

**FREEDOM AREA SCHOOL DISTRICT**  
**FREEDOM, WISCONSIN**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018, 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, 2018, 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**

For the year ended June 30, 2018, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 funds, nonmajor special revenue funds, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, and are also not a required part of the basic financial statements.

The nonmajor governmental funds, nonmajor special revenue funds, general fund, and agency funds 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 January 2, 2019, 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 solely 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 effectiveness of the District's 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

January 2, 2019

**FREEDOM AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2018

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, 2018. 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 \$7,375 to \$3,190,085. The fund balance is 18.0% of general fund expenditures. The Board of Education policy is to have a fund balance of greater than 5%.
- General Fund actual revenues of \$17,714,791 were \$31,613 less than final budgeted revenues of \$17,746,404. Actual expenditures of \$17,707,416 were \$38,988 less than the final budgeted expenditures of \$17,746,404. Actual expenditures were approximately 99% of revenues.
- For 2017-2018 the District increased compensation to support staff and administrative staff by the allowed CPI increase of 1.26%. The District continued with health and wellness initiatives to keep costs contained in that area. The cost of salaries and fringe benefits for the District across all funds and for all purposes was \$14,370,827 during 2017-2018 or 66.2% of the entire budget for funds that have salary and fringes.
- During 2017-2018 the District held a referendum to build a new high school with athletic facilities as well as make renovations to the other two campuses. This referendum was defeated two to one in November 2017. Talks about what next were begun during the year. The Board did pass a resolution for \$1,150,000 for safety and security upgrades which would occur during the 2018-2019 fiscal year. During 2017-2018 the District was debt free.

The District website can be found at [www.freedomschools.k12.wi.us](http://www.freedomschools.k12.wi.us). Much more information on these topics can be found there.

**FREEDOM AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

**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 *Balance Sheet - Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* focus on individual parts of the District. Fund financial 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 Supplementary Information* provides information specific to nonmajor governmental funds and the schedules of expenditures of federal and state awards.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

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, 2018

**Table #2**

<b>Condensed Statement of Net Position</b>			
	<b><u>2018</u></b>	<b><u>2017</u> <u>As Restated</u></b>	<b><u>%</u> <u>Change</u></b>
<b><u>Assets</u></b>			
Current Assets	\$5,894,662	\$5,613,891	5%
Capital Assets	\$9,370,483	\$9,793,766	(4%)
Noncurrent Assets	\$1,828,344	\$ - -	100%
<b>Total Assets</b>	<b>\$17,093,489</b>	<b>\$15,407,657</b>	11%
<b><u>Deferred Outflows of Resources</u></b> (2017 is Restated - See Note #14)	<b>\$5,293,406</b>	<b>\$4,470,734</b>	18%
<b><u>Liabilities</u></b>			
Current Liabilities	\$1,793,249	\$2,246,934	(20%)
Noncurrent Liabilities (2017 is Restated - See Note #14)	\$7,424,071	\$7,622,823	(3%)
<b>Total Liabilities</b>	<b>\$9,217,320</b>	<b>\$9,869,757</b>	(7%)
<b><u>Deferred Inflows of Resources</u></b>	<b>\$5,568,761</b>	<b>\$2,122,401</b>	162%
<b><u>Net Position</u></b>			
Invested in Capital Assets, Net of Related Debt	\$9,370,483	\$9,218,766	2%
Restricted	\$807,284	\$666,502	21%
Unrestricted (2017 is Restated - See Note #14)	\$(2,576,953)	\$(1,999,035)	(29%)
<b>Total Net Position</b>	<b>\$7,600,814</b>	<b>\$7,886,233</b>	(4%)

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

The District's overall financial status, as reflected in total net position, decreased by \$285,419 to \$7.6M or 4% from FY16-17 figures, which were restated due to the implementation of GASB Statement No. 75 for the OPEB plan (see note #14 for more information). The District reported total assets of \$17.1M, of which \$1.8M are noncurrent assets and \$9.4M are capital assets. The District reported deferred outflows of \$5.3M at June 30, 2018 relating to the WRS net pension liability and the District's OPEB plan. The District reported total liabilities of \$9.2M, of which \$7.4M are long-term liabilities. The District reported deferred inflows of resources in the amount of \$5.6M, relating to the WRS net pension liability.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

**Table #3**

<b>Changes in Net Position from Operating Results For Governmental Activities</b>					
	<u>2017-18</u>	<u>%</u>	<u>2016-17</u>	<u>%</u>	<u>% Change</u>
<b>Revenues:</b>					
<b>Program:</b>					
Charges for Services	\$1,530,593	8%	\$1,539,294	8%	(1%)
Operating Grants & Cont.	\$1,630,288	8%	\$2,032,849	10%	(20%)
<b>General:</b>					
General State Aids	\$10,443,339	52%	\$9,957,391	48%	5%
Property Taxes	\$6,185,774	31%	\$6,851,234	34%	(10%)
Other	\$108,782	1%	\$14,185	0%	667%
<b>Total Revenues</b>	<b><u>\$19,898,776</u></b>	<b><u>100%</u></b>	<b><u>\$20,394,953</u></b>	<b><u>100%</u></b>	<b>(2%)</b>
<b>Expenses:</b>					
Instruction	\$11,385,994	56%	\$10,853,405	54%	5%
Support Services	\$6,170,135	31%	\$6,514,876	33%	(5%)
Nonprogram	\$1,452,988	7%	\$1,441,785	7%	1%
Food Service, Community	\$549,464	3%	\$597,921	3%	(8%)
Interest and Fiscal Charges	\$23,496	0%	\$43,476	0%	(46%)
Unallocated Depreciation	\$602,118	3%	\$592,496	3%	2%
<b>Total Expenses</b>	<b><u>\$20,184,195</u></b>	<b><u>100%</u></b>	<b><u>\$20,043,959</u></b>	<b><u>100%</u></b>	<b>1%</b>
<b>Change in Net Position</b>	<b><u>\$(285,419)</u></b>		<b><u>\$350,994</u></b>		<b>(181%)</b>

