

FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022

**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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying nonmajor governmental funds and general fund combining schedules and schedules of expenditures of federal and state awards, as required by 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 our report dated January 11, 2023, 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.

Ericksen & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 11, 2023

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

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, 2022. 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 \$53,430 to \$3,381,921. The fund balance is 15.66% of general fund expenditures. The Board of Education policy is to have a fund balance of greater than 5%.
- General Fund actual revenues of \$20,454,016 were \$97,419 more than final budgeted revenues of \$20,356,597. Actual expenditures of \$17,971,846 were \$64,858 less than the final budgeted expenditures of \$18,036,704.
- For 2021-2022 the District increased compensation to support staff and administrative staff by the allowed CPI increase of 1.23%. 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 \$15,691,536 during 2021-2022 or 62.3% of the entire budget.

The District website can be found at 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, 2022

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, 2022

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
Scope	Entire District (except fiduciary funds).	The activity of the District that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the District operates similar to private business. <u>The District does not report any program for this designation.</u>
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.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial 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.
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.

FREEDOM AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

Table #2

Condensed Statement of Net Position			
	<u>2022</u>	<u>2021</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$7,328,581	\$6,847,519	7%
Capital Assets	\$4,760,013	\$9,274,600	(49%)
Noncurrent Assets	\$8,977,594	\$3,701,393	143%
Total Assets	\$21,066,188	\$19,823,512	6%
<u>Deferred Outflows of Resources</u>	\$11,198,534	\$6,571,915	70%
<u>Liabilities</u>			
Current Liabilities	\$1,064,217	\$1,113,081	(4%)
Noncurrent Liabilities	\$9,106,551	\$9,455,074	(4%)
Total Liabilities	\$10,170,768	\$10,568,155	(4%)
<u>Deferred Inflows of Resources</u>	\$13,726,871	\$8,693,029	58%
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	\$8,447,594	\$8,579,600	(2%)
Restricted	\$2,964,616	\$2,505,112	18%
Unrestricted	\$(3,045,127)	\$(3,950,469)	23%
Total Net Position	\$8,367,083	\$7,134,243	17%

Statement of Net Position: (Table #2)

The District's overall financial status, as reflected in total net position, increased by \$1.2M to \$8.3M or 17% from FY20-21 figures. The District reported total assets of \$21.1M, of which \$4.8M are capital assets. The District reported deferred outflows of \$11.2M at June 30, 2022, relating to the District's WRS net pension plan liability and OPEB plan liabilities. The District reported total liabilities of \$10.2M, of which \$9.1M are long-term liabilities. The District reported deferred inflows of resources in the amount of \$13.7M, relating to the District's WRS net pension and OPEB.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

Table #3

Changes in Net Position from Operating Results For Governmental Activities					
	<u>2021-22</u>	<u>%</u>	<u>2020-21</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program:					
Charges for Services	\$1,301,479	6%	\$1,672,782	8%	(22%)
Operating Grants & Cont.	\$3,705,940	16%	\$2,147,546	10%	73%
General:					
General State Aids	\$11,486,320	49%	\$10,958,937	49%	5%
Property Taxes	\$6,697,915	29%	\$7,131,134	32%	(6%)
Other	\$70,502	0%	\$247,775	1%	(72%)
Total Revenues	<u>\$23,262,156</u>	<u>100%</u>	<u>\$22,158,174</u>	<u>100%</u>	5%
Expenses:					
Instruction	\$11,998,470	54%	\$11,702,493	56%	3%
Support Services	\$6,557,908	30%	\$6,120,067	29%	7%
Nonprogram	\$2,487,791	12%	\$2,279,054	11%	9%
Food Service	\$517,033	2%	\$412,107	2%	25%
Interest and Fiscal Charges	\$23,350	0%	\$28,183	0%	(17%)
Unallocated Depreciation	\$444,764	2%	\$480,825	2%	(7%)
Total Expenses	<u>\$22,029,316</u>	<u>100%</u>	<u>\$21,022,729</u>	<u>100%</u>	5%
Change in Net Position	<u>\$1,232,840</u>		<u>\$1,135,445</u>		9%

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

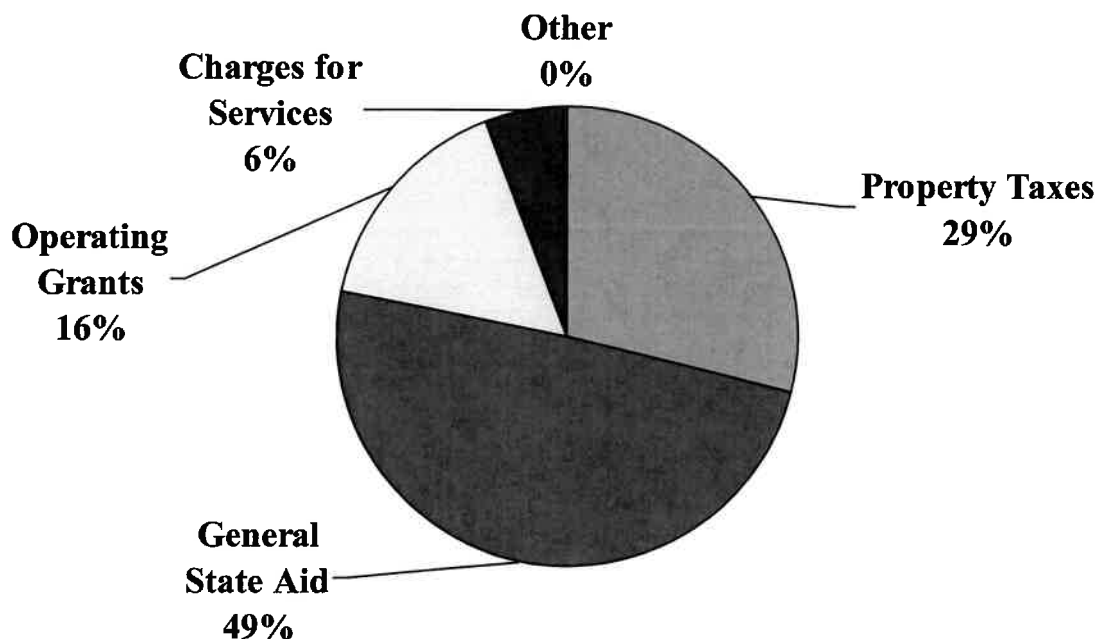
For the Year Ended June 30, 2022

Revenues: (Table #3)

- For FY21-22, the District received \$23.3M in revenue. This is an increase of 5% or \$1,103,982 over the previous year. General state aids increased over the prior year by \$527,383 to \$11.5M. Property taxes decreased by \$433,219 to \$6.7M. For FY21-22, 49% of total revenue came from general state aids, and 29% came from local school property taxes. The District received approximately 22% of all revenue in the form of specific state aid, federal grants, contributions from individuals, and direct fees for services.
- Individuals, who directly participated or received benefits from a program offering, contributed \$1.3M of the cost, an decrease of \$371,303 from the prior year. This decrease can be linked to the Federal Funding received for all lunches served rather than charging families for the lunches. 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 \$3.7M, which is an increase of \$1.6M from the prior year. Special education, transportation, breakfast, and lunch aids are included here.
- The District received \$70,502 in other income.

