

FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2007

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Freedom Area School District
Freedom, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District (District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2007, on our consideration of Freedom Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of this report is to describe the scope of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements of Freedom Area School District. The combining financial statements and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 19, 2007

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

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, 2007. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- General Fund (Fund 10) fund balance increased \$10,866. The fund balance is 9.1% of Fund 10 expenditures. The original budget was adopted with the expectation of breaking even. The Board of Education policy is to have a fund balance of greater than 5%.
- During the 2006-2007 fiscal year a referendum was held for the purchase of 74.45 acres located on County Road N and 23 acres on the corner of French Road and Lochbur Lane. The referendum for the purchase of the parcel on County Road N was approved. The cost of the purchase was \$1,215,000. In February of 2007 this transaction was completed. The District took out 10 year general obligation promissory notes to meet the obligations of this purchase. The notes will be paid from the Fund 38 tax levy over the next ten years.
- Over the last several years the District's Food Service Fund has been successful in increasing its fund balance. The fund balance increase for 2006-2007 was \$53,922. This money will be kept for future projects or needs of the District's food service areas. One such project will be a new cooler/freezer for the elementary school. This increase in fund balance has allowed the District to leave lunch prices the same for some time.

FREEDOM AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

Major Features of the District-wide and Fund Financial Statements

Table #1

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

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

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

Table #2

Condensed Statement of Net Assets			
	<u>2007</u>	<u>2006</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$7,177,021	\$5,453,650	32%
Noncurrent Assets	\$11,869,753	\$11,015,955	8%
Total Assets	\$19,046,774	\$16,469,605	16%
<u>Liabilities</u>			
Current Liabilities	\$7,025,203	\$5,201,060	35%
Noncurrent Liabilities	\$13,086,876	\$12,553,829	4%
Total Liabilities	\$20,112,079	\$17,754,889	13%
<u>Net Assets</u>			
Invested in Capital, net of related debt	\$472,911	\$(444,045)	-207%
Restricted	\$592,978	\$380,367	56%
Unrestricted	\$(2,131,194)	\$(1,221,606)	74%
Total Net Assets	\$(1,065,889)	\$(1,285,284)	-17%

Statement of Net Assets: (Table #2)

The District's overall financial status, as reflected in total net assets, increased by \$219,979 to \$(1,065,305). The District reported total assets of \$19.05M, of which \$11.87M are noncurrent assets. The District reported total liabilities of \$20.11M, of which \$13.09M are long-term liabilities.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

Table #3

Changes in Net Assets from Operating Results For Governmental Activities					
	<u>Actual 2006-07</u>	<u>%</u>	<u>Actual 2005-06</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program					
Charges for Services	\$730,984	4%	\$715,720	5%	2%
Operating Grants & Cont.	\$1,348,271	8%	\$1,286,015	8%	5%
General					
Equalization Aid	\$9,522,459	57%	\$8,931,490	57%	7%
Property Taxes	\$4,890,886	29%	\$4,485,053	29%	9%
Other	\$244,629	2%	\$170,681	1%	43%
Total Revenues	<u>\$16,737,229</u>	<u>100%</u>	<u>\$15,588,959</u>	<u>100%</u>	7%
Expenses:					
Instruction	\$8,433,417	51%	\$8,427,543	56%	0%
Support Services	\$5,988,951	36%	\$4,685,964	31%	28%
Nonprogram	\$493,740	3%	\$308,482	2%	60%
Food Service, Community	\$466,286	3%	\$446,809	3%	4%
Interest and Fiscal Charges	\$752,925	5%	\$692,438	5%	9%
Unallocated Depreciation	\$381,931	2%	\$406,370	3%	-6%
Total Expenses	<u>\$16,517,250</u>	<u>100%</u>	<u>\$14,967,606</u>	<u>100%</u>	10%
Change in Net Assets	<u>\$219,979</u>		<u>\$621,353</u>		-65%

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

Revenues: (Table #3)

- For FY 07, the District received \$16.74M in revenue. This is an increase of 7% or \$1,148,270 over the previous year. State equalization aid increased from the prior year by \$590,969 to \$9.52M and property taxes increased by \$405,833 to \$4.89M. For FY 07, 57% of total revenue came from state equalization aid and 29% came from local school property taxes. The District received approximately 12% of all revenue in the form of specific use state aid, federal grants, contributions from individuals, and direct fees for services.
- Individuals, who directly participated or received benefits from a program offering, contributed \$730,984 of the cost, an increase of \$15,264 from the prior year. Book and activity fees, admissions to athletic events, school lunch fees, open enrollment tuition, and building rental fees are included here.
- Individuals and federal and state government subsidized certain programs with grants and contributions of \$1.34M, which is an increase of \$62,256 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.

