June 30, 2014

**Financial Statement Findings:**

**2014-001 Lack of Adequate Segregation of Duties in the System of Controls**

Condition: The size of the District's office staff precludes an adequate segregation of accounting and reporting functions necessary to ensure an adequate internal control system. The District primarily operates its accounting and reporting functions with two individuals.

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting, the selection and application for accounting principles, and the safeguarding of assets. Proper segregation of duties provides a system of checks and balances on the accounting system and reduces the risk of errors and irregularities, both intentional and unintentional.

Cause: Proper segregation of duties in the system of internal controls is not accomplished.

Recommendation: Management and the elected body should continue the monitoring and supervision of the accounting and reporting functions. Monthly reporting of actual results, both revenues and expenditures, to budget is recommended.

District Response: We have evaluated the cost/benefit of hiring additional support staff to achieve proper separation of duties and at this point it is not possible due to budget constraints

**2014-002 Financial Statement Preparation**

Condition: The District has historically relied upon its auditors to assist in the preparation of the district-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 district-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.

District 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.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

For the Year Ended June 30, 2014

**2014-003 Bank Reconciliations**

- Condition: During our audit, inaccuracies in bank reconciliations that were prepared by District staff during the year were brought to our attention by the Business Manager.
- Criteria: Pursuant to SAS 115, *Communicating Internal Control Related Matters Identified in an Audit*, we are required to report a significant deficiency if we identify that a properly designed control is not operating as designed.
- Cause: To produce financial statements in conformity with generally accepted accounting principles, proper bank reconciliation procedures had to be performed and adjustments needed to be made to bank reconciliations.
- Recommendation: The District should implement bank reconciliation preparation and review procedures to ensure any inaccuracies are detected and corrected on a timely basis. One way to address this is to have a District employee, who is not involved with the cash receipts or disbursements process, perform the bank reconciliation on a monthly basis.
- District Response: The District will implement procedures to ensure bank reconciliations are accurate and completed on a timely basis.

**Federal and State Findings and Questioned Costs:**

**2014-004 Child Nutrition Cluster**

- Condition: During our audit, the results of an administrative review summary report prepared by the Wisconsin Department of Public Instruction was provided to us as the auditors. There were instances of improper accountability regarding reimbursable meals indicated in this report.
- Criteria: Pursuant to OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in order for the District to be in compliance with the U.S.D.A. regarding accountability for reimbursable meals, there needs to be a system in place to ensure that the reimbursable meal count is accurate.
- Cause: Due to the fact that there was not a system in place to ensure reimbursable meals were counted properly, there was a risk that meals were counted as reimbursable that should not be or meals were not counted as reimbursable that should have been counted.
- Recommendation: The District should implement appropriate policies and procedures in conjunction with training staff on the requirements relating to accumulating data to determine the correct number of reimbursements for the breakfast, milk, and lunch programs.
- District Response: The District will implement procedures to address these issues by following the recommendations set forth by the Wisconsin Department of Public Instruction.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2014**

**Status of Prior Year Findings:**

The findings noted in the 2013 schedule of findings and questioned costs have been reported to the proper federal and state agencies.

Regarding finding 2013-001, management continues to believe the costs of hiring staff experienced in preparing financial statements, along with additional training time, outweigh the benefits.

Regarding finding 2013-002, fewer entries were required to be made by the auditors and this issue did not result in a finding for the 2013-14 fiscal year.

**Corrective Action Plan:**

The contact person responsible for these findings is Maggie Gagnon, Business Manager.

Finding 2014-001 is an ongoing finding and is anticipated to be a finding in future years. See management's response to this finding in the schedule of findings and questioned costs.

Finding 2014-002 is an ongoing finding and is anticipated to be a finding in future years. See management's response to this finding on page 54.

Regarding finding 2014-003, management plans to implement bank reconciliation preparation and review procedures to ensure accuracy in the future.

Regarding finding 2014-004, management has implemented changes in policies to address this issue and this finding is expected to be resolved in the near future.