REVENUES ALL FUNDS

2021-2022



FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

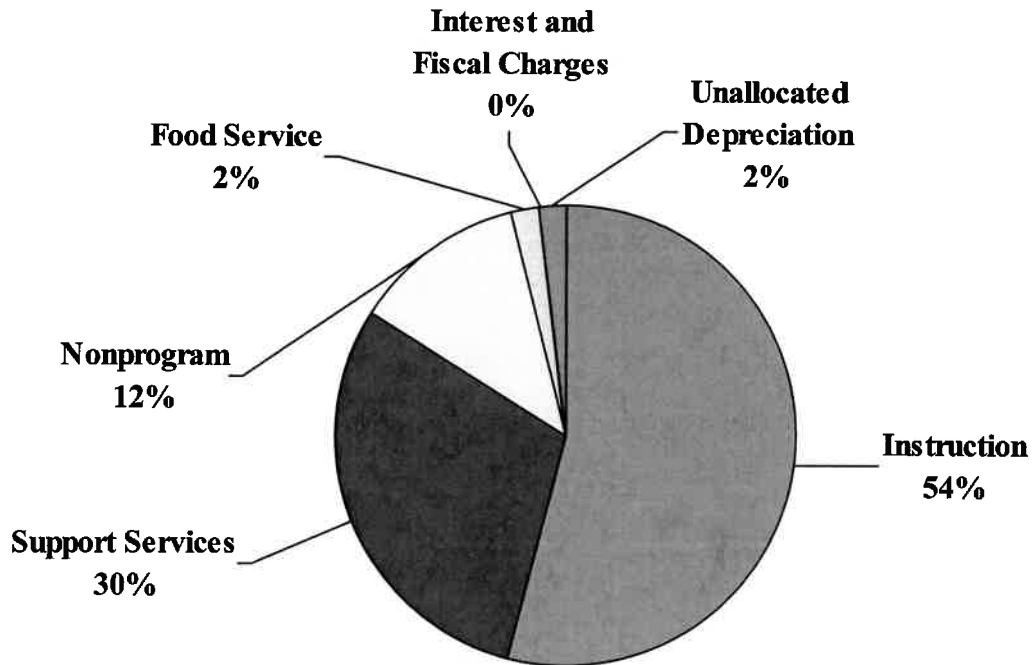
For the Year Ended June 30, 2022

Expenses: (Table #3)

- For FY21-22, the District's total expenditure amount was \$22.0M. This is a increase of \$1.0M from the prior year. For FY21-22, 54% was directed to instruction and 30% was directed to support services. Nonprogram expenditure amounts were 12% of the total. The food service program represents 2% and costs for debt service represented 0% of total expenditures.

EXPENDITURES ALL FUNDS

2021 - 2022



FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u> <u>2022</u>	<u>Net Cost of Services</u> <u>2022</u>
Instruction	\$11,998,470	\$8,881,128
Support Services	\$6,557,908	\$5,511,508
Nonprogram	\$2,487,791	\$2,421,217
Food Service	\$517,033	\$(260,070)
Interest and Fiscal Charges	\$23,350	\$23,350
Unallocated Depreciation	\$444,764	\$444,764
Totals	\$22,029,316	\$17,021,897

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$22.0M.
- The net cost of governmental activities, \$17.0M, was financed by general revenues, which are primarily made up of general state aids of \$11.5M and property taxes of \$6.7M. Miscellaneous and investment earnings accounted for \$70,502. In addition, District operations were subsidized by \$3.7M, 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 \$53,430. Total revenues were over budgeted by \$97,419. Total expenditures were under budgeted by \$64,858.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

Fund Balances:

- The District shows a total for all fund balances of \$6.4M as of June 30, 2022.
- \$3.4M is in the general fund. The District utilizes this fund balance for funding future short-term operations. The fund balance is 15.7% 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.
- \$15,923 in the debt service fund is reserved to make future payments on long-term debt.
- Fund balances in the food service fund and long-term capital improvement fund will be used to fund continuing operations in those funds.

Capital Asset and Debt Administration:

Capital Assets

- At year-end, the District had \$9.0M in capital assets. Further detail can be found in Note 3 in the financial statements.

Long-term Debt

- At year-end, the District had \$530,000 in general long-term obligations. Further detail can be found in Note 4 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. Expansion of the voucher program will also have an impact on the future of the District. The cost of the voucher program directly correlates with an increase in the tax levy/mill rate.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

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

- The District has received some Federal Funding to assist with the recovery of student learning due to the pandemic. A plan has been established and will be carried out in the next few years. It includes but is not limited to providing one to one technology to students, additional counseling support, additional math interventionist and providing a program support teacher to assist with special education needs. This funding will be spent by September 2025.
- 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.
- One of the items that will be looked at in the future is the District offered retirement plans. They will be evaluated to see if a fair offering can be made to staff while they are working rather than waiting until retirement. This will have a budget impact.
- After taking some time the District will once again visit the needs of the District related to space and modern learning spaces. A third referendum will be tried at some point in the future.