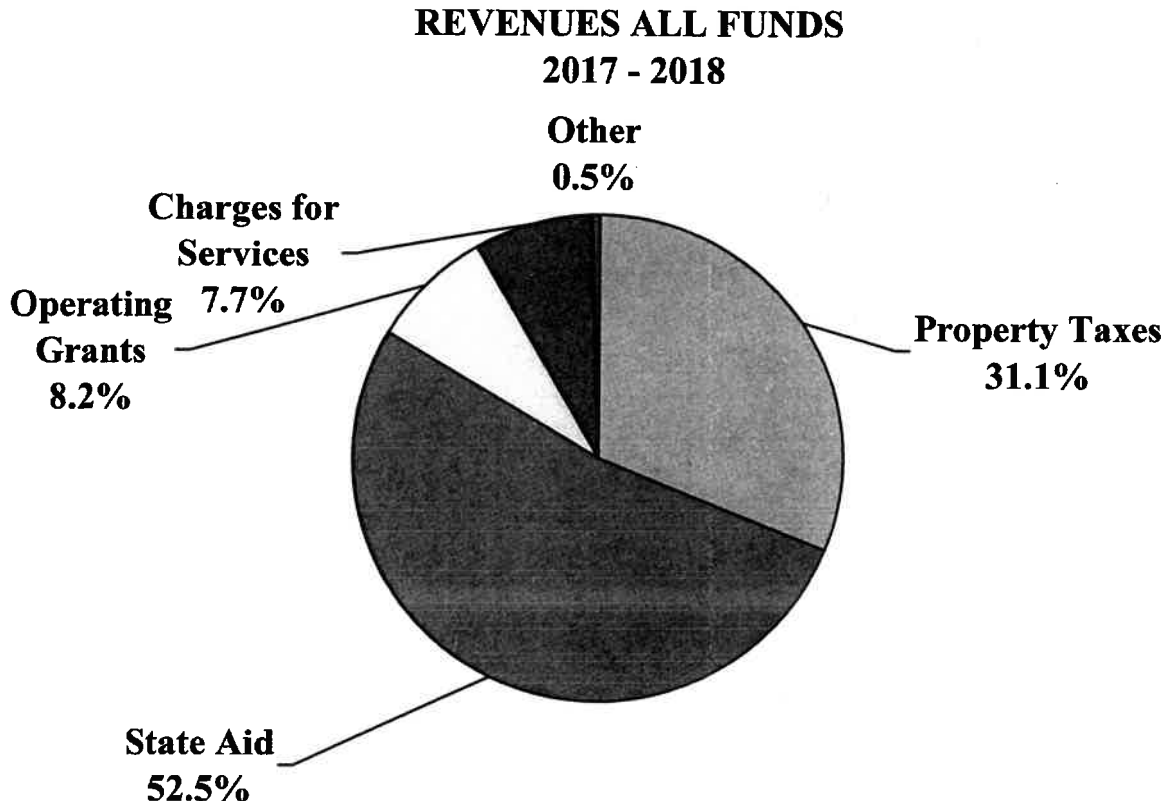
# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

### Revenues: (Table #3)

- For FY2017-18, the District received \$19.9M in revenue. This is a decrease of 2% or \$496,177 over the previous year. General state aids increased over the prior year by \$485,948 to \$10.4M. Property taxes decreased by \$665,460 to \$6.2M. For FY2017-18, 52% of total revenue came from general state aids, and 31% came from local school property taxes. The District received approximately 16% 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 \$1.5M of the cost, a decrease of \$8,701 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 \$1.6M, which is a decrease of \$402,561 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.
- The District received \$108,782 in other income, an increase of \$94,597 from the prior year.



# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

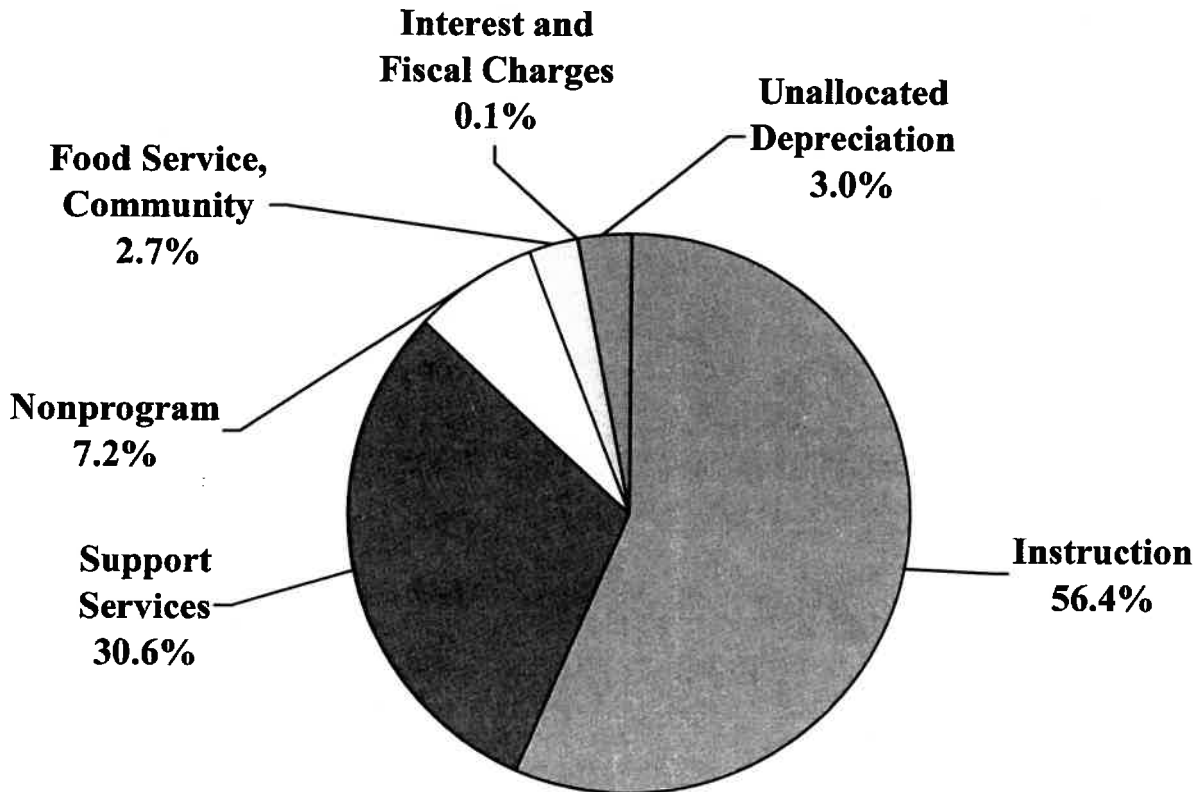
For the Year Ended June 30, 2018

### Expenses: (Table #3)

- For FY2017-18, the District's total expenditure amount was \$20.2M. This is an increase of \$140,236 from the prior year. For FY2017-18, 56% was directed to instruction and 31% was directed to support services. Nonprogram expenditure amounts were 7% of the total. The food service program and community service represents 3% and costs for debt service represented 0% of total expenditures.

### EXPENDITURES ALL FUNDS

2017 - 2018



# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

**Table #4**

<b>Net Cost of Governmental Activities</b>		
	<b><u>Total Cost of Services</u></b>	<b><u>Net Cost of Services</u></b>
Instruction	\$11,385,994	\$9,017,757
Support Services	\$6,170,135	\$5,885,853
Nonprogram	\$1,452,988	\$1,452,522
Food Service, Community Service	\$549,464	\$41,568
Interest and Fiscal Charges	\$23,496	\$23,496
Unallocated Depreciation	\$602,118	\$602,118
<b>Totals</b>	<b><u>\$20,184,195</u></b>	<b><u>\$17,023,314</u></b>

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

- Total cost of all governmental activities was \$20.2M.
- The net cost of governmental activities, \$17.0M, was financed by general revenues, which are primarily made up of general state aids of \$10.4M and property taxes of \$6.2M. Miscellaneous and investment earnings accounted for \$108,782. In addition, District operations were subsidized by \$3.2M, 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 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 \$7,375. Total revenues were lower than budgeted by \$31,613. Total expenditures were less than budgeted by \$38,988.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

### **Fund Balances:**

- The District shows a total for all fund balances of \$4.1M as of June 30, 2018.
- \$3.2M is in the general fund. The District utilizes this fund balance for funding future short-term operations. The fund balance is 18.0% 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.
- \$2,523 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, long-term capital projects 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 \$9.4M in capital assets. Further detail can be found in Note 3 in the financial statements.

#### Long-term Debt

- At year-end, the District had \$7.4 in long-term obligations. Further detail can be found in Note 5 in the financial statements.

