

FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2008

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Education Fund	19
Statement of Fiduciary Net Assets - Fiduciary Funds	20
Notes to Financial Statements	21-33

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress - Other Post Employment Benefits	34
Schedule of Employer Contributions - Other Post Employment Benefits	34
Combining Balance Sheet - Nonmajor Governmental Funds	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	36
Combining Balance Sheet - Agency Funds	37
Schedule of Expenditures of Federal Awards	38
Schedule of Expenditures of State Awards	39
Notes to Schedules of Expenditures of Federal Awards and State Awards	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the <i>State Single Audit Guidelines</i>	43-44
Schedule of Findings and Questioned Costs	45-47



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INDEPENDENT AUDITOR'S REPORT

Board of Education
Freedom Area School District
Freedom, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District (District), as of and for the year ended June 30, 2008, 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, 2008, 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 18, 2008, 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 that 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.

Ericksen & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 18, 2008

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

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, 2008. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- General Fund (Fund 10) fund balance increased \$270,464. The fund balance is 10.5% 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%.
- Actual revenues of \$14,485,065 were \$4,541 more than final budgeted revenues of \$14,480,524. Actual expenditures of \$14,214,601 were \$232,551 less than the final budgeted expenditures of \$14,447,152. Expenditures were within 98.13% of revenue.
- The Freedom Area School District continues to address health insurance costs. During negotiations for the teacher's union it was agreed that they would switch to a preferred provider plan from the front end deductible plan. Also, they were offered the opportunity to take a cash benefit in lieu of health insurance. During this time period ten teachers took advantage of this plan. The savings to the District for the six month time period it was in place was about \$75,000. This plan will continue to be a savings to the District as health insurance increases.
- During 2007-2008 the Freedom Area School District had its first actuarial study completed by Key Benefit Concepts to analyze the District's Other Post Employment Benefits (OPEB). The results of this study are reported in these financial statements. Key Benefit Concepts estimated that the Annual Required Contribution ("ARC") for the most recent period was \$766,675. The ARC is the present value of future benefits accrued by the workforce for the current year and may also reflect the amortization of unfunded liabilities attributed to prior years. The District's funding obligations for the OPEB liability is to pay current expenses as they become due. There is no legal or accounting requirement that the District pay in any year an amount in excess of current benefits. This may be something that the District looks into in the future.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

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, 2008

Major Features of the District-wide and Fund Financial Statements

Table #1

-----Fund Financial Statements-----				
	District Wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business. <u>The District does not report any program for this designation.</u>	Assets held by the district on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here. The private-purpose trust fund is reported here.
Required financial statements	Statement of net assets and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balance.	Statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows.	Statement of fiduciary net assets and statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both financial and capital, short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, and expenditures when goods or services have been received and the related liability 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, 2008

Table #2

Condensed Statement of Net Assets			
	<u>2008</u>	As Restated <u>2007</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$7,346,569	\$7,177,021	2%
Noncurrent Assets	\$11,734,712	\$11,869,753	-1%
Total Assets	\$19,081,281	\$19,046,774	0%
<u>Liabilities</u>			
Current Liabilities	\$6,443,133	\$6,585,218	-2%
Noncurrent Liabilities	\$10,505,229	\$11,192,755	-6%
Total Liabilities	\$16,948,362	\$17,777,973	-5%
<u>Net Assets</u>			
Invested in Capital, net of related debt	\$1,353,672	\$472,911	-186%
Restricted	\$529,398	\$592,978	-11%
Unrestricted	\$249,849	\$202,912	23%
Total Net Assets	\$2,132,919	\$1,268,801	68%

Statement of Net Assets: (Table #2)

The District's overall financial status, as reflected in total net assets, increased by \$864,118 to \$2,132,919. The District reported total assets of \$19.08M, of which \$11.73M are noncurrent assets. The District reported total liabilities of \$16.95M, of which \$10.51M are long-term liabilities. Details of the restatement of net assets as of July 1, 2007 can be found in Note # 13 of the financial statements.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Table #3