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, 2022

ASSETS

Current assets:

Cash and investments	\$ 5,045,876
Taxes receivable	1,598,016
Accounts receivable	41,520
Due from other governments	633,426
Inventory	9,743
Total current assets	<u>7,328,581</u>

Noncurrent assets:

Net pension asset - WRS pension	<u>4,760,013</u>
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Capital assets:

Land, buildings and equipment	21,065,890
Less accumulated depreciation	<u>12,088,296</u>
Net capital assets	<u>8,977,594</u>

Total assets	<u>21,066,188</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to WRS pension	10,335,354
Deferred outflows related to OPEB	<u>863,180</u>
Total deferred outflows of resources	<u>11,198,534</u>

LIABILITIES

Current liabilities:

Current portion of notes payable	170,000
Accounts payable	9,009
Food service deposits	35,138
Accrued salaries and wages	35,390
Accrued payroll taxes and withholdings	811,147
Accrued interest payable	3,533
Total current liabilities	<u>1,064,217</u>

Long-term liabilities:

Bonds and notes payable	360,000
Other post employment benefits	8,690,167
Unused vested employee benefits	56,384
Total long-term liabilities	<u>9,106,551</u>

Total liabilities	<u>10,170,768</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to WRS pension	12,563,422
Deferred inflows related to OPEB	<u>1,163,449</u>

Total deferred inflows of resources	<u>13,726,871</u>
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NET POSITION

Invested in capital assets, net of related debt	8,447,594
Restricted	2,964,616
Unrestricted	<u>(3,045,127)</u>

Total net position	<u>\$ 8,367,083</u>
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**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction:				
Undifferentiated curriculum	\$ 3,382,874	\$ 632,414	\$ 61,180	\$ (2,689,280)
Regular curriculum	4,572,604	632,414	87,990	(3,852,200)
Special education curriculum	2,335,208	--	1,094,194	(1,241,014)
Other instructional curriculum	1,707,784	--	609,150	(1,098,634)
Total instruction	<u>11,998,470</u>	<u>1,264,828</u>	<u>1,852,514</u>	<u>(8,881,128)</u>
Support services:				
Pupil services	733,704	--	831,881	98,177
Instructional staff services	719,928	--	153,259	(566,669)
General administration	270,597	--	39,760	(230,837)
School building administration	912,056	--	--	(912,056)
Business administration	2,899,904	--	12,566	(2,887,338)
Other support services	1,021,719	--	8,934	(1,012,785)
Total support services	<u>6,557,908</u>	<u>--</u>	<u>1,046,400</u>	<u>(5,511,508)</u>
Nonprogram	2,487,791	--	66,574	(2,421,217)
Food service	517,033	36,651	740,452	260,070
Interest and fiscal charges	23,350	--	--	(23,350)
Unallocated depreciation	444,764	--	--	(444,764)
Total activities	<u>\$ 22,029,316</u>	<u>\$ 1,301,479</u>	<u>\$ 3,705,940</u>	<u>(17,021,897)</u>
General revenues:				
General state aids				11,486,320
Property taxes levied for:				
General purposes				6,510,915
Debt service				187,000
Interest income				34,607
Miscellaneous				35,895
Total general revenues				<u>18,254,737</u>
Change in net position				1,232,840
Net position, beginning of the year				<u>7,134,243</u>
Net position, end of year				<u>\$ 8,367,083</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2022

	General Fund	Debt Service Fund	Long-Term Capital Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,292,550	\$ 15,923	\$ 1,855,931	\$ 881,472	\$ 5,045,876
Taxes receivable, net	1,598,016	--	--	--	1,598,016
Accounts receivable	18,028	--	--	23,492	41,520
Due from other funds	--	--	300,000	--	300,000
Due from other governments	627,073	--	--	6,353	633,426
Inventory	--	--	--	9,743	9,743
Total assets	<u>\$ 4,535,667</u>	<u>\$ 15,923</u>	<u>\$ 2,155,931</u>	<u>\$ 921,060</u>	<u>\$ 7,628,581</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 9,009	\$ --	\$ --	\$ --	\$ 9,009
Food service deposits	--	--	--	35,138	35,138
Accrued salaries and wages	33,590	--	--	1,800	35,390
Accrued payroll taxes	811,147	--	--	--	811,147
Due to other funds	300,000	--	--	--	300,000
Total liabilities	<u>1,153,746</u>	<u>--</u>	<u>--</u>	<u>36,938</u>	<u>1,190,684</u>
Fund balances:					
Nonspendable	--	--	--	9,743	9,743
Spendable:					
Restricted	79,491	15,923	2,155,931	703,528	2,954,873
Assigned	--	--	--	170,851	170,851
Unassigned	3,302,430	--	--	--	3,302,430
Total fund balances	<u>3,381,921</u>	<u>15,923</u>	<u>2,155,931</u>	<u>884,122</u>	<u>6,437,897</u>
Total liabilities and fund balances	<u>\$ 4,535,667</u>	<u>\$ 15,923</u>	<u>\$ 2,155,931</u>	<u>\$ 921,060</u>	<u>\$ 7,628,581</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2022

Total fund balance - governmental funds		\$ 6,437,897
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.		
		4,760,013
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 \$1,130,975 accumulated depreciation	84,900	
Buildings, net of \$6,041,671 accumulated depreciation	6,821,744	
Machinery and equipment, net of \$4,877,650 accumulated depreciation	569,475	
Total capital assets		8,977,594
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
		11,198,534
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds balance sheet.		
		(3,533)
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, 2022, are:		
Bonds and notes payable, including current portion	(530,000)	
Other post employment benefits	(8,690,167)	
Unused vested employee benefits	(56,384)	
Total long-term liabilities		(9,276,551)
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
		(13,726,871)
Total net position of governmental activities		\$ 8,367,083

