

FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

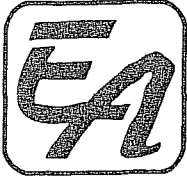
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**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Freedom Area School District
Freedom, Wisconsin

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, 2011, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District, as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedule of funding progress - other post employment benefits on page 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The nonmajor fund combining financial statements and combining balance sheet-agency funds are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and are also not a required part of the financial statements. The nonmajor fund combining financial statements, combining balance sheet - agency funds, and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

November 28, 2011

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

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, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- General Fund (Fund 10) fund balance increased by \$344,149. The fund balance is 11.5% of general fund expenditures. The Board of Education policy is to have a fund balance of greater than 5%.
- General Fund actual revenues of \$17,984,404 were \$339,880 more than final budgeted revenues of \$17,644,524. Actual expenditures of \$17,640,255 were \$4,269 less than the final budgeted expenditures of \$17,644,524. Actual expenditures were approximately 98% of revenue.
- The District received a federal Carol M. White Physical Education Program Grant (PEP) as of September 30, 2010. The funding for this grant will last for three years and will be for a total of \$578,171. The purpose of this grant is to increase the percentage of students who engage in physical activity and who consume more fruits and vegetables, decrease the number of students who have a body mass index in the overweight or obese category and to increase the number of students who meet the Wisconsin Model Academic Standards. These goals will be accomplished by creating a cardio workout room, adding a climbing wall and traverse wall in the District, purchasing other equipment that will enhance the physical education curriculum as well the as the health curriculum. Training for all physical education and health staff to accomplish these goals will also be funded through the grant. Following the three year grant period there will be some ongoing funding that will need to be picked up by the District to continue these efforts.

During 2010-2011 over \$370,000 of the grant was used to purchase equipment and towards staff development. The cardio room as well as the traverse and climbing walls are in place and being used by our students. We have also purchased and are using new physical education curriculum materials such as cross country skis, bicycles and bow and arrows.

- The American Recovery and Reinvestment Act (ARRA) was passed in March, 2009. ARRA is a package developed by Congress to create and save millions of jobs, jumpstart the economy, and begin the process of transforming economic recovery by targeted priority investments, including public K-12 education appropriation. For the District, this economic package included an increase in federal special appropriations project funds for fiscal years 2009-2010 and 2010-2011 by about \$410,000 in additional Title I and special education funding. The overall goal of the ARRA was to stimulate the economy in the short-term and invest in education and other essential public services to ensure the long-term economic health of the US. During 2010-2011 this funding was used to provide a literacy coach for the Title I teaching program as well as the redirecting of an instructional aide position in Title I and two new special education staff, staff development, repair of an elevator, and purchasing a psychologist from CESA #6 on a part time basis as well as some other small items.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

FINANCIAL HIGHLIGHTS - CONTINUED

- The State of Wisconsin has given districts a onetime grant for 2010-2011 called the Education Jobs Fund. The District received \$315,827, which it used to hire a new staff member and supplement the wages of current staff which allowed the remainder of the money to be freed up. The District used the freed up money to purchase long overdue technology updates in the District, including installing over 65 interactive whiteboards and updating some server and wiring needs. The impact of this money will benefit the District for years to come.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

District-wide Financial Statements

- The *Statement of Net Assets* compares assets to liabilities to give an overall view of the financial health of the District. This statement includes fixed assets and long-term liabilities.
- The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues - charges for services and/or operating grants and contributions. General revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue - recognizing the change in net assets for the District from the previous year.

Fund Financial Statements

- The remaining statements: *Balance Sheet - Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the district-wide statements.

The *Notes to Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

Required Supplementary Information further explains and supports the financial statements.