Changes in Net Assets from Operating Results For Governmental Activities					
	<u>Actual</u> <u>2007-08</u>	<u>%</u>	<u>Actual</u> <u>2006-07</u>	<u>%</u>	<u>%</u> <u>Change</u>
Revenues:					
Program					
Charges for Services	\$813,819	5%	\$730,984	4%	11%
Operating Grants & Cont.	\$1,384,384	8%	\$1,348,271	8%	3%
General					
Equalization Aid	\$9,720,098	55%	\$9,522,459	57%	2%
Property Taxes	\$5,321,464	30%	\$4,890,886	29%	9%
Other	\$287,800	2%	\$244,629	2%	18%
Total Revenues	<u>\$17,527,565</u>	<u>100%</u>	<u>\$16,737,229</u>	<u>100%</u>	5%
Expenses:					
Instruction	\$8,610,988	52%	\$8,433,417	51%	2%
Support Services	\$5,872,789	35%	\$5,988,951	36%	-2%
Nonprogram	\$526,376	3%	\$493,740	3%	7%
Food Service, Community	\$533,421	3%	\$466,286	3%	14%
Interest and Fiscal Charges	\$742,665	5%	\$752,925	5%	-1%
Unallocated Depreciation	\$377,208	2%	\$381,931	2%	-1%
Total Expenses	<u>\$16,663,447</u>	<u>100%</u>	<u>\$16,517,250</u>	<u>100%</u>	1%
Change in Net Assets	<u>\$864,118</u>		<u>\$219,979</u>		293%

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Revenues: (Table #3)

- For FY 08, the District received \$17.53M in revenue. This is an increase of 5% or \$790,336 over the previous year. State equalization aid increased from the prior year by \$197,639 to \$9.72M and property taxes increased by \$430,578 to \$5.32M. For FY 08, 55% of total revenue came from state equalization aid and 30% came from local school property taxes. The District received approximately 13% 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 \$813,819 of the cost, an increase of \$82,835 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 \$1.38M, which is an increase of \$36,113 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.
- The District received \$287,800 in other income, an increase of \$43,171 from the prior year. For FY08, 77% or \$221,672 of other income was received as interest income.

Expenses: (Table #3)

- For FY 08, the District's total expenditure amount was \$16.67M. This is an increase of \$146,197 from the prior year. For FY 08, 52% was directed to instruction and 35% 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, 2008

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$8,610,988	\$7,174,895
Support Services	\$5,872,789	\$5,612,753
Nonprogram	\$526,376	\$526,376
Food Service, Community Service	\$533,421	\$31,347
Interest and Fiscal Charges	\$742,665	\$742,665
Unallocated Depreciation	\$377,208	\$377,208
Total	\$16,663,447	\$14,465,244

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$16.67M.
- The net cost of governmental activities, \$14.47M, was financed by general revenues, which are primarily made up of state equalization aid, \$9.72M, and property taxes, \$5.32M. Miscellaneous and investment earnings accounted for \$287,800. In addition, District operations were subsidized by \$2.20M, 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 2007-08. 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 \$270,464. Total revenues exceeded budget by \$4,541. Total expenditures were less than budget by \$232,551. Actual net change in fund balance exceeded budgeted net change in fund balance by \$237,092.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Fund Balances:

- The District shows a total for all fund balances of \$2.03M as of June 30, 2008.
- \$1.50M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations.
- \$248,103 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 \$11.73M in Capital Assets. Further detail can be found in Note #3 in the financial statements.

Long-Term Debt

- At year-end, the District had \$11.53M 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, 2008

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.
- The District is currently working on paying off the piece of land it purchased on County Road N. At this time it is being rented by an area farmer. A committee will be formed in the next two years to study needs and usage of the facilities. It is anticipated that development will be five to seven years out at this time unless enrollment spikes higher than anticipated.
- During the 2009-2010 fiscal year, the District will be adding all day Kindergarten. This will impact many areas of the budget. There will be significant start up costs related to equipment and materials needs. There will need to be restructuring to the playground area as well as transportation routes. Additional staff will also need to be hired. While having all day Kindergarten will also bring additional revenue to the District, it will take three years for the full effect. In the meantime it is possible that the District will need to draw on its fund balance to aid in funding this new venture.

Contacting the District's Financial Management:

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

BASIC FINANCIAL STATEMENTS

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS

Current assets:

Cash and investments	\$ 5,104,983
Taxes receivable	1,329,353
Accounts receivable	181,041
Due from other governments	720,984
Inventories and prepaid expenses	10,208
Total current assets	7,346,569

Capital assets:

Land, buildings and equipment	16,810,504
Less accumulated depreciation	5,075,792
Net capital assets	11,734,712

Total assets	19,081,281
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LIABILITIES

Current liabilities:

Short term notes payable	4,750,000
Current portion of bonds and notes payable	1,025,087
Accounts payable	1,100
Deferred revenue	12,139
Accrued salaries and wages	22,445
Accrued payroll taxes and withholdings	391,132
Accrued interest payable	241,230
Total current liabilities	6,443,133

Long-term liabilities:

Bonds and notes payable	10,175,328
Other post employment benefits	280,860
Unused vested employee benefits	49,041
Total long-term liabilities	10,505,229

Total liabilities	16,948,362
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NET ASSETS

Invested in capital assets, net of related debt	1,353,672
Restricted	529,398
Unrestricted	249,849
Total net assets	\$ 2,132,919