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2022

	General Fund	Debt Service Fund	Long-Term Capital Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 6,710,730	\$ 187,117	\$ 15,872	\$ 646,618	\$ 7,560,337
Interdistrict sources	1,559,254	--	--	--	1,559,254
Intermediate sources	44,600	--	--	--	44,600
State sources	12,246,405	--	--	22,484	12,268,889
Federal sources	1,066,899	--	--	740,518	1,807,417
Other sources	20,942	--	--	717	21,659
Total revenues	<u>21,648,830</u>	<u>187,117</u>	<u>15,872</u>	<u>1,410,337</u>	<u>23,262,156</u>
Expenditures:					
Instruction:					
Undifferentiated curriculum	3,654,744	--	--	63,997	3,718,741
Regular curriculum	4,302,459	--	--	496,824	4,799,283
Special education curriculum	2,466,126	--	--	--	2,466,126
Other instructional curriculum	1,792,781	--	--	5,313	1,798,094
Total instruction	<u>12,216,110</u>	<u>--</u>	<u>--</u>	<u>566,134</u>	<u>12,782,244</u>
Support services:					
Pupil services	765,095	--	--	--	765,095
Instructional staff services	751,041	--	--	1,282	752,323
General administration	283,823	--	--	--	283,823
School building administration	966,633	--	--	--	966,633
Business administration	2,819,483	--	142,951	--	2,962,434
Debt service	--	189,450	--	--	189,450
Other support services	1,005,424	--	--	16,078	1,021,502
Total support services	<u>6,591,499</u>	<u>189,450</u>	<u>142,951</u>	<u>17,360</u>	<u>6,941,260</u>
Nonprogram	2,487,791	--	--	--	2,487,791
Food service	--	--	--	517,033	517,033
Total expenditures	<u>21,295,400</u>	<u>189,450</u>	<u>142,951</u>	<u>1,100,527</u>	<u>22,728,328</u>
Excess of revenues over (under) expenditures	<u>353,430</u>	<u>(2,333)</u>	<u>(127,079)</u>	<u>309,810</u>	<u>533,828</u>
Other financing sources (uses):					
Operating transfers in	--	--	300,000	--	300,000
Operating transfers (out)	<u>(300,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(300,000)</u>
Net other financing sources (uses)	<u>(300,000)</u>	<u>--</u>	<u>300,000</u>	<u>--</u>	<u>--</u>
Net change in fund balances	53,430	(2,333)	172,921	309,810	533,828
Fund balances, beginning of year	<u>3,328,491</u>	<u>18,256</u>	<u>1,983,010</u>	<u>574,312</u>	<u>5,904,069</u>
Fund balances, end of year	<u>\$ 3,381,921</u>	<u>\$ 15,923</u>	<u>\$ 2,155,931</u>	<u>\$ 884,122</u>	<u>\$ 6,437,897</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, 2022

Net change in fund balance - total governmental funds	\$ 533,828
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The change in net position reported for governmental activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which capital outlay exceeds depreciation in the current period.	(297,006)
---	------------

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.	1,087,800
--	-----------

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.	(257,665)
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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 exceed the payments in the current year.	(217)
--	--------

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.	1,100
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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 proceeds exceed repayments.	<u>165,000</u>
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Change in net position of governmental activities	<u>\$ 1,232,840</u>
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**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 No. 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.

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.

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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

C. Basis of Presentation

District-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

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.

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.

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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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 2021 tax levy is used to finance operations of the District's fiscal year ended June 30, 2022. All property taxes are considered due on January 1, 2022, 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, 2022, 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, employee handbooks, 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 and its OPEB plan.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

O. Fund Equity

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, 2022.

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.

District-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Restricted net position - amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position - net position that is neither classified as restricted nor as net investment in capital assets.

P. 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. Other Post Employment Benefits (OPEB)

For purposes of measuring the net other post employment benefits (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. 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. All other funds share in common bank and investment accounts.

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

Time deposits

Securities guaranteed by the U. S. Government

Securities of Wisconsin Municipal Units

Securities of Wisconsin Educational and Local Government Investment Pool

Bonds issued by a local exposition district

Bonds issued by a local professional baseball park district

Bonds issued by a local professional stadium district

Bonds issued by the University of Wisconsin Hospitals and Clinics Authority

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

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 \$5,045,876 on June 30, 2022, as summarized below:

Petty cash funds	\$ 275
Deposits with financial institutions	5,045,026
Investments:	
Local Government Investment Pool	575
	<u>\$ 5,045,876</u>
Reconciliation to the basic financial statements:	
Statement of net position	<u>\$ 5,045,876</u>

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

Custodial Credit Risk

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

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, 2022, the carrying amount of the District's deposits was \$5,045,026 and the bank balance was \$5,493,781. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$5,243,781 was covered by pledged collateral.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

The investment in the Local Government Investment Pool is insured against defaults in principal payments by Financial Security Assurance Incorporated.

The Local Government Investment Pool (LGIP) does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2022, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total of one day's notice. The LGIP does not include any involuntary participants.

A separate financial report for SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>

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. The following is the distribution of the District's investments:

	Cost	Fair Value
Local Government Investment Pool	\$ 575	\$ 575

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, 2022, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 1,501,475	\$ --	\$ --	\$ 1,501,475
Land improvements	1,212,320	3,555	--	1,215,875
Buildings	12,863,415	--	--	12,863,415
Furniture and equipment	5,302,922	144,203	--	5,447,125
Building infrastructure	38,000	--	--	38,000
Totals	<u>20,918,132</u>	<u>147,758</u>	<u>--</u>	<u>21,065,890</u>
Accumulated depreciation:				
Land improvements	1,110,503	20,472	--	1,130,975
Buildings	5,818,295	223,376	--	6,041,671
Furniture and equipment	4,676,734	200,916	--	4,877,650
Building infrastructure	38,000	--	--	38,000
Totals	<u>11,643,532</u>	<u>444,764</u>	<u>--</u>	<u>12,088,296</u>
Net totals	<u>\$ 9,274,600</u>	<u>\$ (297,006)</u>	<u>\$ --</u>	<u>\$ 8,977,594</u>

All depreciation expense was charged to unallocated depreciation.

Note 4. Long-term Obligations:

Long-term obligations of the District at June 30, 2022, consisted of the following:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation debt	\$ 695,000	\$ --	\$ 165,000	\$ 530,000	\$ 170,000
Other post employment benefits	8,868,907	--	178,740	8,690,167	--
Vested employee benefits	56,167	5,534	5,317	56,384	--
Totals	<u>\$ 9,620,074</u>	<u>\$ 5,534</u>	<u>\$ 349,057</u>	<u>\$ 9,276,551</u>	<u>\$ 170,000</u>

Total interest paid for the year ended June 30, 2022, was \$23,517 for general obligation debt.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Long-term Obligations Continued:

All general long-term obligations are secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2022, is comprised of the following:

<i>Description</i>	<i>Issue Date</i>	<i>Interest Rate</i>	<i>Date of Maturity</i>	<i>Balance</i>
General obligation notes	07/02/18	2.0 - 4.0%	04/01/25	<u>\$ 530,000</u>

The 2021 equalized valuation of the District as certified by Wisconsin Department of Revenue is \$1,147,966,915. The legal debt limit and margin of indebtedness as of June 30, 2022, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes, consisted of the following:

Debt limit	
(10% of \$1,147,966,915)	<u>\$ 114,796,692</u>
Deduct long-term debt applicable to debt margin	<u>530,000</u>
Margin of indebtedness	<u><u>\$ 114,266,692</u></u>

Aggregate cash flow requirements for the retirement of general obligation debt principal and interest on June 30, 2022, are as follows:

<i>Year ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Totals</i>
2023	170,000	19,500	189,500
2024	175,000	14,400	189,400
2025	185,000	7,400	192,400
Totals	<u>\$ 530,000</u>	<u>\$ 41,300</u>	<u>\$ 571,300</u>

Note 5. Inter-fund Transactions:

Inter-fund balances on the fund financial statements at June 30, 2022, consisted of the following:

<i>Fund</i>	<i>Due From</i>	<i>Due To</i>
General fund	\$ - -	\$ 300,000
Long-term capital improvement fund	300,000	- -
Totals	<u>\$ 300,000</u>	<u>\$ 300,000</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, 2022, consisted of the following:

Transfer from the general fund to the long-term capital improvement fund	<u>\$ 300,000</u>
---	-------------------

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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Excess of Actual Expenditures Over Budget:

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2022:

General fund:

Other instructional curriculum \$ 5,828

General administration 5,096

Business administration 170,540

Other support services 148,237

Special Education:

Regular Curriculum 4,047

Business administration 53,533

Note 7. Fund Balance Reporting:

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2022:

<u>Description</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Long-Term Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:					
Nonspendable:					
Inventory - food service fund	\$ --	\$ --	\$ --	\$ 9,743	\$ 9,743
Restricted:					
Donations - special revenue trust fund	--	--	--	355,227	355,227
TEACH fund - future technology expenditures	--	--	--	47,961	47,961
Debt service fund	--	15,923	--	--	15,923
Long-term capital improvement fund	--	--	2,155,931	--	2,155,931
Food service fund	--	--	--	300,340	300,340
Unspent common school funds	79,491	--	--	--	79,491
Assigned:					
Community service fund activities	--	--	--	170,851	170,851
Unassigned	3,302,430	--	--	--	3,302,430
Total fund balances	<u>\$ 3,381,921</u>	<u>\$ 15,923</u>	<u>\$ 2,155,931</u>	<u>\$ 884,122</u>	<u>\$ 6,437,897</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. 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 <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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 and 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 current service and prior service for which a participant received earnings and made contributions as required. Creditable 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 8. 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>
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13

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 \$405,226 in contributions from the employer.

Contribution rates as of June 30, 2022 are as follows:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.75%
Protective without Social Security	6.75%	16.35%

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. 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, 2022, the District reported a liability (asset) of \$(4,760,013) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. 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, 2021, the District's proportion was 0.05905588%, which was a decrease of 0.0002315% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense (revenue) of \$(415,308).

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,689,559	\$ 554,500
Net differences between projected and actual earnings on pension plan investments	1,350,718	11,999,263
Changes in assumptions	888,055	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,796	9,659
Employer contributions subsequent to the measurement date	<u>405,226</u>	<u>--</u>
Totals	<u>\$ 10,335,354</u>	<u>\$ 12,563,422</u>

\$405,226 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, 2022.

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 June 30,	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 4,331,296	\$ 4,556,676
2023	2,707,708	4,000,557
2024	1,964,575	2,534,509
2025	926,549	1,471,680

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. General Information About the WRS Pension Plan - Continued:

Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2020
Measurement date of net pension liability (asset)	December 31, 2021
Experience study	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial cost method	Entry age Normal
Asset valuation method	Fair value
Long-term expected rate of return	6.8%
Discount rate	6.8%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Morality Table
Post-retirement adjustments*	1.7%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021, is based upon a roll-forward of the liability calculated from the December 31, 2020, 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 8. 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	52	6.8	4.2
Fixed income	25	4.3	1.8
Inflation sensitive assets	19	2.7	0.2
Real estate	7	5.6	3
Private equity/debt	12	9.7	7
Total Core Fund	11.5	6.6	4
<u>Variable Fund Asset Class</u>			
U.S. equities	70	6.3	3.7
International equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 municipal bond 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 8. 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 6.8%, 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 (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
District's proportionate share of the net pension liability (asset)	\$ 3,377,566	\$(4,760,012)	\$(10,617,555)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

Note 9. 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, spouses and their dependents. The authority to establish and amend benefit provisions is with the Board of Education. The plan is not funded with a trust and there is no financial report issued by the plan.

Administrators and 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, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefits	--
Active plan members	179
Total	193

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the OPEB Plan - Continued:

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 net OPEB liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0 %
Salary increases	3.0 %
Investment rate of return	5.5 %, net of OPEB plan investment expenses
Healthcare cost trend rates	Medical: Initial rate of 6.5%,decreasing by .1% per year down to 5.0%, and level thereafter.

Mortality rates were based on the Wisconsin 2018 Mortality Table.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.25%, 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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the OPEB Plan - Continued:

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2020	\$ 8,868,907
Changes for the year:	
Service cost	619,751
Interest	203,276
Differences between expected and actual experience	(713,136)
Benefit payments	(288,631)
Net changes	(178,740)
Balance at 6/30/2021	\$ 8,690,167

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 (1.25%) or 1%-point higher (3.25%) than the discount rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB liability	\$ 9,307,189	\$ 8,690,167	\$ 8,096,051

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 (5.5% Decrease to 4.0%)	Healthcare Cost Trend Rates (6.5% Decrease to 5.0%)	1% Increase (7.5% Decrease to 6.0%)
Total OPEB liability	\$ 7,731,384	\$ 8,690,167	\$ 9,813,040

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the OPEB Plan - Continued:

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$578,514. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ --	\$ 1,049,149
Changes in assumptions	644,105	--
Net difference between projected and actual earnings on OPEB plan investments	--	114,300
District contributions subsequent to the measurement date	219,075	--
Totals	<u>\$ 863,180</u>	<u>\$ 1,163,449</u>

\$219,075 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Note 10. Limitation on School District Revenues:

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

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

Note 11. Contingent Liabilities:

Risk management - the District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2022. 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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 11. Contingent Liabilities - Continued:

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the District's operations and financial position cannot be determined.