Expenses: (Table #3)

- For FY 07, the District's total expenditure amount was \$16.52M. This is an increase of \$1.55M from the prior year. For FY 07, 51% was directed to instruction and 36% was directed to support services. Nonprogram expenditure amounts were 3% of the total. The food service program and community service represents 3% and costs for debt service represented 5% of total expenditures.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$8,433,417	\$7,474,480
Support Services	\$5,988,951	\$5,573,486
Nonprogram	\$493,740	\$283,117
Food Service, Community Service	\$466,286	\$(27,944)
Interest and Fiscal Charges	\$752,925	\$752,925
Unallocated Depreciation	\$381,931	\$381,931
Total	\$16,517,250	\$14,437,995

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$16.52M.
- The net cost of governmental activities, \$14.44M, was financed by general revenues, which are primarily made up of state equalization aid, \$9.52M, and property taxes, \$4.89M. Miscellaneous and investment earnings accounted for \$244,629. In addition, District operations were subsidized by \$2.08M, which was collected through direct fees, operating grants, and contributions.

General Fund Budgetary Comparison:

- Consistent with current state statutes and regulations, an original budget is adopted in October to reflect the actual revenue cap and state aid certification. The District did not modify its original budget in 2006-07. The statement of revenues, expenditures, and changes in fund balances-budget and actual for the general and special education fund shows a comparison of the budget versus actual.
- Actual results for the year showed an excess of revenues over expenditures of \$10,866. Total revenues exceeded budget by \$35,490 (including transfers). Total expenditures exceeded budget by \$24,624.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

Fund Balances:

- The District shows a total for all fund balances of \$1.82M as of June 30, 2007.
- \$1.23M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations.
- \$322,746 in the Debt Service Fund (Funds 38 & 39) is reserved to make future payments on long-term debt.

Capital Asset and Debt Administration:

Capital Assets

- At year-end, the District had \$11.87M in Capital Assets. Further detail can be found in Note #3 in the financial statements.

Long-Term Debt

- At year-end, the District had \$13.09M in Long-Term Obligations. Further detail can be found in Note #6 in the financial statements.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

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

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

- One of the main factors that will have economic impact on the future of the District will be how the Wisconsin Legislature continues to fund education. Each year as the state budget is being developed, educational institutions cannot be sure what the impact will be to their budget. As school districts live under revenue limits, the numbers used to generate that limit are critical to the operations of public education.
- The second factor that will have economic impact on the District is the number of students that are enrolled. This number is what is used to generate the revenue limit and amount of money that can be raised to fund the schools. This number also plays into decisions regarding the District's facilities.
- In light of the upcoming implementation of GASB 45 during the 2007-2008 fiscal year the District will complete an actuarial study in regards to other post employment benefits. This study will provide a picture for the liability the District has in regards to its retirement programs. GASB 45 goals are to recognize the cost of OPEB benefits in the period when services are received; provide information about the actuarial liabilities for the promised benefits; provide information useful in assessing potential demands on future cash flows. Beginning in the 2008-2009 fiscal the liability will appear on the financial statements. Depending on the size of this figure it could cause the District's financial statements to look as if they have more liabilities than assets. At this time the District contributes to those benefits on a "pay as you" go method but other options may be reviewed for the future.
- Since the District has purchased a piece of land the process will begin on development of the land. At this time it is being rented by an area farmer. A committee will be formed in the next two years to study needs and usage of the facilities. It is anticipated that development will be five to seven years out at this time unless enrollment spikes higher than anticipated.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Maggie Gagnon, Business Manager, Freedom Area School District, PO Box 1008, Freedom, WI 54131.

BASIC FINANCIAL STATEMENTS

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

STATEMENT OF NET ASSETS

June 30, 2007

ASSETS

Current assets:

Cash and investments	\$ 5,168,623
Taxes receivable	1,189,210
Accounts receivable	169,529
Due from other governments	642,015
Inventories and prepaid expenses	<u>7,644</u>
Total current assets	<u>7,177,021</u>

Capital assets:

Land, buildings and equipment	16,574,137
Less accumulated depreciation	<u>4,704,384</u>
Net capital assets	<u>11,869,753</u>

Total assets	<u>19,046,774</u>
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LIABILITIES

Current liabilities:

Short term notes payable	4,800,000
Current portion of bonds and notes payable	1,120,802
Current portion of early termination benefits	439,985
Accounts payable	12,626
Accrued salaries and wages	23,572
Accrued payroll taxes and withholdings	376,723
Accrued interest payable	<u>251,495</u>
Total current liabilities	<u>7,025,203</u>

Long-term liabilities:

Bonds and notes payable	11,152,915
Early termination benefits	1,894,121
Unused vested employee benefits	<u>39,840</u>
Total long-term liabilities	<u>13,086,876</u>

Total liabilities	<u>20,112,079</u>
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NET ASSETS