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, 2008**

Functions/Programs	Expenses	Program Revenues		Net(Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Instruction:				
Undifferentiated curriculum	\$ 2,456,029	\$ 185,062	\$ 70,577	\$(2,200,390)
Regular curriculum	3,038,662	185,062	70,577	(2,783,023)
Special education curriculum	1,549,861	46,583	835,285	(667,993)
Other instructional curriculum	1,566,436	38,647	4,300	(1,523,489)
Total Instruction	8,610,988	455,354	980,739	(7,174,895)
Support services:				
Pupil services	648,169	--	181,665	(466,504)
Instructional staff services	603,921	--	42,430	(561,491)
General administration	189,867	--	--	(189,867)
School building administration	705,155	--	--	(705,155)
Business administration	2,559,485	--	9,849	(2,549,636)
Other support services	1,166,192	--	26,092	(1,140,100)
Total Support Services	5,872,789	--	260,036	(5,612,753)
Nonprogram	526,376	--	--	(526,376)
Food service	509,317	358,465	143,609	(7,243)
Community service	24,104	--	--	(24,104)
Interest and fiscal charges	742,665	--	--	(742,665)
Unallocated depreciation	377,208	--	--	(377,208)
Total Activities	\$ 16,663,447	\$ 813,819	\$ 1,384,384	(14,465,244)
General revenues:				
Equalization aid				9,720,098
Property taxes levied for:				
General purposes				3,721,464
Debt service				1,565,000
Community service				35,000
Interest income				221,672
Miscellaneous				66,128
Total general revenues				15,329,362
Change in net assets				864,118
Net assets, beginning of the year, as restated				1,268,801
Net assets, end of year				\$ 2,132,919

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, 2008

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 4,549,497	\$ --	\$ 310,103	\$ 245,383	\$ 5,104,983
Taxes receivable, net	1,329,353	--	--	--	1,329,353
Account receivable	156,317	--	--	24,724	181,041
Due from other funds	412,898	--	--	--	412,898
Due from other governments	356,967	350,898	--	13,119	720,984
Inventories and prepaid supplies	--	--	--	10,208	10,208
Total assets	<u>\$ 6,805,032</u>	<u>\$ 350,898</u>	<u>\$ 310,103</u>	<u>\$ 293,434</u>	<u>\$ 7,759,467</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Short-term liabilities	\$ 4,750,000	\$ --	\$ --	\$ --	\$ 4,750,000
Accounts payable	1,100	--	--	--	1,100
Deferred revenue	--	--	--	12,139	12,139
Accrued salaries and wages	22,445	--	--	--	22,445
Accrued payroll taxes and withholdings	391,132	--	--	--	391,132
Accrued interest	140,841	--	--	--	140,841
Due to other funds	--	350,898	62,000	--	412,898
Total liabilities	<u>5,305,518</u>	<u>350,898</u>	<u>62,000</u>	<u>12,139</u>	<u>5,730,555</u>
Fund balance:					
Reserved	--	--	248,103	281,295	529,398
Unreserved:					
Designated	1,499,514	--	--	--	1,499,514
Total fund balance	<u>1,499,514</u>	<u>--</u>	<u>248,103</u>	<u>281,295</u>	<u>2,028,912</u>
Total liabilities and fund balance	<u>\$ 6,805,032</u>	<u>\$ 350,898</u>	<u>\$ 310,103</u>	<u>\$ 293,434</u>	<u>\$ 7,759,467</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
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total fund balance - governmental funds	\$ 2,028,912
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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 \$440,200 accumulated depreciation	675,884	
Buildings, net of \$2,794,177 accumulated depreciation	9,133,033	
Machinery and equipment, net of \$1,803,415 accumulated depreciation	424,320	
Total capital assets		11,734,712

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.	(100,389)
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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 of June 30, 2008, are:

Bonds and notes payable, including current portion	(11,200,415)	
Other post employment benefits	(280,860)	
Unused vested employee benefits	(49,041)	
Total long-term liabilities		<u>(11,530,316)</u>

Total net assets of governmental activities	<u>\$ 2,132,919</u>
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**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2008