Note 12. Subsequent Events:

The District has evaluated all subsequent events through January 11, 2023, 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*

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability:			
Service cost	\$ 619,751	\$ 489,921	\$ 484,379
Interest	203,276	269,275	289,887
Differences between expected and actual experience	--	--	(551,159)
Changes of assumptions or other input	(713,136)	787,239	(15,973)
Benefit payments	<u>(288,631)</u>	<u>(252,266)</u>	<u>(241,032)</u>
Net change in total OPEB liability	(178,740)	1,294,169	(33,898)
 Total OPEB liability - beginning	 <u>8,868,907</u>	 <u>7,574,738</u>	 <u>7,608,636</u>
Total OPEB liability - ending	<u><u>\$ 8,690,167</u></u>	<u><u>\$ 8,868,907</u></u>	<u><u>\$ 7,574,738</u></u>
 The District's covered employee payroll	 \$ 8,207,732	 \$ 7,910,604	 \$ 7,910,604
 Total OPEB liability as a percentage of covered employee payroll	 105.88%	 112.11%	 95.75%

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

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

2019	2018
\$ 506,088	\$ 506,088
260,105	247,893
--	--
(154,023)	--
(364,100)	(446,077)
248,070	307,904
7,360,566	7,052,662
<u>\$ 7,608,636</u>	<u>\$ 7,360,566</u>

\$ 7,325,010 \$ 7,325,010

103.87% 100.49%

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**NOTES TO REQUIRED OPEB PLAN SCHEDULE
For the Year Ended June 30, 2022**

Note 1. Change of Benefit Terms:

There were no changes of benefit terms for this benefit.

Note 2. Change of Assumptions:

Healthcare cost trend initial rate decreased from 7.5% to 6.5%.

**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*

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
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%
06/30/19	0.06084384%	2,164,633	9,049,023	96.45%
06/30/20	0.06002093%	(1,935,348)	9,638,055	102.96%
06/30/21	0.05928738%	(3,701,393)	9,822,654	105.26%
06/30/22	0.05905588%	(4,760,012)	10,049,953	106.02%

* 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%
06/30/19	606,284	606,284	--	9,049,023	6.70%
06/30/20	631,292	631,292	--	9,638,055	6.55%
06/30/21	663,029	663,029	--	9,822,654	6.75%
06/30/22	678,371	678,371	--	10,049,953	6.75%

* 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, 2022**

Note 1. Changes of Benefit Terms:

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

Note 2. Changes of Assumptions:

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

**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, 2022

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Local sources	\$ 6,728,353	\$ 6,728,353	\$ 6,710,730	\$ (17,623)
Interdistrict sources	1,531,784	1,531,784	1,559,254	27,470
Intermediate sources	22,200	22,200	36,926	14,726
State sources	11,641,208	11,641,208	11,526,079	(115,129)
Federal sources	405,052	405,052	600,085	195,033
Other sources	28,000	28,000	20,942	(7,058)
Total revenues	<u>20,356,597</u>	<u>20,356,597</u>	<u>20,454,016</u>	<u>97,419</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	3,750,357	3,750,357	3,654,744	95,613
Regular curriculum	4,427,180	4,427,180	4,298,412	128,768
Other instructional curriculum	1,786,953	1,786,953	1,792,781	(5,828)
Total instruction	<u>9,964,490</u>	<u>9,964,490</u>	<u>9,745,937</u>	<u>218,553</u>
Support services:				
Pupil services	528,616	528,616	510,216	18,400
Instructional staff services	654,044	654,044	528,047	125,997
General administration	278,727	278,727	283,823	(5,096)
School building administration	973,111	973,111	966,633	6,478
Business administration	2,491,245	2,491,245	2,661,785	(170,540)
Other support services	824,528	824,528	972,765	(148,237)
Total support services	<u>5,750,271</u>	<u>5,750,271</u>	<u>5,923,269</u>	<u>(172,998)</u>
Nonprogram	<u>2,321,943</u>	<u>2,321,943</u>	<u>2,302,640</u>	<u>19,303</u>
Total expenditures	<u>18,036,704</u>	<u>18,036,704</u>	<u>17,971,846</u>	<u>64,858</u>
Excess of revenues over expenditures	2,319,893	2,319,893	2,482,170	162,277
Other financing sources (uses):				
Operating transfers (out)	<u>(2,319,893)</u>	<u>(2,319,893)</u>	<u>(2,428,740)</u>	<u>(108,847)</u>
Net change in fund balance	--	--	53,430	53,430
Fund balance, beginning of year	<u>3,328,491</u>	<u>3,328,491</u>	<u>3,328,491</u>	<u>--</u>
Fund balance, end of year	<u>\$ 3,328,491</u>	<u>\$ 3,328,491</u>	<u>\$ 3,381,921</u>	<u>\$ 53,430</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, 2022**

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Intermediate sources	\$ 8,000	\$ 8,000	\$ 7,674	\$ (326)
State sources	701,108	701,108	720,326	19,218
Federal sources	501,300	501,300	466,814	(34,486)
Total revenues	<u>1,210,408</u>	<u>1,210,408</u>	<u>1,194,814</u>	<u>(15,594)</u>
Expenditures:				
Instruction:				
Special education curriculum	2,675,659	2,675,659	2,466,126	209,533
Regular curriculum	--	--	4,047	(4,047)
Total instruction	<u>2,675,659</u>	<u>2,675,659</u>	<u>2,470,173</u>	<u>205,486</u>
Support services:				
Pupil services	260,410	260,410	254,879	5,531
Instructional staff services	238,537	238,537	222,994	15,543
Business administration	104,165	104,165	157,698	(53,533)
Other support services	34,530	34,530	32,659	1,871
Total support services	<u>637,642</u>	<u>637,642</u>	<u>668,230</u>	<u>(30,588)</u>
Nonprogram	<u>217,000</u>	<u>217,000</u>	<u>185,151</u>	<u>31,849</u>
Total expenditures	<u>3,530,301</u>	<u>3,530,301</u>	<u>3,323,554</u>	<u>206,747</u>
Excess of revenues under expenditures	(2,319,893)	(2,319,893)	(2,128,740)	191,153
Other financing sources (uses):				
Operating transfers in	<u>2,319,893</u>	<u>2,319,893</u>	<u>2,128,740</u>	<u>(191,153)</u>
Net change in fund balance	--	--	--	--
Fund balance, beginning of year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