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

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

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

Table #1

		-----Fund Financial Statements-----		
	District-wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business. <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 is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Table #2

Condensed Statement of Net Assets			
	<u>2011</u>	<u>2010</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$6,071,625	\$6,309,025	-4%
Noncurrent Assets	\$11,455,740	\$11,313,465	1%
Total Assets	\$17,527,365	\$17,622,490	-1%
<u>Liabilities</u>			
Current Liabilities	\$4,566,757	\$5,489,478	-17%
Noncurrent Liabilities	\$7,716,030	\$8,412,643	-8%
Total Liabilities	\$12,282,787	\$13,902,121	-12%
<u>Net Assets</u>			
Invested in Capital, net of related debt	\$4,188,866	\$2,917,142	44%
Restricted	\$485,254	\$462,344	5%
Unrestricted	\$570,458	\$340,883	67%
Total Net Assets	\$5,244,578	\$3,720,369	41%

Statement of Net Assets: (Table #2)

The District's overall financial status, as reflected in total net assets, increased by \$1.5M to \$5.2M. The District reported total assets of \$17.5M, of which \$11.46M are noncurrent assets. The District reported total liabilities of \$12.3M, of which \$7.7M are long-term liabilities.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Table #3

Changes in Net Assets from Operating Results For Governmental Activities					
	<u>2010-11</u>	<u>%</u>	<u>2009-10</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program					
Charges for Services	\$1,141,477	6%	\$986,595	5%	16%
Operating Grants & Cont.	\$2,254,092	11%	\$1,548,638	8%	46%
General					
Equalization Aid	\$10,437,516	51%	\$9,115,449	49%	15%
ARRA State Fiscal Stabilization Fund	\$0	0%	\$509,484	3%	-100%
Property Taxes	\$6,411,722	32%	\$6,485,771	34%	-1%
Other	\$46,793	0%	\$78,709	1%	-41%
Total Revenues	<u>\$20,291,600</u>	<u>100%</u>	<u>\$18,724,646</u>	<u>100%</u>	8%
Expenses:					
Instruction	\$10,248,691	55%	\$9,996,452	55%	3%
Support Services	\$6,173,353	33%	\$6,017,832	33%	3%
Nonprogram	\$926,139	5%	\$724,699	4%	28%
Food Service, Community	\$551,573	3%	\$591,444	3%	-7%
Interest and Fiscal Charges	\$409,988	2%	\$474,567	3%	-14%
Unallocated Depreciation	\$457,647	2%	\$414,537	2%	10%
Total Expenses	<u>\$18,767,391</u>	<u>100%</u>	<u>\$18,219,531</u>	<u>100%</u>	3%
Change in Net Assets	<u>\$1,524,209</u>		<u>\$505,115</u>		202%

FREEDOM AREA SCHOOL DISTRICT

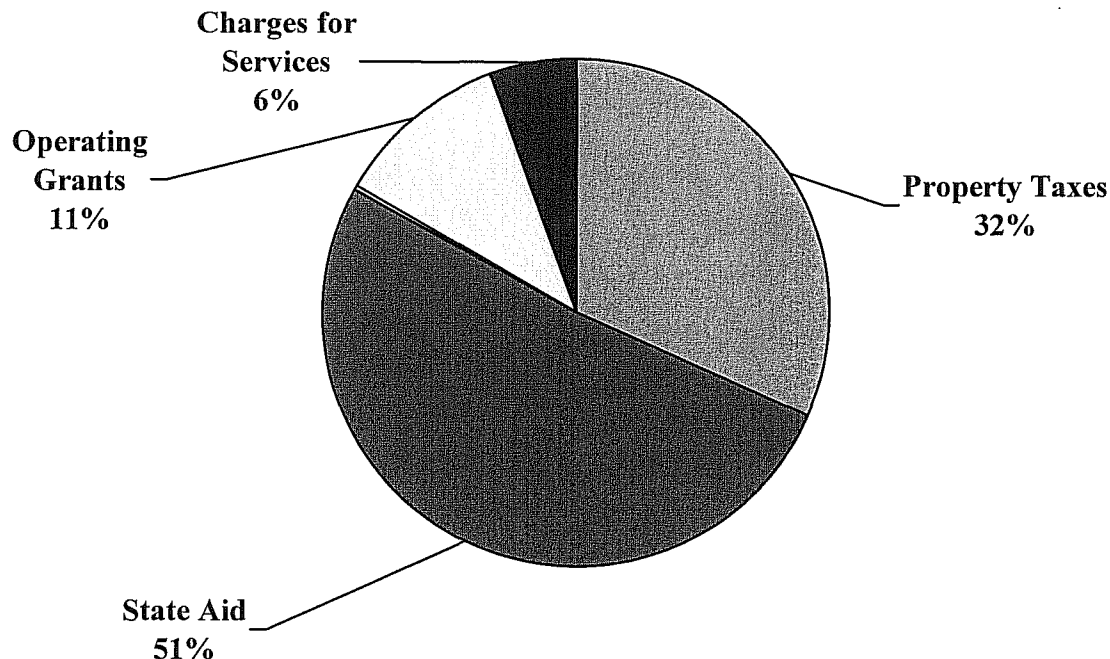
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Revenues: (Table #3)