	General Fund	Special Education Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 4,098,904	\$ --	\$ 1,577,062	\$ 421,695	\$ 6,097,661
Interdistrict sources	238,187	46,583	--	--	284,770
Intermediate sources	10,777	4,032	--	--	14,809
State sources	9,905,296	505,899	--	9,349	10,420,544
Federal sources	191,939	324,883	--	151,586	668,408
Other sources	39,962	472	--	939	41,373
Total revenues	<u>14,485,065</u>	<u>881,869</u>	<u>1,577,062</u>	<u>583,569</u>	<u>17,527,565</u>
Expenditures:					
Instruction:					
Undifferentiated curriculum	2,454,369	--	--	14,456	2,468,825
Regular curriculum	3,048,847	--	--	--	3,048,847
Special education curriculum	--	1,549,861	--	--	1,549,861
Other instructional curriculum	1,548,669	--	--	20,777	1,569,446
Total instruction	<u>7,051,885</u>	<u>1,549,861</u>	<u>--</u>	<u>35,233</u>	<u>8,636,979</u>
Support services:					
Pupil services	418,463	229,346	--	360	648,169
Instructional staff services	493,618	122,803	--	3,492	619,913
General administration	189,867	--	--	--	189,867
School building administration	710,214	--	--	--	710,214
Business administration	2,486,554	115,618	--	--	2,602,172
Debt service	173,296	--	1,651,705	--	1,825,001
Other support services	1,028,569	--	--	--	1,028,569
Total support services	<u>5,500,581</u>	<u>467,767</u>	<u>1,651,705</u>	<u>3,852</u>	<u>7,623,905</u>
Nonprogram	480,511	45,865	--	--	526,376
Food service	--	--	--	509,317	509,317
Community service	--	--	--	24,104	24,104
Total expenditures	<u>13,032,977</u>	<u>2,063,493</u>	<u>1,651,705</u>	<u>572,506</u>	<u>17,320,681</u>
Excess of revenues over (under) expenditures	<u>1,452,088</u>	<u>(1,181,624)</u>	<u>(74,643)</u>	<u>11,063</u>	<u>206,884</u>
Other financing sources (uses):					
Operating transfers in	--	1,181,624	--	--	1,181,624
Operating transfers (out)	<u>(1,181,624)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,181,624)</u>
Net other financing sources (uses)	<u>(1,181,624)</u>	<u>1,181,624</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balance	270,464	--	(74,643)	11,063	206,884
Fund balance, beginning of year	<u>1,229,050</u>	<u>--</u>	<u>322,746</u>	<u>270,232</u>	<u>1,822,028</u>
Fund balance, end of year	<u>\$ 1,499,514</u>	<u>\$ --</u>	<u>\$ 248,103</u>	<u>\$ 281,295</u>	<u>\$ 2,028,912</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, 2008**

Net change in fund balance - total governmental funds	\$ 206,884
The change in net assets reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which depreciation exceeds capital outlays in the current period.	(135,041)
Other post employment benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned throughout the year. Other post employment benefits earned are greater than the amounts paid.	(280,860)
Governmental funds report actual vested employee benefit payments made. The government-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which the accrual basis exceeded the actual payments in the current year.	(9,201)
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.	9,034
Governmental funds report loan origination costs as expenditures in the year incurred. In the statement of activities, these costs are capitalized and amortized over the life of the loan.	
Loan costs amortized in the current year	(47,500)
Loan proceeds are reported as financing sources in governmental funds and thus, contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the government funds, but reduces the liability in the statement of net assets. This is the amount by which repayments exceed proceeds.	<u>1,120,802</u>
Change in net assets of governmental activities	<u>\$ 864,118</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, 2008

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Local sources	\$ 3,963,370	\$ 3,963,370	\$ 4,098,904	\$ 135,534
Interdistrict sources	277,978	277,978	238,187	(39,791)
Intermediate sources	10,666	10,666	10,777	111
State sources	9,970,245	9,970,245	9,905,296	(64,949)
Federal sources	217,765	217,765	191,939	(25,826)
Other sources	40,500	40,500	39,962	(538)
Total revenues	14,480,524	14,480,524	14,485,065	4,541
Expenditures:				
Instruction:				
Undifferentiated curriculum	2,497,916	2,497,916	2,454,369	43,547
Regular curriculum	3,174,282	3,174,282	3,048,847	125,435
Other instructional curriculum	1,565,853	1,565,853	1,548,669	17,184
Total instruction	7,238,051	7,238,051	7,051,885	186,166
Support services:				
Pupil services	427,425	427,425	418,463	8,962
Instructional staff services	503,603	503,603	493,618	9,985
General administration	207,481	207,481	189,867	17,614
Buildings and grounds	711,107	711,107	710,214	893
Business administration	2,545,717	2,545,717	2,486,554	59,163
Debt service	122,000	122,000	173,296	(51,296)
Other support services	955,396	955,396	1,028,569	(73,173)
Total support services	5,472,729	5,472,729	5,500,581	(27,852)
Nonprogram:	505,840	505,840	480,511	25,329
Total expenditures	13,216,620	13,216,620	13,032,977	183,643
Excess of revenues over (under) expenditures	1,263,904	1,263,904	1,452,088	188,184
Other financing sources (uses):				
Operating transfers (out)	(1,230,532)	(1,230,532)	(1,181,624)	48,908
Net change in fund balance	33,372	33,372	270,464	237,092
Fund balance, beginning of year	1,229,050	1,229,050	1,229,050	--
Fund balance, end of year	\$ 1,262,422	\$ 1,262,422	\$ 1,499,514	\$ 237,092