OTHER SUPPLEMENTARY INFORMATION

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2022

	Special Revenue	Capital Projects Fund	Totals
ASSETS			
Cash and investments	\$ 881,472	\$ --	\$ 881,472
Accounts receivable	23,492	--	23,492
Due from other governments	6,353	--	6,353
Inventories	9,743	--	9,743
Total assets	\$ 921,060	\$ --	\$ 921,060
LIABILITIES AND FUND BALANCES			
Liabilities:			
Food service deposits	\$ 35,138	\$ --	\$ 35,138
	1,800	--	1,800
Total liabilities	36,938	--	36,938
Fund balances:			
Non-spendable	9,743	--	9,743
Spendable:			
Restricted	703,528	--	703,528
Assigned	170,851	--	170,851
Total fund balances	884,122	--	884,122
Total liabilities and fund balances	\$ 921,060	\$ --	\$ 921,060

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30,2020

	Special Revenue	Capital Projects Fund	Totals
Revenues:			
Local sources	\$ 646,618	\$ --	\$ 646,618
State sources	22,484	--	22,484
Federal sources	740,518	--	740,518
Total revenues	<u>1,409,620</u>	<u>--</u>	<u>1,409,620</u>
Expenditures:			
Instruction:			
Undifferentiated curriculum	63,997	--	63,997
Other instruction	5,313	--	5,313
Total instruction	<u>69,310</u>	<u>--</u>	<u>69,310</u>
Support services:			
Instructional staff services	1,282	--	1,282
Other support services	16,078	--	16,078
Total support services	<u>17,360</u>	<u>--</u>	<u>17,360</u>
Food service	517,033	--	517,033
Community service	<u>--</u>	<u>--</u>	<u>--</u>
Total expenditures	<u>603,703</u>	<u>--</u>	<u>603,703</u>
Excess of revenues over expenditures	<u>805,917</u>	<u>--</u>	<u>805,917</u>
Net change in fund balances	805,917	--	805,917
Fund balances, beginning of year	<u>574,312</u>	<u>--</u>	<u>574,312</u>
Fund balances, end of year	<u><u>\$ 1,380,229</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 1,380,229</u></u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
GENERAL FUND**

June 30, 2022

	General Fund	Special Education Fund	Eliminations	General Fund Combined
ASSETS				
Cash and investments	\$ 2,292,550	\$ --	\$ --	\$ 2,292,550
Taxes receivable, net	1,598,016	--	--	1,598,016
Accounts receivable	18,028	--	--	18,028
Due from other funds	399,309	--	(399,309)	--
Due from other governments	227,764	399,309	--	627,073
Total assets	<u>\$ 4,535,667</u>	<u>\$ 399,309</u>	<u>\$ (399,309)</u>	<u>\$ 4,535,667</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,009	\$ --	\$ --	\$ 9,009
Accrued salaries and wages	33,590	--	--	33,590
Accrued payroll taxes & withholdings	811,147	--	--	811,147
Due to other funds	300,000	399,309	(399,309)	300,000
Total liabilities	<u>1,153,746</u>	<u>399,309</u>	<u>(399,309)</u>	<u>1,153,746</u>
Fund balances:				
Restricted	79,491	--	--	79,491
Unassigned	3,302,430	--	--	3,302,430
Total fund balances	<u>3,381,921</u>	<u>--</u>	<u>--</u>	<u>3,381,921</u>
Total liabilities and fund balances	<u>\$ 4,535,667</u>	<u>\$ 399,309</u>	<u>\$ (399,309)</u>	<u>\$ 4,535,667</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2022

	General Fund	Special Education Fund	Eliminations	General Fund Combined
Revenues:				
Local sources	\$ 6,710,730	\$ --	\$ --	\$ 6,710,730
Interdistrict sources	1,559,254	--	--	1,559,254
Intermediate sources	36,926	7,674	--	44,600
State sources	11,526,079	720,326	--	12,246,405
Federal sources	600,085	466,814	--	1,066,899
Other sources	20,942	--	--	20,942
Total revenues	<u>20,454,016</u>	<u>1,194,814</u>	<u>--</u>	<u>21,648,830</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	3,654,744	--	--	3,654,744
Regular curriculum	4,298,412	4,047	--	4,302,459
Special education curriculum	--	2,466,126	--	2,466,126
Other instructional curriculum	1,792,781	--	--	1,792,781
Total instruction	<u>9,745,937</u>	<u>2,470,173</u>	<u>--</u>	<u>12,216,110</u>
Support services:				
Pupil services	510,216	254,879	--	765,095
Instructional staff services	528,047	222,994	--	751,041
General administration	283,823	--	--	283,823
School building administration	966,633	--	--	966,633
Business administration	2,661,785	157,698	--	2,819,483
Other support services	972,765	32,659	--	1,005,424
Total support services	<u>5,923,269</u>	<u>668,230</u>	<u>--</u>	<u>6,591,499</u>
Nonprogram	<u>2,302,640</u>	<u>185,151</u>	<u>--</u>	<u>2,487,791</u>
Total expenditures	<u>17,971,846</u>	<u>3,323,554</u>	<u>--</u>	<u>21,295,400</u>
Excess of revenues over (under) expenditures	<u>2,482,170</u>	<u>(2,128,740)</u>	<u>--</u>	<u>353,430</u>
Other financing sources (uses):				
Operating transfers in	--	2,128,740	(2,128,740)	--
Operating transfers (out)	<u>(2,428,740)</u>	<u>--</u>	<u>2,128,740</u>	<u>(300,000)</u>
Net other financing sources (uses)	<u>(2,428,740)</u>	<u>2,128,740</u>	<u>--</u>	<u>(300,000)</u>
Net change in fund balances	53,430	--	--	53,430
Fund balances, beginning of year	3,328,491	--	--	3,328,491
Fund balances, end of year	<u>\$ 3,381,921</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,381,921</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Awarding Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 6/30/2021
U.S. DEPARTMENT OF AGRICULTURE			
WI Department of Public Instruction:			
<i>Child Nutrition Cluster:</i>			
National School Breakfast	10.553	2022-441953-DPI-SB-546	\$ 5,119
National School Lunch-noncash	10.555	2022-441953-DPI-NSL-001	- -
National School Lunch-cash	10.555	2022-441953-DPI-NSL-547	15,164
Child Nutrition Cluster totals			<u>20,283</u>
U.S. DEPARTMENT OF EDUCATION			
Formula Grants to LEAs	84.060A	n/a	<u>19,125</u>
WI Department of Public Instruction:			
<i>Special Education Cluster:</i>			
IDEA Flow Through	84.027	2022-441953-DPI-IDEA-FT-341	317,332
Preschool Entitlement	84.173	2022-441953-DPI-IDEA-PS-347	15,284
Special Education Cluster totals			<u>332,616</u>
Title I-A	84.010	2022-441953-DPI-TIA-141	83,901
Title II-A Improving Teacher Quality	84.367	2022-441953-DPI-TIIA-365	24,901
Title IV-A - Student Support and Academic Enrichment	84.424A	2022-441953-DPI-TIVA-381	9,604
Title VIII- Impact Aid	84.424A	2022-441953-DPI-TVIII	- -
Elementary and Secondary School Emergency Relief Fund	84.425D	2022-201862-DPI-TIV-A-381	16,882
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
WI Department of Health Services:			
Medical Assistance Program	93.778	n/a	<u>10,751</u>
Totals			<u><u>\$ 518,063</u></u>