### **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. At this time the District does have a slight decline in enrollment.

# **FREEDOM AREA SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2018

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

- Health insurance is an issue that will be continuously reviewed and changes will be made to keep the District compliant with the Affordable Care Act. This will have financial impact on the District that must be considered. For 2018-2019 the District made a health insurance carrier change. This allowed a much smaller health insurance increase with little plan design changes.
- The District will redevelop pay schedules for the support staff during 2018-2019. This is the second year of this process with hopes to complete and implement for 2019-2020.
- The District will send out a follow up survey to the defeated referendum to find out why it did not pass and what areas would be supported by the public. This process could lead to another future referendum which will have many impacts on the budget.

### **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, Director of Business Services, 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, 2018

**ASSETS**

Current assets:

Cash and investments	\$ 3,621,583
Taxes receivable	1,502,404
Accounts receivable	42,283
Due from other governments	718,433
Inventory	9,959
Total current assets	<u>5,894,662</u>

Noncurrent assets:

Net pension asset - WRS pension	<u>1,828,344</u>
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Capital assets:

Land, buildings and equipment	19,474,494
Less accumulated depreciation	<u>10,104,011</u>
Net capital assets	<u>9,370,483</u>

Total assets	<u>17,093,489</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to WRS pension	5,018,681
Deferred outflows related to OPEB	<u>274,725</u>

Total deferred outflows of resources	<u>5,293,406</u>
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## LIABILITIES

### Current liabilities:

Short term notes payable	1,200,000
Food service deposits	23,820
Accrued salaries and wages	16,131
Accrued payroll taxes and withholdings	540,740
Accrued interest payable	12,558
Total current liabilities	<u>1,793,249</u>

### Long-term liabilities:

Other post employment benefits	7,360,566
Unused vested employee benefits	63,505
Total long-term liabilities	<u>7,424,071</u>

Total liabilities	<u>9,217,320</u>
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## DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to WRS pension	<u>5,568,761</u>
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## NET POSITION

Invested in capital assets, net of related debt	9,370,483
Restricted	807,284
Unrestricted	<u>( 2,576,953)</u>
Total net position	<u>\$ 7,600,814</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Instruction:</b>				
Undifferentiated curriculum	\$ 3,221,434	\$ 617,382	\$ 43,385	\$ ( 2,560,667)
Regular curriculum	4,088,788	617,382	103,279	( 3,368,127)
Special education curriculum	2,243,854	--	900,761	( 1,343,093)
Other instructional curriculum	1,831,918	--	86,048	( 1,745,870)
Total instruction	<u>11,385,994</u>	<u>1,234,764</u>	<u>1,133,473</u>	<u>( 9,017,757)</u>
<b>Support services:</b>				
Pupil services	588,183	--	128,552	( 459,631)
Instructional staff services	876,798	--	96,634	( 780,164)
General administration	266,505	--	1,930	( 264,575)
School building administration	1,005,932	--	--	( 1,005,932)
Business administration	2,601,518	--	26,523	( 2,574,995)
Other support services	831,199	--	30,643	( 800,556)
Total support services	<u>6,170,135</u>	<u>--</u>	<u>284,282</u>	<u>( 5,885,853)</u>
Nonprogram	1,452,988	--	466	( 1,452,522)
Food service	542,304	295,829	212,067	( 34,408)
Community service	7,160	--	--	( 7,160)
Interest and fiscal charges	23,496	--	--	( 23,496)
Unallocated depreciation	602,118	--	--	( 602,118)
Total activities	<u>\$ 20,184,195</u>	<u>\$ 1,530,593</u>	<u>\$ 1,630,288</u>	<u>( 17,023,314)</u>

**General revenues:**

General state aids	10,443,339
Property taxes levied for:	
General purposes	5,591,774
Debt service	579,000
Community service	15,000
Interest income	1,706
Miscellaneous	107,076
Total general revenues	<u>16,737,895</u>
Change in net position	( 285,419)
Net position, beginning of the year, as restated	<u>7,886,233</u>
Net position, end of year	<u>\$ 7,600,814</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2018**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,875,035	\$ 2,523	\$ 744,025	\$ 3,621,583
Taxes receivable, net	1,502,404	--	--	1,502,404
Accounts receivable	14,229	--	28,054	42,283
Due from other funds	--	--	150,000	150,000
Due from other governments	717,846	--	587	718,433
Inventory	--	--	9,959	9,959
<b>Total assets</b>	<b>\$ 5,109,514</b>	<b>\$ 2,523</b>	<b>\$ 932,625</b>	<b>\$ 6,044,662</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Short-term liabilities	\$ 1,200,000	\$ --	\$ --	\$ 1,200,000
Food service deposits	--	--	23,820	23,820
Accrued salaries and wages	16,131	--	--	16,131
Accrued payroll taxes & withholdings	540,740	--	--	540,740
Accrued interest	12,558	--	--	12,558
Due to other funds	150,000	--	--	150,000
<b>Total liabilities</b>	<b>1,919,429</b>	<b>--</b>	<b>23,820</b>	<b>1,943,249</b>
<b>Fund balances:</b>				
Nonspendable	--	--	9,959	9,959
<b>Spendable:</b>				
Restricted	--	2,523	794,802	797,325
Assigned	--	--	104,044	104,044
Unassigned	3,190,085	--	--	3,190,085
<b>Total fund balances</b>	<b>3,190,085</b>	<b>2,523</b>	<b>908,805</b>	<b>4,101,413</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,109,514</b>	<b>\$ 2,523</b>	<b>\$ 932,625</b>	<b>\$ 6,044,662</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, 2018

Total fund balance - governmental funds		\$ 4,101,413
Amounts reported for governmental activities in the statement of net position are different because:		
WRS net pension assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.		1,828,344
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 \$981,152 accumulated depreciation	145,398	
Buildings, net of \$5,130,749 accumulated depreciation	6,796,461	
Machinery and equipment, net of \$3,954,110 accumulated depreciation	927,149	
Building infrastructure, net of \$38,000 accumulated depreciation	--	
Total capital assets	9,370,483	
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		5,293,406
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, 2018, are:		
Other post employment benefits	( 7,360,566)	
Unused vested employee benefits	( 63,505)	
Total long-term liabilities	( 7,424,071)	
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		( 5,568,761)
Total net position of governmental activities		\$ 7,600,814