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, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
Interdistrict sources	\$ 24,172	\$ 24,172	\$ 46,583	\$ 22,411
Intermediate sources	1,000	1,000	4,032	3,032
State sources	525,405	525,405	505,899	(19,506)
Federal sources	346,631	346,631	324,883	(21,748)
Other sources	500	500	472	(28)
Total revenues	<u>897,708</u>	<u>897,708</u>	<u>881,869</u>	<u>(15,839)</u>
Expenditures:				
Instruction:				
Special education curriculum	<u>1,609,697</u>	<u>1,609,697</u>	<u>1,549,861</u>	<u>59,836</u>
Support services:				
Pupil services	233,933	233,933	229,346	4,587
Instructional staff services	121,556	121,556	122,803	(1,247)
Business administration	<u>130,139</u>	<u>130,139</u>	<u>115,618</u>	<u>14,521</u>
Total support services	485,628	485,628	467,767	17,861
Nonprogram	<u>32,915</u>	<u>32,915</u>	<u>45,865</u>	<u>(12,950)</u>
Total expenditures	<u>2,128,240</u>	<u>2,128,240</u>	<u>2,063,493</u>	<u>64,747</u>
Excess of revenues over (under) expenditures	<u>(1,230,532)</u>	<u>(1,230,532)</u>	<u>(1,181,624)</u>	<u>48,908</u>
Other financing sources (uses):				
Operating transfers in	<u>1,230,532</u>	<u>1,230,532</u>	<u>1,181,624</u>	<u>(48,908)</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>

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, 2008

	<u>Student Activity</u>
ASSETS	
Cash	\$ 130,231
LIABILITIES	
Due to student organizations	<u>130,231</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, 2008.

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

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

Fund Financial Statements

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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

D. Basis of Accounting

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

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

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

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

E. Budgetary Accounting

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

F. Cash and Investments

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

All investments are stated at 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.

**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 2007 tax levy is used to finance operations of the District's fiscal year ended June 30, 2008. All property taxes are considered due on January 1, 2008, 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, 2008, consisted of taxes, accounts, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Inventories and Prepaid Supplies

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

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

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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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

Support staff is credited with up to ten days of sick leave per year for personal illness. These employees can accumulate up to a maximum of 100 days. Eligible employees are credited \$10.00 per day of accumulated sick leave remaining upon retirement. 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.

M. Accrued Liabilities and Long-term Debt

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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

N. Governmental Fund Balance Reserves

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

O. Restricted Resources

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

P. Use of Estimates

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

Note 2. Cash and Investments:

The Debt Service Fund 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, 2008, the carrying amount of the District's deposits was \$229,363 and the bank balance was \$594,908. Of the bank balance, \$136,780 was covered by FDIC insurance and \$400,000 was covered by the State Guarantee Fund. Additionally, one bank has pledged securities valued at \$2,933,507. At year-end, all deposits were either insured or collateralized.

The carrying amount of the District's deposits includes \$130,231 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

**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
 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 investment in short-term borrowing contracts is not insured or collateralized unless the rating falls below Aa. As of June 30, 2008, 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	\$ 4,767,616	\$ 4,767,616
State Treasurer's investment pool	238,236	238,236

Note 3. Capital Assets:

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 1,501,475	\$ --	\$ --	\$ 1,501,475
Land Improvements	1,116,084	--	--	1,116,084
Buildings	11,927,210	--	--	11,927,210
Furniture and equipment	1,991,368	242,167	5,800	2,227,735
Infrastructure	38,000	--	--	38,000
Total	16,574,137	242,167	5,800	16,810,504
Accumulated Depreciation:				
Land Improvements	384,396	55,804	--	440,200
Buildings	2,558,129	236,048	--	2,794,177
Furniture and equipment	1,723,859	85,356	5,800	1,803,415
Infrastructure	38,000	--	--	38,000
Total	4,704,384	377,208	5,800	5,075,792
Net Total	\$ 11,869,753	\$(135,041)	\$ --	\$ 11,734,712

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Interfund Receivables, Payables, and Transfers:

<i>Fund</i>	<u>Due From</u>	<u>Due To</u>
General	\$ 412,898	\$ - -
Special education	- -	350,898
Debt Service	- -	<u>62,000</u>
 Total	 <u>\$ 412,898</u>	 <u>\$ 412,898</u>