<u>Expenditures</u>	<u>Grantor Reimbursement</u>	<u>Accrued Receivable 6/30/2022</u>
\$ 85,656	\$ 89,771	\$ 1,004
32,920	32,920	--
536,198	546,015	5,347
<u>654,774</u>	<u>668,706</u>	<u>6,351</u>
 22,550	 41,675	 --
 360,611	 317,332	 360,611
20,872	15,284	20,872
<u>381,483</u>	<u>332,616</u>	<u>381,483</u>
154,728	83,901	154,728
33,396	20,334	37,963
 13,449	 9,604	 13,449
34,271	34,271	--
 --	 16,882	 --
 <u>119,940</u>	 <u>120,540</u>	 <u>10,151</u>
<u>\$ 1,414,591</u>	<u>\$ 1,328,529</u>	<u>\$ 604,125</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, 2022**

Awarding Agency/ Pass-Through Agency/ Award Description	State ID Number	Pass-Through Identification Number	Accrued Receivable 6/30/2021
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			
Special Education and			
School Age Parents	255.101	441953-100	\$ --
State School Lunch Aid	255.102	441953-107	--
Common School Fund Library Aid	255.103	441953-104	--
General Transportation Aid	255.107	441953-102	--
WI School Day Milk Program	255.115	441953-109	--
General Equalization Aids	255.201	441953-116	154,516
Alcohol and Other Drug Abuse	255.306	441953-143	--
State School Breakfast Program	255.344	441953-108	--
Early College Credit Program	255.445	441953-178	--
Per Pupil Aid	255.945	441953-113	--
Educator Effectiveness Grant	255.940	441953-154	--
Assessment of Reading Readiness	255.956	441953-166	--
CESA#6:			
Special Education and			
School Age Parents	255.101	n/a	--
Total Wisconsin Department of Public Instruction			<u>154,516</u>
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT			
CESA#6:			
Local Youth Apprenticeship	445.112	n/a	<u>--</u>
WISCONSIN DEPARTMENT OF JUSTICE			
School SSIT / Mental Health Training	455.206	n/a	<u>1,800</u>
Totals			<u><u>\$ 156,316</u></u>

<u>Expenditures</u>	<u>Grantor Reimbursement</u>	<u>Accrued Receivable 6/30/2022</u>
\$ 720,326	\$ 720,326	\$ --
2,025	2,025	--
82,670	82,670	--
43,768	43,768	--
16,850	16,850	--
10,178,308	10,332,824	--
1,000	1,000	--
3,610	3,610	--
536	536	--
1,164,940	1,164,940	--
9,760	9,760	--
2,806	2,806	--
<u>8,513</u>	<u>8,513</u>	<u>--</u>
<u>12,235,112</u>	<u>12,389,628</u>	<u>--</u>
<u>28,815</u>	<u>28,815</u>	<u>--</u>
<u>--</u>	<u>1,800</u>	<u>--</u>
<u>\$ 12,263,927</u>	<u>\$ 12,420,243</u>	<u>\$ --</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2022

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, 2022. 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. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. 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 2021-2022 eligible costs under the state special education program as reported by the District are \$2,810,025. The 2022-2023 estimated aid reimbursement for this program is \$696,886.

Note 4. Noncash Awards:

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2022.



Erickson & Associates, S.C.

Certified Public Accountants

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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, 2022, 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 11, 2023.

Report on 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) as a basis for designing 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 2022-001 and 2022-002 to be significant deficiencies.

Report on 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 financial statement. 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 11, 2023



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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

Opinion on Each Major Federal and State Program

We have audited Freedom Area School District's (District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the District complied, in all material respects, with the types of 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, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and *State Single Audit Guidelines* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the *State Single Audit Guidelines*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 to be significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The District's Response to Findings

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

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 that testing based on requirements of the Uniform Guidance and *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 11, 2023

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

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 federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness?	Yes
Type of auditor's report on compliance for major programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	<i>Child Nutrition Cluster</i>
10.553	National School Breakfast
10.555	National School Lunch

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 state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor's report on compliance for major state programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ?	Yes
Identification of major state programs:	
255.101	Special Education and School Age Parents
255.201	General Equalization Aids
Dollar threshold used to distinguish between Type A and Type B Programs:	\$250,000

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2022

Financial Statement Findings:

2022-001 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 2021-001.

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.

2022-002 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 2021-002.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2022

2022-002 Financial Statement Preparation - Continued

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

Views of
Responsible
Officials: See District's corrective action plan.

Federal and State Award Findings and Questioned Costs:

No matters were reported.

Other Issues:

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the District's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies agencies that require audits to be in accordance with the State Single Audit Guidelines?
Department of Public Instruction Yes

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Signature of shareholder
Date of report


January 11, 2023

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022**

Status of Prior Year Findings

The findings noted in the 2021 schedule of findings and questioned costs have been reported to the proper federal and state agencies.

2021-001 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.

2021-002 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.

2021-003 Special Education Teachers with No Valid License

Management ensured that all teachers had valid licenses during 2021-22. This is no longer a finding for the current fiscal year.



FREEDOM AREA SCHOOL DISTRICT

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

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Dr. Jill Mussett - District Administrator

Mrs. Maggie Gagnon - Director of Business Services

Mr. Tim Mulrain - Director of Pupil Services

CORRECTIVE ACTION PLAN

2022-001 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

2022-002 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 Services at 920-788-7944.

Sincerely,

Maggie Gagnon
Director of Business Services