- For FY2011, the District received \$20.3M in revenue. This is an increase of 8% or \$1.6M over the previous year. State equalization aid increased from the prior year by \$1.3M to \$10.4M. Property taxes decreased by \$74,049 to \$6.4M. For FY2011, 51% of total revenue came from state equalization aid, and 32% came from local school property taxes. The District received approximately 17% of all revenue in the form of specific use state aid, federal grants, contributions from individuals, and direct fees for services.
- Individuals, who directly participated or received benefits from a program offering, contributed \$1.1M of the cost, an increase of \$154,882 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 \$2.3M, which is an increase of \$705,454 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.
- The District received \$46,793 in other income, a decrease of \$31,916 from the prior year.

REVENUES 2010-2011



FREEDOM AREA SCHOOL DISTRICT

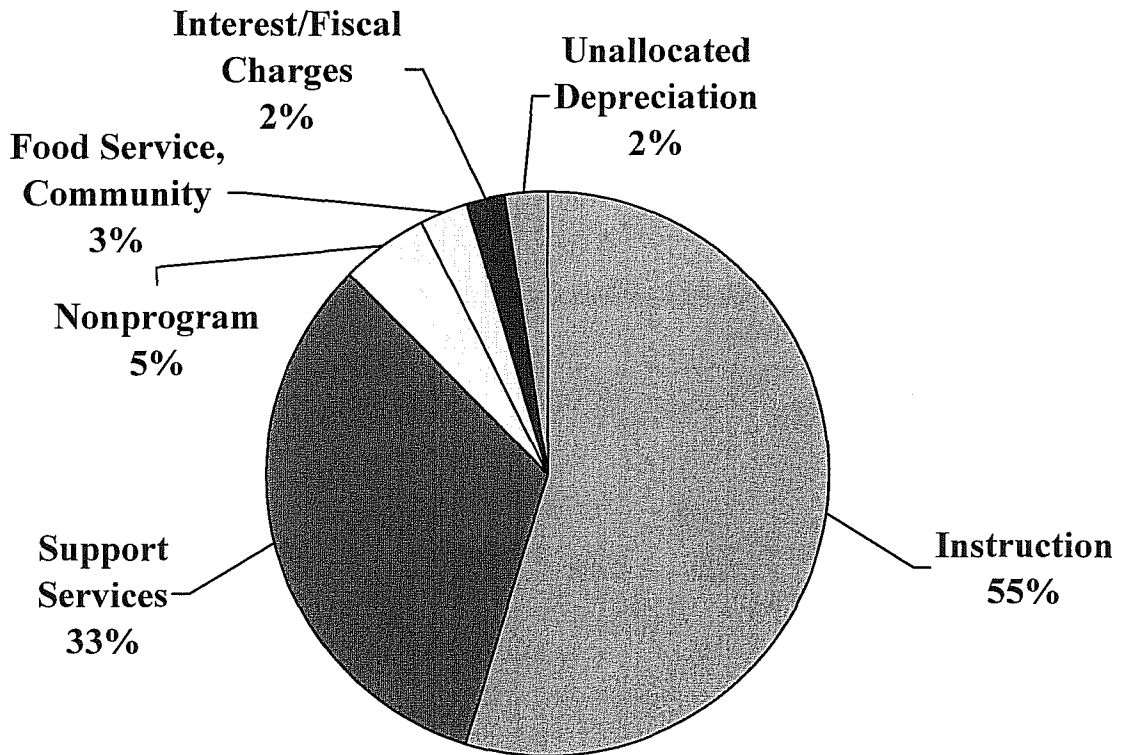
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Expenses: (Table #3)

- For FY2011, the District's total expenditure amount was \$18.8M. This is an increase of \$547,860 from the prior year. For FY 2011, 55% was directed to instruction and 33% was directed to support services. Nonprogram expenditure amounts were 5% of the total. The food service program and community service represents 3% and costs for debt service represented 2% of total expenditures.