Interfund transfers on the fund financial statements at June 30, 2008, consisted of the following:

Transfer from the General Fund to the Special Education Fund	\$ 1,181,624
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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, 2008, are as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$ 4,800,000	\$ 4,750,000	\$ 4,800,000	<u>\$ 4,750,000</u>

Short-term notes payable (with Zions First National Bank) at June 30, 2008, are as follows:

<i>Description</i>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Zions, series 2007A	9/26/06	4.50%	9/18/08	\$ 2,150,000
Zions, series 2007B	12/20/06	4.00%	10/30/08	<u>2,600,000</u>
 Total				 <u>\$ 4,750,000</u>

Interest expense for the year ended June 30, 2008, for short-term notes totaled \$173,295.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Long-term Obligations:

Long-term obligations of the District at June 30, 2008, are as follows:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General obligation debt	\$ 12,451,842	\$ --	\$ 1,120,802	\$ 11,331,040
Unamortized debt acquisition costs	<u>(178,125)</u>	<u>--</u>	<u>(47,500)</u>	<u>(130,625)</u>
Total bonds and notes payable	12,273,717	--	1,073,302	11,200,415
Other post employment benefits	--	766,675	485,815	280,860
Vested employee benefits	<u>39,840</u>	<u>9,201</u>	<u>--</u>	<u>49,041</u>
Totals	<u>\$ 12,313,557</u>	<u>\$ 775,876</u>	<u>\$ 1,559,117</u>	<u>\$ 11,530,316</u>

Total interest paid for the year ended June 30, 2008 was \$530,869 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, 2008, 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	\$ 4,570,000
General Obligation Refunding Bonds	12/01/01	3.25%-5.375%	4/01/21	675,000
General Obligation Refunding Bonds	4/01/05	2.65%-4.20%	4/01/21	4,430,000
General Obligation Refunding Bonds (JPMorgan Chase)	2/14/06	5.89%	2/14/16	706,040
General Obligation Promissory Note	2/15/07	4.00%	4/01/16	<u>950,000</u>
Total General Obligation Debt				<u>\$ 11,331,040</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Long-term Obligations - Continued:

At June 30, 2008, \$4,470,000 of outstanding general obligation bonds is considered defeased.

The 2007 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$655,477,570. The legal debt limit and margin of indebtedness as of June 30, 2008, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$655,477,570)	\$ 65,547,757
Deduct long-term debt applicable to debt margin	<u>11,331,040</u>
 Margin of indebtedness	 <u>\$ 54,216,717</u>

Aggregate cash flow requirements for the retirement of general-obligation debt and interest on June 30, 2008, follows:

Year ending <i>June 30,</i>	Principal	Interest	Total
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	1,139,980	290,474	1,430,454
2014-2018	4,067,334	739,189	4,806,523
2019-2021	<u>1,665,000</u>	<u>142,192</u>	<u>1,807,192</u>
 Totals	 <u>\$ 11,331,040</u>	 <u>\$ 2,806,880</u>	 <u>\$ 14,137,920</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	\$ 248,103
Title VII Indian education	8,971
TEACH fund	55,156
Food service	143,746
Community service	<u>73,422</u>
 Total	 <u>\$ 529,398</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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, 2008:

General fund:

Debt service	\$ 51,296
Other support services	73,173

Special education fund:

Instructional staff services	1,247
Nonprogram	12,950

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 6.0% of their salary (3.0% for executives and elected officials, 5.1% for protective occupations with Social Security, and 3.4% 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, 2008, was \$5,874,414; the employer's total payroll was \$7,341,491. The total required contribution for the year ended June 30, 2008, was \$622,688, which consisted of \$270,223 or 4.6% of payroll from the employer and \$352,465, or 6.0% of payroll from employees. Total contributions for the years ended June 30, 2007 and 2006, were \$590,209 and \$601,135, respectively, equal to the required contributions for each year.

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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. Other Post Employment Benefits:

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

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

The contribution requirements of the District are established and may be amended by the school board. The required contribution is based on an actuarial study. For the fiscal year ended June 30, 2008, the District contributed \$485,815.

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

Annual required contribution	\$ 766,675
Interest on net OPEB obligation	--
Adjustment to annual required contribution	<u>--</u>
Annual OPEB cost	766,675
Contributions made	<u>485,815</u>
Increase in net OPEB obligation	280,860
Net OPEB obligation - beginning of year	<u>--</u>
Net OPEB obligation - ending of year	<u>\$ 280,860</u>

As of June 30, 2008, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$7,535,977, and the actuarial value of assets was \$0. This resulted in an unfunded actuarial liability (UAAL) of \$7,535,977. The covered payroll (annual payroll of active employees covered by the plan) was \$5,874,414 and the ratio of UAAL to the covered payroll was 128.28 percent.