Invested in capital assets, net of related debt	472,911
Restricted	592,978
Unrestricted	<u>(2,131,194)</u>
Total net assets	<u>\$(1,065,305)</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Instruction:				
Undifferentiated curriculum	\$ 2,366,869	\$ 28,062	\$ 178,928	\$(2,159,879)
Regular curriculum	2,898,824	28,062	570	(2,870,192)
Special education curriculum	1,652,525	11,690	609,680	(1,031,155)
Other instructional curriculum	1,515,199	101,945	--	(1,413,254)
Total Instruction	8,433,417	169,759	789,178	(7,474,480)
Support services:				
Pupil services	621,794	--	93,071	(528,723)
Instructional staff services	527,632	--	143,028	(384,604)
General administration	194,679	--	4,410	(190,269)
School building administration	671,741	--	--	(671,741)
Business administration	2,479,427	20,767	128,861	(2,329,799)
Other support services	1,493,678	--	25,328	(1,468,350)
Total Support Services	5,988,951	20,767	394,698	(5,573,486)
Nonprogram	493,740	190,388	20,235	(283,117)
Food service	443,912	350,070	144,160	50,318
Community service	22,374	--	--	(22,374)
Interest and fiscal charges	752,925	--	--	(752,925)
Unallocated depreciation	381,931	--	--	(381,931)
Total Activities	\$ 16,517,250	\$ 730,984	\$ 1,348,271	(14,437,995)
General revenues:				
Equalization aid				9,522,459
Property taxes levied for:				
General purposes				3,130,886
Debt service				1,725,000
Community service				35,000
Interest income				214,705
Miscellaneous				29,924
Total general revenues				14,657,974
Change in net assets				219,979
Net assets, beginning of the year				(1,285,284)
Net assets, end of year				\$(1,065,305)

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2007**

	General Fund	Special Education Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 4,545,070	\$ --	\$ 384,746	\$ --	\$ 238,807	\$ 5,168,623
Taxes receivable, net	1,189,210	--	--	--	--	1,189,210
Account receivable	147,976	--	--	--	21,553	169,529
Due from other funds	347,315	--	--	--	--	347,315
Due from other governments	344,333	281,873	--	--	15,809	642,015
Inventories and prepaid supplies	--	--	--	--	7,644	7,644
Total assets	\$ 6,573,904	\$ 281,873	\$ 384,746	\$ --	\$ 283,813	\$ 7,524,336
LIABILITIES AND FUND BALANCES						
Liabilities:						
Short-term liabilities	\$ 4,800,000	\$ --	\$ --	\$ --	\$ --	\$ 4,800,000
Accounts payable	2,487	69	--	--	10,070	12,626
Accrued salaries and wages	23,572	--	--	--	--	23,572
Accrued payroll taxes and withholdings	376,723	--	--	--	--	376,723
Accrued interest	142,072	--	--	--	--	142,072
Due to other funds	--	281,804	62,000	--	3,511	347,315
Total liabilities	5,344,854	281,873	62,000	--	13,581	5,702,308
Fund balance:						
Reserved	--	--	322,746	--	270,232	592,978
Unreserved:						
Undesignated	1,229,050	--	--	--	--	1,229,050
Total fund balance	1,229,050	--	322,746	--	270,232	1,822,028
Total liabilities and fund balance	\$ 6,573,904	\$ 281,873	\$ 384,746	\$ --	\$ 283,813	\$ 7,524,336

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

June 30, 2007

Total fund balance - governmental funds \$ 1,822,028

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

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

Land	1,501,475	
Land improvements, net of \$384,396 accumulated depreciation	731,688	
Buildings, net of \$2,558,129 accumulated depreciation	9,369,081	
Machinery and equipment, net of \$1,723,860 accumulated depreciation	<u>267,509</u>	
Total capital assets		11,869,753

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. (109,423)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds but rather, is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2007, are:

Bonds and notes payable, including current portion	(12,273,717)	
Early termination benefits	(2,334,106)	
Unused vested employee benefits	<u>(39,840)</u>	
Total long-term liabilities		<u>(14,647,663)</u>

Total net assets of governmental activities \$(1,065,305)