EXPENDITURES 2010-2011



FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$10,248,691	\$7,780,336
Support Services	\$6,173,353	\$5,842,580
Nonprogram	\$926,139	\$908,049
Food Service, Community Service	\$551,573	\$(26,778)
Interest and Fiscal Charges	\$409,988	\$409,988
Unallocated Depreciation	\$457,647	\$457,647
	_____	_____
Total	\$18,767,391	\$15,371,822

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$18.8M.
- The net cost of governmental activities, \$15.4M, was financed by general revenues, which are primarily made up of state equalization aid of \$10.4M and property taxes of \$6.4M. Miscellaneous and investment earnings accounted for \$46,793. In addition, District operations were subsidized by \$3.4M, 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 modified its original budget in 2010-11. The statement of revenues, expenditures, and changes in fund balances-budget and actual for the general fund shows a comparison of the budget versus actual.
- Actual results for the year showed an excess of expenditures over revenues of \$344,149. Total revenues were higher than budgeted by \$339,880. Total expenditures were less than budgeted by \$4,269.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Fund Balances:

- The District shows a total for all fund balances of \$2.6M as of June 30, 2011.
- \$2.0M is in the general fund. The District utilizes this fund balance for funding future short-term operations. The fund balance is 11.5% of general fund expenditures. The Board of Education's policy is to have a minimum fund balance of at least 5%. The board policy goal has been met and the District will strive to maintain at least that level of fund balance.
- \$248,628 in the debt service fund (Funds 38 & 39) is reserved to make future payments on long-term debt.
- Fund balances in the food service fund and community service funds will be used to fund continuing operations in those funds.

Capital Asset and Debt Administration:

Capital Assets

- At year-end, the District had \$11.5M in capital assets. Further detail can be found in Note 3 in the financial statements.

Long-term Debt

- At year-end, the District had \$8.8M 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, 2011

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.

- The passage of ACT 10 by the Wisconsin Legislature in the spring of 2011 will have many great impacts on the future of funding for Wisconsin schools. This ACT has required employees to pay a share of their Wisconsin Retirement Contributions and has done away with collective bargaining over all issues but salary, which will be capped by the CPI. This change will allow District's to make changes to both the health insurance plan as well as contributions made by the employee. These changes will free up money in the District's budget to absorb some of the effect of less revenue being provided by the state.
- Aside from ACT 10, one of the main factors that will have economic impact on the future of the District will be how the Wisconsin Legislature continues to fund education. Each year as the state budget is being developed; educational institutions cannot be sure what the impact will be to their budget. As school districts live under revenue limits, the numbers used to generate that limit are critical to the operations of public education.
- Another factor that will have economic impact on the District is the number of students that are enrolled. This number is what is used to generate the revenue limit and amount of money that can be raised to fund the schools. Over the last several years this number has been increasing, since 2004-2005, the full time equivalency in the District has increased by over 177 students. 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.
- The District will continue to update its physical education and wellness curriculum using the Carol M. White federal grant it received during the 2010-2011 fiscal year. This grant will continue for the 2011-2012 and 2012-2013 fiscal years.

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, and WI 54130-7593.

BASIC FINANCIAL STATEMENTS

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF NET ASSETS
June 30, 2011**

ASSETS

Current assets:

Cash and investments	\$ 2,939,162
Taxes receivable	1,682,166
Accounts receivable	37,858
Due from other governments	1,403,409
Inventory	9,030
Total current assets	6,071,625

Capital assets:

Land, buildings and equipment	17,791,175
Less accumulated depreciation	6,335,435
Net capital assets	11,455,740

Total assets	17,527,365
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LIABILITIES

Current liabilities:

Short term notes payable	2,500,000
Current portion of bonds and notes payable	1,039,560
Accounts payable	302,600
Deferred revenue	13,745
Accrued salaries and wages	35,197
Accrued payroll taxes and withholdings	586,002
Accrued interest payable	89,653
Total current liabilities	4,566,757

Long-term liabilities:

Bonds and notes payable	6,807,314
Other post employment benefits	841,366
Unused vested employee benefits	67,350
Total long-term liabilities	7,716,030