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2018

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 5,814,297	\$ 579,034	\$ 378,698	\$ 6,772,029
Interdistrict sources	1,029,040	--	--	1,029,040
Intermediate sources	35,763	--	--	35,763
State sources	11,166,512	--	9,151	11,175,663
Federal sources	559,657	--	219,763	779,420
Other sources	106,861	--	--	106,861
Total revenues	<u>18,712,130</u>	<u>579,034</u>	<u>607,612</u>	<u>19,898,776</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Undifferentiated curriculum	3,093,890	--	15,906	3,109,796
Regular curriculum	3,946,536	--	801	3,947,337
Special education curriculum	2,166,567	--	--	2,166,567
Other instructional curriculum	1,734,272	--	40,518	1,774,790
Total instruction	<u>10,941,265</u>	<u>--</u>	<u>57,225</u>	<u>10,998,490</u>
<b>Support services:</b>				
Pupil services	567,688	--	200	567,888
Instructional staff services	849,696	--	--	849,696
General administration	257,722	--	--	257,722
School building administration	965,639	--	354	965,993
Business administration	2,615,989	--	--	2,615,989
Debt service	17,504	586,500	--	604,004
Other support services	886,264	--	8,103	894,367
Total support services	<u>6,160,502</u>	<u>586,500</u>	<u>8,657</u>	<u>6,755,659</u>
Nonprogram	1,452,988	--	--	1,452,988
Food service	--	--	530,531	530,531
Community service	--	--	7,160	7,160
Total expenditures	<u>18,554,755</u>	<u>586,500</u>	<u>603,573</u>	<u>19,744,828</u>
Excess of revenues over (under) expenditures	<u>157,375</u>	<u>( 7,466)</u>	<u>4,039</u>	<u>153,948</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	--	--	150,000	150,000
Operating transfers (out)	( 150,000)	--	--	( 150,000)
Net other financing sources (uses)	<u>( 150,000)</u>	<u>--</u>	<u>150,000</u>	<u>--</u>
Net change in fund balances	7,375	( 7,466)	154,039	153,948
Fund balances, beginning of year	3,182,710	9,989	754,766	3,947,465
Fund balances, end of year	<u>\$ 3,190,085</u>	<u>\$ 2,523</u>	<u>\$ 908,805</u>	<u>\$ 4,101,413</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, 2018**

Net change in fund balance - total governmental funds	\$ 153,948
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 depreciation exceeds capital outlays in the current period.	( 423,283)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount pension expense exceeds the amounts contributed by the District based on WRS calculations.	( 238,227)
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.	( 355,198)
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 the actual payments in the current year.	( 3,167)
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.	5,508
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>575,000</u>
Change in net position of governmental activities	<u>\$ ( 285,419)</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS**

June 30, 2018

	<u>Student Activity</u>
<b>ASSETS</b>	
Cash	\$ 269,944
<b>LIABILITIES</b>	
Due to student organizations	<u>269,944</u>
Net position	<u><u>\$ --</u></u>



**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 61 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.

Long-term capital improvement fund - the long-term capital improvement fund is used to account for financial resources to be used for the acquisition or construction of capital facilities. The District may not expend money deposited into the fund for a period of five years. The fund was established in June 2015 and first funded in July 2015.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

Additionally, the District reports the following fund 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.

**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, 2018.

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 local government 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 2017 tax levy is used to finance operations of the District's fiscal year ended June 30, 2018. All property taxes are considered due on January 1, 2018, 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, 2018, 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 has 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*. In addition to assets and liabilities, the statement of net position will report separate sections for deferred outflows and deferred inflows of resources. The 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 has deferred outflows relating to the WRS pension plan and its OPEB plan.

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 deferred inflows relating to the WRS pension plan.

**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, 2018.

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. WRS Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Q. OPEB Plan**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB benefit, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the OPEB plans' fiduciary net position have been determined on the same basis as they are reported to the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**R. Accounting Changes**

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2018. This statement addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total OPEB liability and related measures, and the classification of employer-paid contributions. This statement adds separate financial statements element relating to the District's OPEB plan including, deferred outflows of resources and deferred inflows of resources.

**R. 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.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

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 \$3,891,527 on June 30, 2018, as summarized below:

Petty cash funds	\$	275
Deposits with financial institutions		3,890,690
Investments:		
Local Government Investment Pool		562
		<u>\$ 3,891,527</u>
Reconciliation to the basic financial statements:		
Statement of net position	\$	3,621,583
Agency funds		269,944
		<u>\$ 3,891,527</u>

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



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

*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, 2018, the carrying amount of the District's deposits was \$3,890,690 and the bank balance was \$4,147,028. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$3,482,188 was covered by pledged collateral leaving \$414,840 uncovered and uninsured.

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	\$ 562	\$ 562

*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, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Land	\$ 1,501,475	\$ --	\$ --	\$ 1,501,475
Land improvements	1,126,550	--	--	1,126,550
Buildings	11,927,210	--	--	11,927,210
Furniture and equipment	4,723,824	178,835	21,400	4,881,259
Building infrastructure	38,000	--	--	38,000
<b>Totals</b>	<u>19,317,059</u>	<u>178,835</u>	<u>21,400</u>	<u>19,474,494</u>
<b>Accumulated depreciation:</b>				
Land improvements	930,524	50,628	--	981,152
Buildings	4,901,531	229,218	--	5,130,749
Furniture and equipment	3,653,238	322,272	21,400	3,954,110
Building infrastructure	38,000	--	--	38,000
<b>Totals</b>	<u>9,523,293</u>	<u>602,118</u>	<u>21,400</u>	<u>10,104,011</u>
<b>Net totals</b>	<u>\$ 9,793,766</u>	<u>\$ ( 423,283)</u>	<u>\$ --</u>	<u>\$ 9,370,483</u>

All depreciation expense was charged to unallocated depreciation.

**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, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

The note was issued on September 27, 2017, and matured on October 8, 2018. The interest rate on the note was 1.375%. The proceeds were used to finance continuing operations.

Interest expense for the year ended June 30, 2018, for short-term notes totaled \$16,683.

**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, 2018:

<i>Type</i>	Beginning Balance as Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation debt	\$ 575,000	\$ --	\$ 575,000	\$ --	\$ --
Net pension liability - WRS	509,823	--	509,823	--	--
Other post employment benefits	7,052,662	307,904	--	7,360,566	--
Vested employee benefits	60,338	63,505	60,338	63,505	--
<b>Totals</b>	<b>\$ 8,197,823</b>	<b>\$ 371,409</b>	<b>\$ 1,145,161</b>	<b>\$ 7,424,071</b>	<b>\$ --</b>

Total interest paid for the year ended June 30, 2018, was \$11,500 for general obligation debt.

All general long-term obligations are secured by the full faith and credit and unlimited taxing powers of the District.

The 2017 equalized valuation of the District as certified by Wisconsin Department of Revenue is \$864,753,591. The legal debt limit and margin of indebtedness as of June 30, 2018, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes follows:

Debt limit (10% of \$864,753,591)	\$ 86,475,359
Deduct long-term debt applicable to debt margin	--
Margin of indebtedness	<u>\$ 86,475,359</u>

**Note 6. Inter-fund Transactions:**

Inter-fund balances on the fund financial statements at June 30, 2018, consisted of the following:

<i>Fund</i>	Due From	Due To
General	\$ --	\$ 150,000
Long-term capital improvement fund	150,000	--
<b>Totals</b>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

The inter-fund balance between the general fund and the long-term capital improvement fund exists to provide additional funding for future capital improvement projects.

Inter-fund transfers on the fund financial statements at June 30, 2018, consisted of the following:

Transfer from the general fund to the long-term capital improvement fund	<u>\$ 150,000</u>
--	-------------------

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. Inter-fund Transactions - Continued:**

The inter-fund transfer between the general fund and the long-term capital improvement fund was made to provide additional funding for future capital improvement projects.