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2007

	General Fund	Special Education Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 3,470,715	\$ --	\$ 1,748,095	\$ --	\$ 398,315	\$ 5,617,125
Interdistrict sources	191,284	11,690	--	--	--	202,974
Intermediate sources	8,226	2,707	--	--	6,434	17,367
State sources	9,688,973	534,209	--	--	9,471	10,232,653
Federal sources	182,773	281,873	--	--	155,168	619,814
Other sources	42,984	511	--	3,791	10	47,296
Total revenues	<u>13,584,955</u>	<u>830,990</u>	<u>1,748,095</u>	<u>3,791</u>	<u>569,398</u>	<u>16,737,229</u>
Expenditures:						
Instruction:						
Undifferentiated curriculum	2,347,941	--	--	--	18,928	2,366,869
Regular curriculum	2,904,648	--	--	--	--	2,904,648
Special education curriculum	--	1,653,624	--	--	--	1,653,624
Other instructional curriculum	1,517,049	--	--	--	5,708	1,522,757
Total instruction	<u>6,769,638</u>	<u>1,653,624</u>	<u>--</u>	<u>--</u>	<u>24,636</u>	<u>8,447,898</u>
Support services:						
Pupil services	393,979	226,970	--	--	845	621,794
Instructional staff services	442,609	84,094	--	--	929	527,632
General administration	188,378	--	--	--	6,301	194,679
School building administration	671,741	--	--	--	--	671,741
Business administration	2,372,375	108,596	--	1,191,224	--	3,672,195
Debt service	158,960	--	1,603,831	--	--	1,762,791
Other support services	842,429	--	--	27,567	--	869,996
Total support services	<u>5,070,471</u>	<u>419,660</u>	<u>1,603,831</u>	<u>1,218,791</u>	<u>8,075</u>	<u>8,320,828</u>
Nonprogram	455,068	38,672	--	--	--	493,740
Food service	--	--	--	--	443,912	443,912
Community service	--	--	--	--	22,374	22,374
Total expenditures	<u>12,295,177</u>	<u>2,111,956</u>	<u>1,603,831</u>	<u>1,218,791</u>	<u>498,997</u>	<u>17,728,752</u>
Excess of revenues over (under) expenditures	<u>1,289,778</u>	<u>(1,280,966)</u>	<u>144,264</u>	<u>(1,215,000)</u>	<u>70,401</u>	<u>(991,523)</u>
Other financing sources (uses):						
Operating transfers in	2,054	1,280,966	--	--	--	1,283,020
Note proceeds	--	--	--	1,215,000	--	1,215,000
Operating transfers (out)	<u>(1,280,966)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,054)</u>	<u>(1,283,020)</u>
Net other financing sources (uses)	<u>(1,278,912)</u>	<u>1,280,966</u>	<u>--</u>	<u>1,215,000</u>	<u>(2,054)</u>	<u>1,215,000</u>
Net change in fund balance	10,866	--	144,264	--	68,347	223,477
Fund balance, beginning of year	<u>1,218,184</u>	<u>--</u>	<u>178,482</u>	<u>--</u>	<u>201,885</u>	<u>1,598,551</u>
Fund balance, end of year	<u>\$ 1,229,050</u>	<u>\$ --</u>	<u>\$ 322,746</u>	<u>\$ --</u>	<u>\$ 270,232</u>	<u>\$ 1,822,028</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, 2007**

Net change in fund balance - total governmental funds	\$ 223,477
The change in net assets reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which capital outlays exceed depreciation in the current period.	853,798
Governmental funds report early termination benefits on a pay-as-you-go basis. The government-wide statement of activities includes early termination expense on the accrual basis. This is the amount by which pay-as-you-go exceeded the accrual basis in the current year.	(647,377)
Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. Termination benefits earned are greater than amounts paid during the current year.	(4,785)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds.	(9,396)
Governmental funds report loan origination costs as expenditures in the year incurred. In the statement of activities, these costs are capitalized and amortized over the life of the loan.	
Loan costs amortized in the current year	(47,500)
Loan proceeds are reported as financing sources in governmental funds and thus, contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the government funds, but reduces the liability in the statement of net assets. This is the amount by which proceeds exceed repayments.	<u>(148,238)</u>
Change in net assets of governmental activities	\$ <u>219,979</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Local sources	\$ 3,421,799	\$ 3,421,799	\$ 3,470,715	\$ 48,916
Interdistrict sources	203,256	203,256	191,284	(11,972)
Intermediate sources	5,817	5,817	8,226	2,409
State sources	9,674,404	9,674,404	9,688,973	14,569
Federal sources	208,243	208,243	182,773	(25,470)
Other sources	38,000	38,000	42,984	4,984
Total revenues	13,551,519	13,551,519	13,584,955	33,436
Expenditures:				
Instruction:				
Undifferentiated curriculum	2,313,831	2,313,831	2,347,941	(34,110)
Regular curriculum	2,980,388	2,980,388	2,904,648	75,740
Other instructional curriculum	1,527,719	1,527,719	1,517,049	10,670
Total instruction	6,821,938	6,821,938	6,769,638	52,300
Support services:				
Pupil services	399,995	399,995	393,979	6,016
Instructional staff services	446,937	446,937	442,609	4,328
General administration	207,540	207,540	188,378	19,162
Buildings and grounds	652,003	652,003	671,741	(19,738)
Business administration	2,300,998	2,300,998	2,372,375	(71,377)
Debt service	87,000	87,000	158,960	(71,960)
Other support services	839,236	839,236	842,429	(3,193)
Total support services	4,933,709	4,933,709	5,070,471	(136,762)
Nonprogram:	462,513	462,513	455,068	7,445
Total expenditures	12,218,160	12,218,160	12,295,177	(77,017)
Excess of revenues over (under) expenditures	1,333,359	1,333,359	1,289,778	(43,581)
Other financing sources (uses):				
Operating transfers in	--	--	2,054	2,054
Operating transfers (out)	(1,333,359)	(1,333,359)	(1,280,966)	52,393
Net other financing sources (uses)	(1,333,359)	(1,333,359)	(1,278,912)	54,447
Net change in fund balance	--	--	10,866	10,866
Fund balance, beginning of year	1,218,184	1,218,184	1,218,184	--
Fund balance, end of year	\$ 1,218,184	\$ 1,218,184	\$ 1,229,050	\$ 10,866