Total liabilities	12,282,787
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NET ASSETS

Invested in capital assets, net of related debt	4,188,866
Restricted	485,254
Unrestricted	570,458
Total net assets	\$ 5,244,578

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, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Instruction:				
Undifferentiated curriculum	\$ 3,038,261	\$ 317,093	\$ 350,427	\$(2,370,741)
Regular curriculum	3,558,361	317,092	163,532	(3,077,737)
Special education curriculum	1,780,319	126,656	802,870	(850,793)
Other instructional curriculum	1,871,750	6,527	384,158	(1,481,065)
Total instruction	10,248,691	767,368	1,700,987	(7,780,336)
Support services:				
Pupil services	592,747	--	160,322	(432,425)
Instructional staff services	800,621	--	100,528	(700,093)
General administration	223,576	--	4,235	(219,341)
School building administration	781,044	--	--	(781,044)
Business administration	2,566,790	--	19,263	(2,547,527)
Other support services	1,208,575	--	46,425	(1,162,150)
Total support services	6,173,353	--	330,773	(5,842,580)
Nonprogram	926,139	--	18,090	(908,049)
Food service	544,995	374,109	204,242	33,356
Community service	6,578	--	--	(6,578)
Interest and fiscal charges	409,988	--	--	(409,988)
Unallocated depreciation	457,647	--	--	(457,647)
Total activities	\$ 18,767,391	\$ 1,141,477	\$ 2,254,092	(15,371,822)
General revenues:				
Equalization aid				10,437,516
Property taxes levied for:				
General purposes				4,713,722
Debt service				1,663,000
Community service				35,000
Interest income				3,265
Miscellaneous				43,528
Total general revenues				16,896,031
Change in net assets				1,524,209
Net assets, beginning of the year				3,720,369
Net assets, end of year				\$ 5,244,578

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, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,359,652	\$ 289,422	\$ 290,088	\$ 2,939,162
Taxes receivable, net	1,682,166	--	--	1,682,166
Account receivable	3,251	--	34,607	37,858
Due from other funds	40,794	--	--	40,794
Due from other governments	1,384,306	--	19,103	1,403,409
Inventory	--	--	9,030	9,030
Total assets	\$ 5,470,169	\$ 289,422	\$ 352,828	\$ 6,112,419
LIABILITIES AND FUND BALANCES				
Liabilities:				
Short-term liabilities	\$ 2,500,000	\$ --	\$ --	\$ 2,500,000
Accounts payable	295,837	--	6,763	302,600
Deferred revenue	--	--	13,745	13,745
Accrued salaries and wages	35,197	--	--	35,197
Accrued payroll taxes and withholdings	586,002	--	--	586,002
Accrued interest	21,007	--	--	21,007
Due to other funds	--	40,794	--	40,794
Total liabilities	3,438,043	40,794	20,508	3,499,345
Fund balances:				
Non-spendable	--	--	9,030	9,030
Spendable:				
Restricted	--	248,628	227,596	476,224
Assigned	--	--	95,694	95,694
Unassigned	2,032,126	--	--	2,032,126
Total fund balances	2,032,126	248,628	332,320	2,613,074
Total liabilities and fund balances	\$ 5,470,169	\$ 289,422	\$ 352,828	\$ 6,112,419

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, 2011

Total fund balance - governmental funds	\$ 2,613,074
---	--------------

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 \$607,897 accumulated depreciation	513,813	
Buildings, net of \$3,502,319 accumulated depreciation	8,424,891	
Machinery and equipment, net of \$2,187,219 accumulated depreciation	1,015,561	
Infrastructure, net of \$38,000 accumulated depreciation	<u> --</u>	
Total capital assets		11,455,740

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.	(68,646)
--	-----------

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds but rather, is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2011, are:

Bonds and notes payable, including current portion	(7,846,874)	
Other post employment benefits	(841,366)	
Unused vested employee benefits	<u>(67,350)</u>	
Total long-term liabilities		<u>(8,755,590)</u>

Total net assets of governmental activities	<u>\$ 5,244,578</u>
---	---------------------