**Note 7. Excess of Actual Expenditures Over Budget:**

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2018:

General Fund:

Other instructional curriculum	\$	27,711
General administration		1,782
Business administration		86,628
Debt service		1,504
Operating transfers out		91,999

Special Education Fund:

Other support services		1,315
Nonprogram		4,675

**Note 8. Fund Balance Reporting:**

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2018:

<i>Description</i>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund balances:</b>				
Nonspendable:				
Inventory - food service	\$ --	\$ --	\$ 9,959	\$ 9,959
Restricted:				
Special revenue trust	--	--	50,033	50,033
TEACH	--	--	45,275	45,275
Debt service	--	2,523	--	2,523
Long-term capital improvement	--	--	650,658	650,658
Food service	--	--	48,836	48,836
Assigned:				
Community service fund activities	--	--	104,044	104,044
Unassigned	3,190,085	--	--	3,190,085
<b>Total fund balances</b>	<u>\$ 3,190,085</u>	<u>\$ 2,523</u>	<u>\$ 908,805</u>	<u>\$ 4,101,413</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. General Information About the WRS Pension Plan:**

**Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

**Vesting**

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 became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits Provided**

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/16) are entitled to receive a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes the current service and prior service for which a participant received earnings and made contributions as required. Credible service also includes credible military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. General Information About the WRS Pension Plan - Continued:**

**Post-Retirement Adjustments**

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement.

The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0 %	10 %
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)
2017	2.0	4

**Contributions**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives & Elected Officials category was merged into the General Employee category. Required contributions for protective employees 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.

During the reporting period, the WRS recognized \$616,203 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6 %
Protective without Social Security	6.8%	14.9%

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. General Information About the WRS Pension Plan - Continued:**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the District reported a liability (asset) of (\$1,828,344) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.06157870%, which was a decrease of 0.00027514% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$793,170.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,322,956	\$ 1,086,602
Net differences between projected and actual earnings on pension plan investments	1,956,859	4,469,749
Changes in assumptions	361,245	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,264	12,410
Employer contributions subsequent to the measurement date	357,357	--
Totals	\$ 5,018,681	\$ 5,568,761

\$357,357 is reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending <i>June 30,</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 1,863,819	\$ 1,665,917
2019	1,649,941	1,661,703
2020	593,751	1,216,808
2021	549,427	1,024,328
Thereafter	4,386	5

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. General Information About the WRS Pension Plan - Continued:**

**Actuarial Assumptions**

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2017
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017, is based upon a roll-forward of the liability calculated from the December 31, 2016, actuarial valuation.

**Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. General Information About the WRS Pension Plan - Continued:**

**Retirement Funds  
Asset Allocation Targets and  
Expected Returns**

Core Fund Asset Class	Asset Allocation %	Rate of Return %	
		Long-Term Expected Nominal	Long-Term Expected Real
Global equities	50	8.2	5.3
Fixed income	24.5	4.2	1.4
Inflation sensitive assets	15.5	3.8	1.0
Real estate	8	6.5	3.6
Private equity/debt	8	9.4	6.5
Multi-asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
<b>Variable Fund Asset Class</b>			
U.S. equities	70	7.5	4.6
International equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

**Single Discount Rate**

A single discount rate of 7.2% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.2% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. General Information About the WRS Pension Plan - Continued:**

**Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2%) or 1-percentage-point higher (8.2%) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 4,730,551	\$(1,828,344)	\$( 6,813,308)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

**Note 10. General Information About the OPEB Plan:**

**Plan Description and Benefits Provided**

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

Administrators & Teachers: to be eligible for benefits, teachers must be at least 55 years of age with a minimum of 15 years of service or at least age 57 with a minimum of 20 years of service if hired after July 1, 2000.

**Employees Covered by Benefit Terms**

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	17
Inactive employees entitled to but not yet receiving benefits	--
Active plan members	156
Total	173

**Contributions**

The required contribution is based on projected pay-as-you-go financing requirements. No amounts are accumulated in a trust to pay OPEB benefits.

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. General Information About the OPEB Plan - Continued:**

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 %
Salary increases	3.0 %
Investment rate of return	3.0 %, net of OPEB plan investment expenses
Healthcare cost trend rates	Medical: initial rate of 7.5%, decreasing by 0.5% per year down to 6.5%, then by 0.1% per year down to 5.0%, and level thereafter

Mortality rates were based on the Wisconsin 2012 Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.5% which is reflective of a 20-year AA municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balances at 6/30/2016	\$ 7,052,662
Changes for the year:	
Service cost	506,088
Interest	247,893
Benefit payments	( 446,077)
Net changes	<u>307,904</u>
Balances at 6/30/2017	<u>\$ 7,360,566</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. General Information About the OPEB Plan - Continued:**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1%-point lower (2.5%) or 1%-point higher (4.5%) than the discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB liability	\$ 7,961,789	\$ 7,360,586	\$ 6,793,591

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1%-point lower or 1%-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% Decrease to 4.0%)	Healthcare Cost Trend Rates (7.5% Decrease to 5.0%)	1% Increase (8.5% Decrease to 6.0%)
Total OPEB liability	\$ 6,525,449	\$ 7,360,566	\$ 8,346,669

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$753,981. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ --
Changes and assumptions	--	--
Net difference between projected and actual earnings on OPEB plan investments	--	--
District contributions subsequent to the measurement date	274,725	--
Totals	\$ 274,725	\$ --

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 11. Limitation on School District Revenues:**

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

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

**Note 12. Contingent Liabilities:**

Risk management - the District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2018. 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 14. Prior Period Adjustment:**

The effect of the District making a prior period adjustment due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* resulted in the restatement of the District's net position as of June 30, 2017, as follows:

Total net position as previously reported in the statement of activities	\$ 11,476,025
Deferred outflows relating to OPEB obligations	322,019
Net other post employment benefit obligations	<u>( 3,911,811)</u>
Total net position at June 30, 2017	<u>\$ 7,886,233</u>

**Note 15. Subsequent Events:**

The District has evaluated all subsequent events through January 2, 2019, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

Other Post Employment Benefits Plan

Last 10 Fiscal Years\*

	2018
Total OPEB liability:	
Service cost	\$ 506,088
Interest	247,893
Benefit payments	( 446,077)
Net change in total OPEB liability	307,904
Total OPEB liability - beginning	7,052,662
Total OPEB liability - ending	\$ 7,360,566
The District's covered employee payroll	\$ 7,325,010
Total OPEB liability as a percentage of covered employee payroll	100.49%

\*The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

2018 was the first year that this information has been made available due to implementation of GASB 75.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO REQUIRED OPEB PLAN SCHEDULE**  
For the Year Ended June 30, 2018

**Note 1. Change of Benefit Terms:**

There were no changes of benefit terms for this benefit.

**Note 2. Change of Assumptions:**

There were no changes in the assumptions.



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET)  
Wisconsin Retirement System  
Last 10 Fiscal Years\***

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
06/30/15	0.06304815%	\$ ( 1,548,209)	\$ 8,652,205	102.74%
06/30/16	0.06226076%	1,011,725	8,660,228	98.20%
06/30/17	0.06185384%	509,823	9,078,050	99.12%
06/30/18	0.06157870%	( 1,828,344)	9,061,810	102.93%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

2015 was the first year that this information was made available due to implementation of GASB 68.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
Wisconsin Retirement System  
Last 10 Fiscal Years\***

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
06/30/15	\$ 605,654	\$ 605,654	\$ --	\$ 8,652,205	7.00%
06/30/16	588,895	588,895	--	8,660,228	6.80%
06/30/17	599,151	599,151	--	9,078,050	6.60%
06/30/18	616,203	616,203	--	9,061,810	6.80%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

2015 was the first year that this information was made available due to implementation of GASB 68.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO REQUIRED WRS SCHEDULES  
For the Year Ended June 30, 2018**

**Note 1. Changes of Benefit Terms:**

There were no changes of benefit terms for any participating employer in WRS.