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
Interdistrict sources	\$ 23,536	\$ 23,536	\$ 11,690	\$(11,846)
Intermediate sources	1,000	1,000	2,707	1,707
State sources	535,200	535,200	534,209	(991)
Federal sources	335,082	335,082	281,873	(53,209)
Other sources	<u>--</u>	<u>--</u>	<u>511</u>	<u>511</u>
Total revenues	<u>894,818</u>	<u>894,818</u>	<u>830,990</u>	<u>(63,828)</u>
Expenditures:				
Instruction:				
Special education curriculum	<u>1,748,844</u>	<u>1,748,844</u>	<u>1,653,624</u>	<u>95,220</u>
Support services:				
Pupil services	239,626	239,626	226,970	12,656
Instructional staff services	90,771	90,771	84,094	6,677
Business administration	<u>112,760</u>	<u>112,760</u>	<u>108,596</u>	<u>4,164</u>
Total support services	443,157	443,157	419,660	23,497
Nonprogram	<u>36,176</u>	<u>36,176</u>	<u>38,672</u>	<u>(2,496)</u>
Total expenditures	<u>2,228,177</u>	<u>2,228,177</u>	<u>2,111,956</u>	<u>116,221</u>
Excess of revenues over (under) expenditures	<u>(1,333,359)</u>	<u>(1,333,359)</u>	<u>(1,280,966)</u>	<u>52,393</u>
Other financing sources (uses):				
Operating transfers in	1,333,359	1,333,359	1,280,966	(52,393)
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>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS**

June 30, 2007

	<u>Student Activity</u>
ASSETS	
Cash	\$ 155,007
LIABILITIES	
Due to student organizations	<u>155,007</u>
NET ASSETS	<u>\$ --</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

B. Fund Accounting

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

The District operates the following major governmental funds:

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

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

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

The District operates the following nonmajor governmental funds:

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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Additionally, the District reports the following fund types:

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

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between governmental and business-type activities of the District. The District did not have any business-type activities in place at June 30, 2007.

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

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

Fund Financial Statements

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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

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

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

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

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

E. Budgetary Accounting

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

F. Cash and Investments

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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

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 2006 tax levy is used to finance operations of the District's fiscal year ended June 30, 2007. All property taxes are considered due on January 1, 2007, 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, 2007, consisted of taxes, accounts, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Inventories and Prepaid Supplies

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

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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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.

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

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

K. Capital Assets and Depreciation

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

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

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

L. Interfund Activity

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

M. Accrued Liabilities and Long-Term Debt

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

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

N. Governmental Fund Balance Reserves

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

O. Restricted Resources

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

P. Use of Estimates

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

Note 2. Cash and Investments:

The Debt Service Fund and Capital Projects Fund account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the Trust and Agency Fund use separate and distinct accounts. All other funds share in common bank and investment accounts.

Deposits: Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for demand deposits and \$100,000 for time deposits. In addition, the State of Wisconsin has a State Guarantee Fund that provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

As of June 30, 2007, the carrying amount of the District's deposits was \$(26,652) and the bank balance was \$384,107. Of the bank balance, \$114,203 was covered by FDIC insurance and \$400,000 was covered by the State Guarantee Fund. Additionally, one bank has pledged securities valued at \$2,652,241. At year-end, all deposits were either insured or collateralized.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

The carrying amount of the District's deposits includes \$155,007 held for student activity funds.

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

Time Deposits

Securities guaranteed by the U. S. Government

Securities of Wisconsin Municipal Units

Securities of Wisconsin Educational and School Districts Local Government Investment Pool

Bonds issued by a local exposition district

Bonds issued by a local professional baseball park district

Bonds issued by a local professional stadium district

Bonds issued by the University of Wisconsin Hospitals and Clinics Authority

Bonds issued by a local cultural arts district

The investment in short-term borrowing contracts is not insured or collateralized unless the rating falls below Aa. As of June 30, 2007, the rating was Aa or higher and the contracts were not insured or collateralized.

Although not categorized as deposits, the investment in the State Treasurer's investment pool is insured against defaults in principal payments by Financial Security Assurance Incorporated.