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. Other Post Employment Benefits - Continued:

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

For the actuarial valuation, the projected unit credit method was used. The actuarial assumption included a 6.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and a healthcare cost trend rate of 11.5 percent initially, decreasing by 1 percent per year down to 5.5 percent and then a decrease of .5 percent for one year down to 5.0 percent. The dental care inflation rate is set at 4 percent. Both rates include a 4 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2008, was 30 years.

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, 2008. No settlements exceeded insured amounts in the last three fiscal years.

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

Note 13. Prior Period Adjustment:

The effect of the District making a prior period adjustment (see explanation below) resulted in the restatement of the District's net assets as of July 1, 2007, as follows:

Total net assets as previously reported	\$ (1,065,305)
Change in prior year early termination benefits valuation due to GASB 45 implementation	<u>2,334,106</u>
Net assets as restated	<u>\$ 1,268,801</u>

Benefits previously recorded as early termination benefits are now subject to GASB 45. The effect of this transition increased net assets by \$2,334,106. Also, see note 10 (other post employment benefits) for additional information.

SUPPLEMENTARY INFORMATION

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
June 30, 2008**

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POST EMPLOYMENT BENEFITS
June 30, 2008**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/2008	\$ 766,675	63.37%

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2008

	<u>Other Special Projects</u>	<u>TEACH</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total Nonmajor Governmental</u>
Assets:					
Cash and investments	\$ 7,595	\$ 55,156	\$ 109,210	\$ 73,422	\$ 245,383
Accounts receivable	1,376	--	23,348	--	24,724
Due from other governments	--	--	13,119	--	13,119
Inventories and prepaid supplies	--	--	10,208	--	10,208
TOTAL ASSETS	<u>\$ 8,971</u>	<u>\$ 55,156</u>	<u>\$ 155,885</u>	<u>\$ 73,422</u>	<u>\$ 293,434</u>
Liabilities:					
Deferred revenue	\$ --	\$ --	\$ 12,139	\$ --	\$ 12,139
Fund balance	<u>8,971</u>	<u>55,156</u>	<u>143,746</u>	<u>73,422</u>	<u>281,295</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,971</u>	<u>\$ 55,156</u>	<u>\$ 155,885</u>	<u>\$ 73,422</u>	<u>\$ 293,434</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, 2008**

	Other Special Projects	TEACH	Food Service	Community Service	Total Nonmajor Governmental Funds
Revenues:					
Local sources	\$ 25,227	\$ 1,345	\$ 358,465	\$ 36,658	\$ 421,695
State sources	--	--	9,349	--	9,349
Federal sources	17,326	--	134,260	--	151,586
Other sources	--	--	939	--	939
	<u>42,553</u>	<u>1,345</u>	<u>503,013</u>	<u>36,658</u>	<u>583,569</u>
Expenditures:					
Instruction:					
Undifferentiated curriculum	14,456	--	--	--	14,456
Other instructional curriculum	20,777	--	--	--	20,777
Support services:					
Pupil services	360	--	--	--	360
Instructional staff services	3,492	--	--	--	3,492
Food service	--	--	509,317	--	509,317
Community service	--	--	--	24,104	24,104
	<u>39,085</u>	<u>--</u>	<u>509,317</u>	<u>24,104</u>	<u>572,506</u>
Net change in fund balance	3,468	1,345	(6,304)	12,554	11,063
Excess of revenues and other financing sources over (under) expenditures	3,468	1,345	(6,304)	12,554	11,063
Fund balance, beginning of year	<u>5,503</u>	<u>53,811</u>	<u>150,050</u>	<u>60,868</u>	<u>270,232</u>
Fund balance, end of year	<u>\$ 8,971</u>	<u>\$ 55,156</u>	<u>\$ 143,746</u>	<u>\$ 73,422</u>	<u>\$ 281,295</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
AGENCY FUNDS**