**Note 2. Changes of Assumptions:**

There were no changes in the assumptions.

**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, 2018

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>				
Local sources	\$ 5,788,154	\$ 5,788,154	\$ 5,814,297	\$ 26,143
Interdistrict sources	1,097,238	1,097,238	1,029,040	( 68,198)
Intermediate sources	12,800	12,800	25,665	12,865
State sources	10,604,769	10,604,769	10,592,529	( 12,240)
Federal sources	147,443	147,443	146,399	( 1,044)
Other sources	96,000	96,000	106,861	10,861
<b>Total revenues</b>	<u>17,746,404</u>	<u>17,746,404</u>	<u>17,714,791</u>	<u>( 31,613)</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Undifferentiated curriculum	3,156,582	3,156,582	3,093,890	62,692
Regular curriculum	4,010,103	4,010,103	3,946,536	63,567
Other instructional curriculum	1,706,561	1,706,561	1,734,272	( 27,711)
<b>Total instruction</b>	<u>8,873,246</u>	<u>8,873,246</u>	<u>8,774,698</u>	<u>98,548</u>
<b>Support services:</b>				
Pupil services	374,686	374,686	362,117	12,569
Instructional staff services	638,200	638,200	626,706	11,494
General administration	255,940	255,940	257,722	( 1,782)
School building administration	984,179	984,179	965,639	18,540
Business administration	2,442,614	2,442,614	2,529,242	( 86,628)
Debt service	16,000	16,000	17,504	( 1,504)
Other support services	837,476	837,476	821,556	15,920
<b>Total support services</b>	<u>5,549,095</u>	<u>5,549,095</u>	<u>5,580,486</u>	<u>( 31,391)</u>
Nonprogram	1,457,143	1,457,143	1,393,313	63,830
<b>Total expenditures</b>	<u>15,879,484</u>	<u>15,879,484</u>	<u>15,748,497</u>	<u>130,987</u>
Excess of revenues over expenditures	1,866,920	1,866,920	1,966,294	99,374
<b>Other financing sources (uses):</b>				
Operating transfers (out)	( 1,866,920)	( 1,866,920)	( 1,958,919)	( 91,999)
Net change in fund balance	--	--	7,375	7,375
Fund balance, beginning of year	3,182,710	3,182,710	3,182,710	--
Fund balance, end of year	<u>\$ 3,182,710</u>	<u>\$ 3,182,710</u>	<u>\$ 3,190,085</u>	<u>\$ 7,375</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, 2018**

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>				
Intermediate sources	\$ 10,000	\$ 10,000	\$ 10,098	\$ 98
State sources	582,000	582,000	573,983	( 8,017)
Federal sources	493,710	493,710	413,258	( 80,452)
Other sources	62,000	62,000	--	( 62,000)
Total revenues	<u>1,147,710</u>	<u>1,147,710</u>	<u>997,339</u>	<u>( 150,371)</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Special education curriculum	2,314,182	2,314,182	2,166,567	147,615
<b>Support services:</b>				
Pupil services	223,212	223,212	205,571	17,641
Instructional staff services	249,818	249,818	222,990	26,828
Business administration	109,025	109,025	86,747	22,278
Other support services	63,393	63,393	64,708	( 1,315)
Total support services	<u>645,448</u>	<u>645,448</u>	<u>580,016</u>	<u>65,432</u>
Nonprogram	55,000	55,000	59,675	( 4,675)
Total expenditures	<u>3,014,630</u>	<u>3,014,630</u>	<u>2,806,258</u>	<u>208,372</u>
Excess of revenues under expenditures	( 1,866,920)	( 1,866,920)	( 1,808,919)	58,001
<b>Other financing sources (uses):</b>				
Operating transfers in	1,866,920	1,866,920	1,808,919	( 58,001)
Net change in fund balance	--	--	--	--
Fund balance, beginning of year	--	--	--	--
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, 2018

	<u>Long-Term Capital Improvement Fund</u>	<u>Special Revenue Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and investments	\$ 500,658	\$ 243,367	\$ 744,025
Accounts receivable	--	28,054	28,054
Due from other governments	--	587	587
Due from other funds	150,000	--	150,000
Inventories	--	9,959	9,959
Total assets	<u>\$ 650,658</u>	<u>\$ 281,967</u>	<u>\$ 932,625</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Food service deposits	<u>\$ --</u>	<u>\$ 23,820</u>	<u>\$ 23,820</u>
Fund balances:			
Nonspendable	--	9,959	9,959
Spendable:			
Restricted	650,658	144,144	794,802
Assigned	<u>--</u>	<u>104,044</u>	<u>104,044</u>
Total fund balances	<u>650,658</u>	<u>258,147</u>	<u>908,805</u>
Total liabilities and fund balances	<u>\$ 650,658</u>	<u>\$ 281,967</u>	<u>\$ 932,625</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	Long-Term Capital Improvement Fund	Special Revenue Funds	Totals
<b>Revenues:</b>			
Local sources	\$ 333	\$ 378,365	\$ 378,698
State sources	--	9,151	9,151
Federal sources	--	219,763	219,763
<b>Total revenues</b>	<b>333</b>	<b>607,279</b>	<b>607,612</b>
<b>Expenditures:</b>			
<b>Instruction:</b>			
Undifferentiated curriculum	--	15,906	15,906
Regular curriculum	--	801	801
Other instruction	--	40,518	40,518
<b>Total instruction</b>	<b>--</b>	<b>57,225</b>	<b>57,225</b>
<b>Support services:</b>			
Pupil services	--	200	200
School building administration	--	354	354
Other support services	--	8,103	8,103
<b>Total support services</b>	<b>--</b>	<b>8,657</b>	<b>8,657</b>
Food service	--	530,531	530,531
Community service	--	7,160	7,160
<b>Total expenditures</b>	<b>--</b>	<b>603,573</b>	<b>603,573</b>
Excess of revenues under expenditures	333	3,706	4,039
<b>Other financing sources (uses):</b>			
Operating transfers in	150,000	--	150,000
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<b>150,333</b>	<b>3,706</b>	<b>154,039</b>
Fund balance, beginning of year	500,325	254,441	754,766
Fund balance, end of year	<u>\$ 650,658</u>	<u>\$ 258,147</u>	<u>\$ 908,805</u>



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

June 30, 2018

	<u>Other Special Projects</u>	<u>TEACH</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash and investments	\$ 50,033	\$ 45,275	\$ 44,015	\$ 104,044	\$ 243,367
Accounts receivable	--	--	28,054	--	28,054
Due from other governments	--	--	587	--	587
Inventories	--	--	9,959	--	9,959
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 50,033</u>	<u>\$ 45,275</u>	<u>\$ 82,615</u>	<u>\$ 104,044</u>	<u>\$ 281,967</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Food service deposits	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 23,820</u>	<u>\$ --</u>	<u>\$ 23,820</u>
 <b>Fund balances:</b>					
Nonspendable	--	--	9,959	--	9,959
<b>Spendable:</b>					
Restricted	50,033	45,275	48,836	--	144,144
Assigned	--	--	--	104,044	104,044
Total fund balances	<u>50,033</u>	<u>45,275</u>	<u>58,795</u>	<u>104,044</u>	<u>258,147</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 50,033</u>	<u>\$ 45,275</u>	<u>\$ 82,615</u>	<u>\$ 104,044</u>	<u>\$ 281,967</u>