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Local sources	\$ 4,884,489	\$ 1,664,053	\$ 422,327	\$ 6,970,869
Interdistrict sources	519,517	--	--	519,517
Intermediate sources	19,031	--	--	19,031
State sources	11,088,857	--	9,843	11,098,700
Federal sources	1,439,023	--	210,485	1,649,508
Other sources	33,487	--	488	33,975
Total revenues	<u>17,984,404</u>	<u>1,664,053</u>	<u>643,143</u>	<u>20,291,600</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	3,024,933	--	15,251	3,040,184
Regular curriculum	3,564,232	--	--	3,564,232
Special education curriculum	1,868,315	--	--	1,868,315
Other instructional curriculum	2,098,963	--	3,600	2,102,563
Total instruction	<u>10,556,443</u>	<u>--</u>	<u>18,851</u>	<u>10,575,294</u>
Support services:				
Pupil services	592,501	--	246	592,747
Instructional staff services	811,716	--	835	812,551
General administration	227,656	--	--	227,656
School building administration	786,226	--	--	786,226
Business administration	2,600,383	--	--	2,600,383
Debt service	33,237	1,603,254	--	1,636,491
Other support services	1,105,954	--	9,919	1,115,873
Total support services	<u>6,157,673</u>	<u>1,603,254</u>	<u>11,000</u>	<u>7,771,927</u>
Nonprogram	926,139	--	--	926,139
Food service	--	--	548,909	548,909
Community service	--	--	6,578	6,578
Total expenditures	<u>17,640,255</u>	<u>1,603,254</u>	<u>585,338</u>	<u>19,828,847</u>
Net change in fund balances	344,149	60,799	57,805	462,753
Fund balances, beginning of year	<u>1,687,977</u>	<u>187,829</u>	<u>274,515</u>	<u>2,150,321</u>
Fund balances, end of year	<u>\$ 2,032,126</u>	<u>\$ 248,628</u>	<u>\$ 332,320</u>	<u>\$ 2,613,074</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, 2011

Net change in fund balance - total governmental funds	\$ 462,753
The change in net assets reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which capital outlays exceed depreciation in the current period.	142,275
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. The increase in other post employment benefits liability is greater than the amounts paid.	(326,364)
Governmental funds report actual vested employee benefit payments made. The district-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which the actual payments exceed the accrual basis in the current year.	19,042
Accrued interest expense on long-term debt is reported in the district-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.	2,679
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	(35,625)
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>1,259,449</u>
Change in net assets of governmental activities	\$ <u>1,524,209</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, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Local sources	\$ 4,887,164	\$ 4,903,950	\$ 4,884,489	\$(19,461)
Interdistrict sources	577,735	549,200	519,517	(29,683)
Intermediate sources	14,027	14,027	19,031	5,004
State sources	11,108,339	11,055,999	11,088,857	32,858
Federal sources	1,101,348	1,101,348	1,439,023	337,675
Other sources	20,000	20,000	33,487	13,487
Total revenues	17,708,613	17,644,524	17,984,404	339,880
Expenditures:				
Instruction:				
Undifferentiated curriculum	3,343,510	3,361,296	3,024,933	336,363
Regular curriculum	3,446,982	3,446,982	3,564,232	(117,250)
Special education curriculum	1,995,323	2,036,415	1,868,315	168,100
Other instructional curriculum	1,749,002	1,749,002	2,098,963	(349,961)
Total instruction	10,534,817	10,593,695	10,556,443	37,252
Support services:				
Pupil services	553,362	553,362	592,501	(39,139)
Instructional staff services	833,192	833,192	811,716	21,476
General administration	219,621	219,621	227,656	(8,035)
School building administration	859,844	790,677	786,226	4,451
Business administration	2,537,195	2,524,195	2,600,383	(76,188)
Debt service	71,000	71,000	33,237	37,763
Other support services	1,163,832	1,163,832	1,105,954	57,878
Total support services	6,238,046	6,155,879	6,157,673	(1,794)
Nonprogram	935,750	894,950	926,139	(31,189)
Total expenditures	17,708,613	17,644,524	17,640,255	4,269
Net change in fund balance	--	--	344,149	344,149
Fund balance, beginning of year	1,687,977	1,687,977	1,687,977	--
Fund balance, end of year	\$ 1,687,977	\$ 1,687,977	\$ 2,032,126	\$ 344,149

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, 2011

	<u>Student Activity</u>
ASSETS	
Cash	<u>\$ 184,949</u>
LIABILITIES	
Due to student organizations	<u>184,949</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 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

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

B. Fund Accounting

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

The District operates the following major governmental funds:

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

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

The District operates the following nonmajor governmental funds:

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

Additionally, the District reports the following fund type:

Agency Funds - activities of student organizations are accounted for in an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

C. Basis of Presentation

District-wide Financial Statements

The statement of net 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, 2011.