	Carrying Amount	Fair Value
Short-term borrowing contracts	\$ 4,814,415	\$ 4,814,415
State Treasurer's investment pool	535,867	535,867

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 3. Capital Assets:

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 310,251	\$ 1,191,224	\$ --	\$ 1,501,475
Land Improvements	1,116,084	--	--	1,116,084
Buildings	11,927,210	--	--	11,927,210
Furniture and equipment	1,946,863	44,505	--	1,991,368
Infrastructure	<u>38,000</u>	<u>--</u>	<u>--</u>	<u>38,000</u>
Total	<u>15,338,408</u>	<u>1,235,729</u>	<u>--</u>	<u>16,574,137</u>
Accumulated Depreciation:				
Land Improvements	328,592	55,804	--	384,396
Buildings	2,322,082	236,047	--	2,558,129
Furniture and equipment	1,636,494	87,365	--	1,723,859
Infrastructure	<u>35,285</u>	<u>2,715</u>	<u>--</u>	<u>38,000</u>
Total	<u>4,322,453</u>	<u>381,931</u>	<u>--</u>	<u>4,704,384</u>
Net Total	<u>\$ 11,015,955</u>	<u>\$ 853,798</u>	<u>\$ --</u>	<u>\$ 11,869,753</u>

Note 4. Interfund Receivables, Payables, and Transfers:

<i>Fund</i>	<u>Due From</u>	<u>Due To</u>
General	\$ 347,315	\$ --
Special education	--	281,804
Project Pre-Action	--	3,511
Debt Service	<u>--</u>	<u>62,000</u>
Total	<u>\$ 347,315</u>	<u>\$ 347,315</u>

Interfund transfers on the fund financial statements at June 30, 2007, consisted of the following:

Transfer from the General Fund to the Special Education Fund	\$ 1,280,966
Transfer from the Project Pre-Action to the General Fund	<u>2,054</u>
Total interfund transfers	<u>\$ 1,283,020</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5. Short-Term Notes Payable:

Short-term notes payable cover District costs until anticipated tax and other revenue is collected throughout the year. Short-term notes payable of the District at June 30, 2007, are as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$ 3,225,000	\$ 4,800,000	\$ 3,225,000	\$ 4,800,000

Short-term notes payable (with Zions First National Bank) at June 30, 2007, are as follows:

<i>Description</i>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Zions, series 2006A	9/26/06	4.50%	9/19/07	\$ 2,000,000
Zions, series 2006B	12/20/06	4.20%	11/01/07	<u>2,800,000</u>
Total				<u>\$ 4,800,000</u>

Interest expense for the year ended June 30, 2007, for short-term notes totaled \$158,960.

Note 6. Long-Term Obligations:

Long-term obligations of the District at June 30, 2007, are as follows:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General obligation debt	\$ 12,303,604	\$ 1,215,000	\$ 1,066,762	\$ 12,451,842
Unamortized debt acquisition costs	<u>(225,625)</u>	<u>--</u>	<u>(47,500)</u>	<u>(178,125)</u>
Total bonds and notes payable	12,077,979	1,215,000	1,019,262	12,273,717
Early termination benefits	1,686,729	1,107,668	460,291	2,334,106
Vested employee benefits	<u>35,055</u>	<u>6,555</u>	<u>1,770</u>	<u>39,840</u>
Totals	<u>\$ 13,799,763</u>	<u>\$ 2,329,223</u>	<u>\$ 1,481,323</u>	<u>\$ 14,647,663</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Long-Term Obligations - Continued:

Total interest paid for the year ended June 30, 2007 was \$537,069 for general obligation debt.

All general long-term obligations are secured by the full faith and credit and unlimited taxing powers of the District. General long-term obligations at June 30, 2007 are comprised of the following issues:

<i>Description</i>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
General Obligation Refunding Bonds	4/09/99	4.20%-7.00%	4/01/15	\$ 5,230,000
General Obligation Refunding Bonds	12/01/01	3.25%-5.375%	4/01/21	815,000
General Obligation Refunding Bonds	4/01/05	2.65%-4.20%	4/01/21	4,575,000
General Obligation Refunding Bonds (JPMorgan Chase)	2/14/06	5.89%	2/14/16	776,842
General Obligation Promissory Note	2/15/07	4.00%	4/01/16	<u>1,055,000</u>
Total General Obligation Debt				<u>\$ 12,451,842</u>

At June 30, 2007, \$4,470,000 of outstanding general obligation bonds is considered defeased.

The 2006 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$610,667,208. The legal debt limit and margin of indebtedness as of June 30, 2007, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of 610,667,208)	\$ 61,066,721
Deduct long-term debt applicable to debt margin	<u>12,451,842</u>
Margin of indebtedness	<u>\$ 48,614,879</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Long-Term Obligations - Continued:

Aggregate cash flow requirements for the retirement of general-obligation debt and interest on June 30, 2007, follows:

Year ending <i>June 30,</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,120,802	\$ 526,764	\$ 1,647,566
2009	1,025,087	480,551	1,505,638
2010	1,134,630	436,083	1,570,713
2011	1,254,449	382,384	1,636,833
2012	1,044,560	336,007	1,380,567
2013-2017	4,752,314	942,846	5,695,160
2018-2022	<u>2,120,000</u>	<u>229,010</u>	<u>2,349,010</u>
Totals	<u>\$ 12,451,842</u>	<u>\$ 3,333,645</u>	<u>\$ 15,785,487</u>