**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, 2018**

	Other Special Projects	TEACH	Food Service	Community Service	Totals
<b>Revenues:</b>					
Local sources	\$ 67,445	\$ 21	\$ 295,852	\$ 15,047	\$ 378,365
State sources	--	--	9,151	--	9,151
Federal sources	16,847	--	202,916	--	219,763
Total revenues	<u>84,292</u>	<u>21</u>	<u>507,919</u>	<u>15,047</u>	<u>607,279</u>
<b>Expenditures:</b>					
<b>Instruction:</b>					
Undifferentiated curriculum	15,906	--	--	--	15,906
Regular curriculum	801	--	--	--	801
Other instructional curriculum	38,422	--	--	2,096	40,518
Total instruction	<u>55,129</u>	<u>--</u>	<u>--</u>	<u>2,096</u>	<u>57,225</u>
<b>Support services:</b>					
Pupil services	200	--	--	--	200
School building administration	354	--	--	--	354
Other support services	8,103	--	--	--	8,103
Total support services	<u>8,657</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,657</u>
Food service	--	--	530,531	--	530,531
Community service	--	--	--	7,160	7,160
Total expenditures	<u>63,786</u>	<u>--</u>	<u>530,531</u>	<u>9,256</u>	<u>603,573</u>
Net change in fund balances	<u>20,506</u>	<u>21</u>	<u>( 22,612)</u>	<u>5,791</u>	<u>3,706</u>
Fund balances, beginning of year	<u>29,527</u>	<u>45,254</u>	<u>81,407</u>	<u>98,253</u>	<u>254,441</u>
Fund balances, end of year	<u>\$ 50,033</u>	<u>\$ 45,275</u>	<u>\$ 58,795</u>	<u>\$ 104,044</u>	<u>\$ 258,147</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -  
GENERAL FUND**

June 30, 2018

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Eliminations</u>	<u>General Fund Combined</u>
<b>ASSETS</b>				
Cash and investments	\$ 2,875,035	\$ --	\$ --	\$ 2,875,035
Taxes receivable, net	1,502,404	--	--	1,502,404
Accounts receivable	14,229	--	--	14,229
Due from other funds	384,809	--	( 384,809)	--
Due from other governments	333,037	384,809	--	717,846
<b>Total assets</b>	<b><u>\$ 5,109,514</u></b>	<b><u>\$ 384,809</u></b>	<b><u>\$ ( 384,809)</u></b>	<b><u>\$ 5,109,514</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Short-term liabilities	\$ 1,200,000	\$ --	\$ --	\$ 1,200,000
Accrued salaries and wages	16,131	--	--	16,131
Accrued payroll taxes & withholdings	540,740	--	--	540,740
Accrued interest	12,558	--	--	12,558
Due to other funds	150,000	384,809	( 384,809)	150,000
<b>Total liabilities</b>	<b><u>1,919,429</u></b>	<b><u>384,809</u></b>	<b><u>( 384,809)</u></b>	<b><u>1,919,429</u></b>
<b>Fund balances:</b>				
Unassigned	3,190,085	--	--	3,190,085
<b>Total liabilities and fund balances</b>	<b><u>\$ 5,109,514</u></b>	<b><u>\$ 384,809</u></b>	<b><u>\$ ( 384,809)</u></b>	<b><u>\$ 5,109,514</u></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, 2018

	General Fund	Special Education Fund	Eliminations	General Fund Combined
<b>Revenues:</b>				
Local sources	\$ 5,814,297	\$ --	\$ --	\$ 5,814,297
Interdistrict sources	1,029,040	--	--	1,029,040
Intermediate sources	25,665	10,098	--	35,763
State sources	10,592,529	573,983	--	11,166,512
Federal sources	146,399	413,258	--	559,657
Other sources	106,861	--	--	106,861
Total revenues	<u>17,714,791</u>	<u>997,339</u>	<u>--</u>	<u>18,712,130</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Undifferentiated curriculum	3,093,890	--	--	3,093,890
Regular curriculum	3,946,536	--	--	3,946,536
Special education curriculum	--	2,166,567	--	2,166,567
Other instructional curriculum	1,734,272	--	--	1,734,272
Total instruction	<u>8,774,698</u>	<u>2,166,567</u>	<u>--</u>	<u>10,941,265</u>
<b>Support services:</b>				
Pupil services	362,117	205,571	--	567,688
Instructional staff services	626,706	222,990	--	849,696
General administration	257,722	--	--	257,722
School building administration	965,639	--	--	965,639
Business administration	2,529,242	86,747	--	2,615,989
Debt service	17,504	--	--	17,504
Other support services	821,556	64,708	--	886,264
Total support services	<u>5,580,486</u>	<u>580,016</u>	<u>--</u>	<u>6,160,502</u>
Nonprogram	<u>1,393,313</u>	<u>59,675</u>	<u>--</u>	<u>1,452,988</u>
Total expenditures	<u>15,748,497</u>	<u>2,806,258</u>	<u>--</u>	<u>18,554,755</u>
Excess of revenues over (under) expenditures	<u>1,966,294</u>	<u>( 1,808,919)</u>	<u>--</u>	<u>157,375</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	--	1,808,919	( 1,808,919)	--
Operating transfers (out)	<u>( 1,958,919)</u>	<u>--</u>	<u>1,808,919</u>	<u>( 150,000)</u>
Net other financing sources (uses)	<u>( 1,958,919)</u>	<u>1,808,919</u>	<u>--</u>	<u>( 150,000)</u>
Net change in fund balances	7,375	--	--	7,375
Fund balances, beginning of year	3,182,710	--	--	3,182,710
Fund balances, end of year	<u>\$ 3,190,085</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,190,085</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -  
AGENCY FUNDS  
June 30, 2018**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>ASSETS:</b>				
Cash	<u>\$ 272,110</u>	<u>\$ 654,463</u>	<u>\$ 656,629</u>	<u>\$ 269,944</u>
 <b>LIABILITIES</b>				
Due to student organizations:				
High school	\$ 191,940	\$ 459,834	\$ 473,253	\$ 178,521
Summer school	9,413	20,305	18,997	10,721
Officials	1,012	40,100	35,036	6,076
Middle school	30,437	68,480	73,825	25,092
Elementary school	<u>39,308</u>	<u>65,744</u>	<u>55,518</u>	<u>49,534</u>
Total liabilities	<u>\$ 272,110</u>	<u>\$ 654,463</u>	<u>\$ 656,629</u>	<u>\$ 269,944</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018**

Awarding Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 6/30/2017	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/2018
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
WI Department of Public Instruction:						
<i>Child Nutrition Cluster:</i>						
National School Breakfast	10.553	2018-441953-SB-546	\$ 28	\$ 3,448	\$ 3,460	\$ 16
National School Lunch-noncash	10.555	2018-441953-NSL-001	--	50,199	50,199	--
National School Lunch-cash	10.555	2018-441953-NSL-547	541	149,268	149,238	571
Child Nutrition Cluster totals			<u>569</u>	<u>202,915</u>	<u>202,897</u>	<u>587</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Formula Grants to LEAs	84.060A	n/a	--	16,847	16,847	--
WI Department of Public Instruction:						
<i>Special Education Cluster:</i>						
IDEA Flow Through	84.027	2018-441953-IDEA-341	384,436	362,962	384,436	362,962
Preschool Entitlement	84.173	2018-441953-Pre-S-347	11,638	11,638	11,638	11,638
Special Education Cluster totals			<u>396,074</u>	<u>374,600</u>	<u>396,074</u>	<u>374,600</u>
Title I-A	84.010	2018-441953-Title I-141	100,352	104,900	100,352	104,900
Title II-A Teacher / Principal Training	84.367	2018-441953-Title II-365	37,382	29,138	37,382	29,138
CESA #6:						
Immigrant Children and Youth Grant	84.365A	n/a	--	1,000	1,000	--
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
WI Department of Health Services:						
Medical Assistance Program	93.778	n/a	7,238	51,739	53,816	5,161
Totals			<u>\$ 541,615</u>	<u>\$ 781,139</u>	<u>\$ 808,368</u>	<u>\$ 514,386</u>