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

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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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 the Board of Education (Board) resolution.

F. Cash and Investments

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

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

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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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 2010 tax levy is used to finance operations of the District's fiscal year ended June 30, 2011. All property taxes are considered due on January 1, 2011, 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, 2011, consisted of taxes, accounts, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Inventory

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory in the governmental funds consists of expendable supplies held for consumption. The cost is recorded as 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.

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, which can only be used for District sponsored health or dental premiums. Only bargaining unit members who have been employed by the District for a minimum of 15 years are eligible for this benefit.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

K. Capital Assets and Depreciation

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

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

N. Fund Balances

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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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

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

Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education - the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed fund balances as of June 30, 2011.

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

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

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

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

O. Use of Estimates

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

Note 2. Cash and Investments:

The debt service fund accounts for its transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

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

- Time deposits
- Securities guaranteed by the U. S. Government
- Securities of Wisconsin Municipal Units
- Securities of Wisconsin Educational and Local Government Investment Pool
- Bonds issued by a local exposition district
- Bonds issued by a local professional baseball park district
- Bonds issued by a local professional stadium district
- Bonds issued by the University of Wisconsin Hospitals and Clinics Authority
- Bonds issued by a local cultural arts district
- Bonds issued by the Wisconsin Aerospace Authority
- Securities which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired and received the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency
- Securities of an open-ended management investment company or investment trust, if the investment company does not charge a sales load, is registered under the Investment Company Act of 1940, and the portfolio is limited to bonds and securities issued by the federal government, bonds that are guaranteed by the federal government, or repurchase securities that are fully collateralized by bonds or securities

The carrying amount of the District's cash and investments totaled \$3,124,111 on June 30, 2011, as summarized below:

Petty cash funds	\$ 275
Deposits with financial institutions	2,903,952
Investments	
Local government investment pool	219,884
	<u>\$ 3,124,111</u>

Reconciliation to the basic financial statements:

Statement of net assets	\$ 2,939,162
Agency funds	184,949
	<u>\$ 3,124,111</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

Custodial Credit Risk

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

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian for interest bearing accounts and unlimited amounts for non-interest bearing accounts. 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, 2011, the carrying amount of the District's deposits was \$2,903,952 and the bank balance was \$2,907,583. Of the bank balance, \$439,343 was covered by FDIC insurance and \$2,065,775 was covered by pledged collateral. The remaining \$402,465 was uninsured and uncollateralized.

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the two ratings assigned by nationally recognized statistical rating organizations. The investment in the local government investment pool is not rated.

Following is the distribution of the District's investments:

	<u>Cost</u>	<u>Fair Value</u>
Local government investment pool	\$ 219,884	\$ 219,884

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy to address interest rate risk.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 3. Capital Assets:

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 1,501,475	\$ --	\$ --	\$ 1,501,475
Land improvements	1,118,973	2,737	--	1,121,710
Buildings	11,927,210	--	--	11,927,210
Furniture and equipment	2,605,595	597,185	--	3,202,780
Infrastructure	<u>38,000</u>	<u>--</u>	<u>--</u>	<u>38,000</u>
Total	<u>17,191,253</u>	<u>599,922</u>	<u>--</u>	<u>17,791,175</u>
Accumulated Depreciation:				
Land improvements	551,880	56,017	--	607,897
Buildings	3,266,272	236,047	--	3,502,319
Furniture and equipment	2,021,636	165,583	--	2,187,219
Infrastructure	<u>38,000</u>	<u>--</u>	<u>--</u>	<u>38,000</u>
Total	<u>5,877,788</u>	<u>457,647</u>	<u>--</u>	<u>6,335,435</u>
Net total	<u>\$ 11,313,465</u>	<u>\$ 142,275</u>	<u>\$ --</u>	<u>\$ 11,455,740</u>

Note 4. Interfund Receivables, Payables, and Transfers:

Interfund balances on the fund financial statements at June 30, 2011, consisted of the following:

<i>Fund</i>	<u>Due From</u>	<u>Due To</u>
General	\$ 40,794	\$ --
Debt service	--	40,794

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, 2011, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
	<u>\$ 3,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 2,500,000</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5. Short-term Notes Payable - Continued:

The note was issued on October 28, 2010, and matured on October 17, 2011. The interest rate on the note was 1.25%. The proceeds were used to finance continuing operations.