June 30, 2008

	<u>Balances 6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances 6/30/08</u>
Assets:				
Cash	\$ 155,007	\$ 612,191	\$ 636,967	\$ 130,231
Liabilities:				
Due to student organizations:				
High School	\$ 78,228	\$ 419,874	\$ 429,124	\$ 68,978
Summer School	7,361	9,486	11,951	4,896
Officials	297	29,075	29,197	175
Middle School	35,713	96,499	111,193	21,019
Elementary School	21,467	48,195	43,732	25,930
Elementary-Partnership	3,081	--	449	2,632
Elementary-Student Council	8,860	9,062	11,321	6,601
TOTAL LIABILITIES	<u>\$ 155,007</u>	<u>\$ 612,191</u>	<u>\$ 636,967</u>	<u>\$ 130,231</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Accrued 6/30/07	Expenditures	Grantor Reimbursements	Accrued 6/30/08
<i>U.S. Department of Agriculture:</i>					
Wisconsin Department of Public Instruction					
Food Distribution	10.550	\$ --	\$ 38,629	\$ 38,629	\$ --
National School Lunch	10.555	11,669	89,914	89,297	12,286
National School Milk	10.556	629	5,716	5,512	833
<i>U.S. Department of Education:</i>					
Title VIII - Impact Aid	84.041	--	6,316	6,316	--
Title IX- Indian Education Act	84.060	--	17,327	17,327	--
Wisconsin Department of Public Instruction					
Title IA - Basic Grant	84.010	134,306	140,903	134,306	140,903
Flow Thru	84.027	271,392	320,899	271,392	320,899
Preschool Entitlement	84.173	10,481	3,985	12,962	1,504
Title VA - Innovative Programs	84.298	2,231	2,289	2,231	2,289
Title IIA - Quality Teachers	84.367	46,236	42,430	46,236	42,430
CESA #6					
Title IV- Drug Free Schools	84.186	--	2,666	--	2,666
Title IID - Education Technology	84.318	1,140	1,634	1,140	1,634
Fox Valley Technical College					
Tech Mini Grant	84.243	--	250	250	--
<i>U.S. Department of Health and Human Services:</i>					
Medical Assistance Program	93.778	--	18,350	18,350	--
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 478,084</u>	<u>\$ 691,308</u>	<u>\$ 525,444</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2008**

State Grantor/Pass-Through Grantor/Program or Cluster Title	State Identifying Number	Accrued 6/30/07	Expenditures	Grantor Reimbursements	Accrued 6/30/08
Wisconsin Department of Public Instruction:					
Special Education and School Age Parents	255.101	\$ --	\$ 505,899	\$ 505,899	\$ --
State Lunch	255.102	--	7,742	7,742	--
Common School Fund Library Aid	255.103	--	67,845	67,845	--
Pupil Transportation	255.107	--	113,820	113,820	--
Wisconsin School Day Milk Program	255.109	--	1,607	1,607	--
General Equalization	255.201	157,475	9,720,098	9,716,463	161,110
CESA #6					
EEN Categorical Aid	255.101	--	4,032	4,032	--
WEA Trust					
Wellness Grant	XXX.XXX	--	1,060	1,060	--
Wisconsin Department of Revenue					
Exempt Computer Aid	XXX.XXX	2,945	2,473	2,945	2,473
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 160,420</u>	<u>\$ 10,424,576</u>	<u>\$ 10,421,413</u>	<u>\$ 163,583</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2008

NOTE 1 - BASIS OF PRESENTATION

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



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

Board of Education
Freedom Area School District
Freedom, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District (District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

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 District'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the schedule of findings and questioned costs are material weaknesses.

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*.

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

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 18, 2008



Erickson & Associates, S.C.

Certified Public Accountants and Financial Consultants

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

Board of Education
Freedom Area School District
Freedom, Wisconsin

Compliance

We have audited the compliance of Freedom Area School District (District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *State Single Audit Guidelines* that are applicable to each of its major federal and state programs for the year ended June 30, 2008. Freedom Area School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

Ericksen & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 18, 2008

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008**

Summary of Auditor's Results:

Financial Statements

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

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Type of auditor's report on compliance for major programs:	Unqualified opinion
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)?	No
Identification of major federal programs:	
	84.027/84.173 Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as a low-risk auditee?	Yes

State Awards

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2008

Financial Statement Findings:

2008-1 Financial Statement Preparation

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

Criteria: Pursuant to SAS 112, *Communicating Internal Control Matters Identified in an Audit*, we are required to report on whether the District is able to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

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

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

Management

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

2008-2 Number and Type of Journal Entries

Condition: During our audit, we identified and proposed material and nonmaterial adjustments, which were approved and posted by management.

Criteria: Pursuant to SAS 112, *Communicating Internal Control Matters Identified in an Audit*, we are required to report a significant deficiency if the auditor identifies a material misstatement in the financial statements that were not initially identified by the District's internal controls, even if management subsequently corrects the misstatement.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2008

2008-2 Number and Type of Journal Entries - Continued:

Cause: Various account balances needed auditor adjustments in order to produce financial statements in conformity with generally accepted accounting principles.

Recommendation: The District should attempt to post all entries prior to the start of the audit and have procedures in place to determine the proper handling of unusual and infrequent transactions.

Management

Response: The District will attempt to add additional procedures to correct and detect misstatements in the general ledger.

Federal and State Findings and Questioned Costs:

None reported