Note 7. Restricted Net Assets and Reserved Fund Balances:

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

Debt service	\$ 322,746
Title VII Indian education	5,503
TEACH fund	53,811
Food service	150,050
Community service	<u>60,868</u>
Total	<u>\$ 592,978</u>

Note 8. Excess of Actual Expenditures Over Budget:

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2007:

General fund:	
Undifferentiated curriculum	\$ 34,110
Buildings and grounds	19,738
Business administration	71,377
Debt service	71,960
Other support services	3,193
Special education fund:	
Nonprogram	2,496

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. Defined Benefit Pension Plan:

All eligible School District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.9-6.0% of their salary (2.9% for executives and elected officials, 5.0% for protective occupations with Social Security, and 3.3% for protective occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Freedom Area School District employees covered by the system for the year ended June 30, 2007, was \$5,606,994; the employer's total payroll was \$7,245,502. The total required contribution for the year ended June 30, 2007, was \$590,209, which consisted of \$255,856, or 4.5-4.6% of payroll from the employer and \$334,353, or 5.9-6.0% of payroll from employees. Total contributions for the years ended June 30, 2006 and 2005, were \$601,135 and \$563,607, respectively, equal to the required contributions for each year.

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

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

Note 10. Early Termination Benefits:

Teachers and administrative staff with at least fifteen years of employment and who are at least 55 years old, are eligible for health and dental insurance for up to ten years. As of June 30, 2007, 29 retirees were both eligible and received benefits. The benefits are currently being funded on a "pay-as-you-go" basis. Post employment benefit expenditures for the year ended June 30, 2007, were \$460,291.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 11. Limitation on School District Revenues:

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

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

Note 12. Contingent Liabilities:

Risk management - The District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2007. 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.

SUPPLEMENTARY INFORMATION

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007**

	Other Special Projects	TEACH	Food Service	Community Service	Project Pre-Action	Total Nonmajor Governmental
Assets:						
Cash and investments	\$ 5,503	\$ 53,811	\$ 118,625	\$ 60,868	\$ --	\$ 238,807
Accounts receivable	--	--	21,553	--	--	21,553
Due from other governments	--	--	12,298	--	3,511	15,809
Inventories and prepaid supplies	--	--	7,644	--	--	7,644
TOTAL ASSETS	<u>\$ 5,503</u>	<u>\$ 53,811</u>	<u>\$ 160,120</u>	<u>\$ 60,868</u>	<u>\$ 3,511</u>	<u>\$ 283,813</u>
Liabilities:						
Accounts payable	\$ --	\$ --	\$ 10,070	\$ --	\$ --	\$ 10,070
Due to other funds	--	--	--	--	3,511	3,511
Total liabilities	--	--	10,070	--	3,511	13,581
Fund balance	<u>5,503</u>	<u>53,811</u>	<u>150,050</u>	<u>60,868</u>	<u>--</u>	<u>270,232</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,503</u>	<u>\$ 53,811</u>	<u>\$ 160,120</u>	<u>\$ 60,868</u>	<u>\$ 3,511</u>	<u>\$ 283,813</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007**

	Other Special Projects	TEACH	Food Service	Community Service	Project Pre-Action	Total Nonmajor Governmental Funds
Revenues:						
Local sources	\$ 5,805	\$ 2,041	\$ 353,664	\$ 36,805	\$ --	\$ 398,315
Intermediate sources	--	--	--	--	6,434	6,434
State sources	--	--	9,471	--	--	9,471
Federal sources	20,479	--	134,689	--	--	155,168
Other sources	--	--	10	--	--	10
	<u>26,284</u>	<u>2,041</u>	<u>497,834</u>	<u>36,805</u>	<u>6,434</u>	<u>569,398</u>
Expenditures:						
Instruction:						
Undifferentiated curriculum	18,928	--	--	--	--	18,928
Other instructional curriculum	5,708	--	--	--	--	5,708
Support services:						
Pupil services	845	--	--	--	--	845
Instructional staff services	929	--	--	--	--	929
General administration	--	--	--	--	6,301	6,301
Food service	--	--	443,912	--	--	443,912
Community service	--	--	--	22,374	--	22,374
	<u>26,410</u>	<u>--</u>	<u>443,912</u>	<u>22,374</u>	<u>6,301</u>	<u>498,997</u>
Net change in fund balance	(126)	2,041	53,922	14,431	133	70,401
Other financing sources (uses):						
Operating transfers (out)	--	--	--	--	(2,054)	(2,054)
Excess of revenues and other financing sources over (under) expenditures	(126)	2,041	53,922	14,431	(1,921)	68,347
Fund balance, beginning of year	<u>5,629</u>	<u>51,770</u>	<u>96,128</u>	<u>46,437</u>	<u>1,921</u>	<u>201,885</u>
Fund balance, end of year	<u>\$ 5,503</u>	<u>\$ 53,811</u>	<u>\$ 150,050</u>	<u>\$ 60,868</u>	<u>\$ --</u>	<u>\$ 270,232</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
AGENCY FUNDS**