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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended June 30, 2018**

Awarding Agency/ Pass-Through Agency/ Award Description	State ID Number	Pass-Through Identification Number	Accrued Receivable 6/30/2017	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/2018
<b>WI DEPARTMENT OF PUBLIC INSTRUCTION</b>						
Special Education and						
School Age Parents	255.101	441953-100	\$ --	\$ 573,983	\$ 573,983	\$ --
State School Lunch Aid	255.102	441953-107	--	6,711	6,711	--
Common School Fund Library Aid	255.103	441953-104	--	73,032	73,032	--
General Transportation Aid	255.107	441953-102	--	50,065	50,065	--
WI School Day Milk Program	255.115	441953-109	--	2,159	2,159	--
General Equalization Aids	255.201	441953-116	169,878	9,699,489	9,703,592	165,775
Alcohol and Other Drug Abuse	255.306	441953-143	951	1,000	951	1,000
School Breakfast Program	255.344	441953-108	--	281	281	--
Per Pupil Aid	255.945	441953-113	--	743,850	743,850	--
Educator Effectiveness Grant	255.940	441953-154	--	10,080	--	10,080
Career & Technical Educ Incentive Grants	255.950	441953-152	--	7,602	7,602	--
Assessment of Reading Readiness	255.956	441953-166	--	2,889	2,889	--
Robotics League Participation Grants	255.959	441953-167	2,671	2,592	2,671	2,592
<b>CESA#6:</b>						
Special Education and						
School Age Parents	255.101	n/a	--	10,098	5,049	5,049
Local Youth Apprenticeship	445.112	n/a	--	17,600	8,250	9,350
<b>Totals</b>			<b>\$ 173,500</b>	<b>\$ 11,201,431</b>	<b>\$ 11,181,085</b>	<b>\$ 193,846</b>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2018

**Note 1. Basis of Presentation:**

The accompanying schedules of expenditures of federal and state awards (schedules) include the federal and state grant activity of Freedom Area School District under programs of the federal and state governments for the year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of Freedom Area School District, they are not intended to and do not present the financial position, changes in the net assets or cash flow of Freedom Area School District.

**Note 2. Summary of Significant Accounting Policies:**

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Freedom Area School District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**Note 3. Special Education and School Age Parents Program:**

The 2017-2018 eligible costs under the state special education program as reported by the District are \$2,297,339. The 2018-2019 estimated aid reimbursement for this program is \$591,105.





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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 2, 2019.

### **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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, to be significant deficiencies.

## **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 Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

*Erickson & Associates, S.C.*

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 2, 2019



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

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 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 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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, 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 major 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, 2018.

## 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 the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

*Erickson & Associates, S.C.*

ERICKSON & ASSOCIATES, S.C.  
Appleton, Wisconsin  
January 2, 2019



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH STATE PROGRAM WITH LIMITED REQUIRED PROCEDURES AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

Board of Education  
Freedom Area School District  
Freedom, Wisconsin

### **Report on Compliance for Each State Program**

We have audited the Freedom Area School District's (District) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that are required to be conducted on each of the District's state programs with limited required procedures for the year ended June 30, 2018. The District's state programs that have limited procedures are identified in the accompanying summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the limited compliance requirements for each of the District's state programs with limited required procedures based on our audit of the limited procedures required. We conducted our audit of compliance in accordance with the audit requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. An audit includes examining, on a test basis, evidence about the District's compliance with those limited 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 with the limited compliance requirements for each state program with limited required procedures. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each State Program**

In our opinion, the District complied, in all material respects, with the limited requirements referred to above for each of its state programs with limited required procedures for the year ended June 30, 2018.

## **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 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 limited requirements that could have an effect on each state program with limited required procedures to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the limited required compliance requirements for each state program with limited required procedures and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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 testing based on requirements of the *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

*Erickson & Associates, S.C.*

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 2, 2019

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

**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?		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 2 CFR 200.516(a)?		No
Identification of major federal programs:		
	84.027	<i>Special Education Cluster</i>
	84.173	IDEA Flow Through IDEA Preschool Entitlement
Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
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:		
	255.201	General Equalization Aids
	255.945	Per Pupil Aid

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
For the Year Ended June 30, 2018

**Summary of Auditor's Results - Continued:**

*Other Programs with Limited Required Procedures:*

Internal control over programs with required procedures:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Any audit findings disclosed that are required to be reported in accordance with *Wisconsin Public School District Audit Manual*? No

Identification of state programs with limited procedures:

255.101 Special Education and School Age Parents

Dollar threshold used to distinguish between Type A and Type B programs

\$250,000

**Financial Statement Findings:**

**2018-001 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 three 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:** There are a limited number of office employees.

**Effect:** Proper segregation of duties in the system of controls is not accomplished.

**Identification of a Repeat Finding:**

This is a repeat finding from previous audits, see 2017-001.

**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.

**Views of Responsible Officials:**

See District's corrective action plan.



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2018

**2018-002 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:** 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.

**Effect:** Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

**Identification of a**

**Repeat Finding:** This is a repeat finding from previous audits, see 2017-002.

**Views of  
Responsible**

**Officials:** See District's corrective action plan.

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

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

None

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2018**

**Status of Prior Year Findings**

The findings noted in the 2017 schedule of findings and questioned costs have been reported to the proper federal and state agencies.

**2017-001 Lack of Adequate Segregation of Duties in the System of Controls**

Management continues to believe that due to budget constraints, it is not practicable for the District to hire additional staff to correct this finding.

**2017-002 Financial Statement Preparation**

Management continues to believe that due to budget constraints, it is not practicable for the District to hire additional staff to correct this finding.



# FREEDOM AREA SCHOOL DISTRICT

*"Excellence Is Not Only Our Goal, It Is Our Tradition"*

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## CORRECTIVE ACTION PLAN

### 2018-001 Lack of Adequate Segregation of Duties in the System of Controls

Corrective Action Plan: The District continually evaluates the job duties of those involved with internal controls to find a fit that better segregates many of the duties. The District has also evaluated the cost/benefit of hiring additional support staff to achieve proper segregation of duties, but at this time, it is not possible due to budget constraints.

Anticipate Completion Date: Ongoing

### 2018-002 Financial Statement Preparation

Corrective Action Plan: 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 carefully reviews the draft of the financial statements and notes prior to approving them and will accept responsibility for their content and presentation.

Anticipate Completion Date: Ongoing

Contact Information: For more information regarding these findings please contact Maggie Gagnon, Director of Business Service at 920-788-7944 or [mgagnon@freedomschools.k12.wi.us](mailto:mgagnon@freedomschools.k12.wi.us).

Sincerely,

Maggie Gagnon  
Director of Business Services

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