June 30, 2007

	<u>Balances 6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances 6/30/07</u>
Assets:				
Cash	\$ 151,129	\$ 614,322	\$ 610,444	\$ 155,007
Liabilities:				
Due to student organizations:				
High School	\$ 79,539	\$ 409,295	\$ 410,606	\$ 78,228
Summer School	7,937	11,150	11,726	7,361
Officials	2,967	32,658	35,328	297
Middle School	36,162	102,101	102,550	35,713
Elementary School	17,073	38,746	34,352	21,467
Elementary-Partnership	3,423	--	342	3,081
Elementary-Student Council	4,028	20,372	15,540	8,860
TOTAL LIABILITIES	<u>\$ 151,129</u>	<u>\$ 614,322</u>	<u>\$ 610,444</u>	<u>\$ 155,007</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Accrued 6/30/06	Expenditures	Grantor Reimbursements	Accrued 6/30/07	
<i>U.S. Department of Agriculture:</i>						
Wisconsin Department of Public Instruction						
Food Distribution	10.550	\$ --	\$ 33,956	\$ 33,956	\$ --	
National School Lunch	10.555	11,524	95,911	95,766	11,669	
National School Milk	10.556	695	4,822	4,888	629	
<i>U.S. Department of Education:</i>						
Title IX- Indian Education Act	84.060	--	20,479	20,479	--	
Wisconsin Department of Public Instruction						
Title IA - Basic Grant	84.010	114,270	134,306	114,270	134,306	
Flow Thru	84.027	238,376	271,392	238,376	271,392	
Preschool Entitlement	84.173	13,052	10,481	13,052	10,481	
Title VA - Innovative Programs	84.298	2,269	2,231	2,269	2,231	
Title IIA - Quality Teachers	84.367	46,480	46,236	46,480	46,236	
CESA #6						
Carl Perkins Grant	84.048	--	3,226	3,226	--	
Title IV- Drug Free Schools	84.186	--	2,520	2,520	--	
Title IID - Education Technology	84.318	--	1,140	--	1,140	
Fox Valley Technical College						
Tech Mini Grant	84.243	--	896	896	--	
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 426,666</u>	<u>\$ 627,596</u>	<u>\$ 576,178</u>	<u>\$ 478,084</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2007**

<u>State Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>State Identifying Number</u>	<u>Accrued 6/30/06</u>	<u>Expenditures</u>	<u>Grantor Reimbursements</u>	<u>Accrued 6/30/07</u>
Wisconsin Department of Public Instruction:					
Handicapped Aid	255.101	\$ --	\$ 534,209	\$ 534,209	\$ --
State Lunch	255.102	--	7,793	7,793	--
Common School Fund Library Aid	255.103	--	54,609	54,609	--
Pupil Transportation	255.107	--	107,890	107,890	--
Wisconsin School Day Milk Program	255.109	--	1,678	1,678	--
General Equalization	255.201	150,768	9,522,459	9,515,752	157,475
CESA #6					
EEN Categorical Aid	255.101	--	2,708	2,708	--
Teens Against Drug Abuse	255.306	--	1,000	1,000	--
WEA Trust					
Wellness Grant	XX.XXX	--	1,070	1,070	--
Wisconsin Department of Revenue					
Exempt Computer Aid	XX.XXX	--	2,945	--	2,945
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 150,768</u>	<u>\$ 10,236,361</u>	<u>\$ 10,226,709</u>	<u>\$ 160,420</u>



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

Board of Education
Freedom Area School District
Freedom, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District (District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 19, 2007



Erickson & Associates, S.C.

Certified Public Accountants and Financial Consultants

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

Board of Education
Freedom Area School District
Freedom, Wisconsin

Compliance

We have audited the compliance of Freedom Area School District (District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *State Single Audit Guidelines* that are applicable to each of its major federal and state programs for the year ended June 30, 2007. Freedom Area School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Freedom Area School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 19, 2007

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

Summary of Auditors' Results:

Financial Statements

Type of auditors' report on financial statements:	Unqualified opinion
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over financial reporting:		
Material weakness identified?	No	
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported	
Type of auditors' report on compliance for major programs:	Unqualified opinion	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)?	No	
Identification of major federal programs:		
	84.027	Flow Thru
Dollar threshold used to distinguish between Type A and Type B Programs:		\$300,000
Auditee qualified as a low-risk auditee?		Yes

State Awards

Internal control over financial reporting:		
Is a material weakness identified?	No	
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported	
Type of auditors' report on compliance for major programs:	Unqualified opinion	
Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ?	No	
Identification of major state programs:		
	255.101	Handicapped Pupils and School Age Parents
	255.201	Equalization Aid

Financial Statement Findings: None reported

Federal and State Findings and Questioned Costs: None reported