Interest expense for the year ended June 30, 2011, for short-term notes totaled \$33,237.

Note 6. Long-term Obligations:

Long-term obligations of the District at June 30, 2011,

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General obligation debt	\$ 9,106,323	\$ --	\$ 1,259,449	\$ 7,846,874
Unamortized debt acquisition costs	<u>(35,625)</u>	<u>--</u>	<u>(35,625)</u>	<u>--</u>
Total bonds and notes payable	9,070,698	--	1,223,824	7,846,874
Other post employment benefits	515,002	845,982	519,618	841,366
Vested employee benefits	<u>86,392</u>	<u>--</u>	<u>19,042</u>	<u>67,350</u>
Totals	<u>\$ 9,672,092</u>	<u>\$ 845,982</u>	<u>\$ 1,762,484</u>	<u>\$ 8,755,590</u>

Total interest paid for the year ended June 30, 2011, was \$343,805 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, 2011, 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	3/02/2009	3.00%-3.50%	4/01/2015	\$ 2,545,000
General obligation refunding bonds	4/01/2005	2.65%-4.20%	4/01/2021	4,255,000
General obligation refunding bonds (JPMorgan Chase)	2/14/2006	5.89%	2/14/2016	466,874
General obligation promissory note	2/15/2007	4.00%	4/01/2016	<u>580,000</u>
Total general obligation debt				<u>\$ 7,846,874</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Long-term Obligations - Continued:

The 2010 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$730,988,076. The legal debt limit and margin of indebtedness as of June 30, 2011, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$730,988,076)	\$ 73,098,808
Deduct long-term debt applicable to debt margin	<u>7,846,874</u>
Margin of indebtedness	<u>\$ 65,251,934</u>

Aggregate cash flow requirements for the retirement of general-obligation debt and interest on June 30, 2011, follows:

Year ending <i>June 30,</i>	Principal	Interest	Total
2012	\$ 1,039,560	\$ 297,161	\$ 1,336,721
2013	1,124,980	261,037	1,386,017
2014	1,230,728	221,339	1,452,067
2015	1,341,823	175,383	1,517,206
2016	574,783	124,289	699,072
2017-2021	2,535,000	332,014	2,867,014
Totals	\$ 7,846,874	\$ 1,411,223	\$ 9,258,097

Note 7. Fund Balance Reporting:

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2011:

Description	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Non-spendable:				
Inventory - food service	\$ --	\$ --	\$ 9,030	\$ 9,030
Restricted:				
Donations - Special revenue trust fund	--	--	7,748	7,748
TEACH fund - future technology expenditures	--	--	44,993	44,993
Debt service	--	248,628	--	248,628
Food service	--	--	174,855	174,855
Assigned:				
Community service fund activities	--	--	95,694	95,694
Unassigned	2,032,126	--	--	2,032,126
Total fund balances	\$ 2,032,126	\$ 248,628	\$ 332,320	\$ 2,613,074

**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, 2011:

General fund:

Regular curriculum	\$ 117,250
Other instructional curriculum	349,961
Pupil services	39,139
General administration	8,035
Business administration	76,188
Nonprogram	31,189

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 are required by statute to contribute a percentage set by the Employees Trust Funds Board 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 WRS for the year ended June 30, 2011, was \$8,350,811; the employer's total payroll was \$8,730,834. The total required contribution for the year ended June 30, 2011, was \$949,464, which consisted of \$416,276 or 4.8-5.1% of payroll from the employer and \$533,188, or 5.9-6.2% of payroll from employees. Total contributions for the years ended June 30, 2010 and 2009, were \$882,771 and \$727,153, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent 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 health care plan administered by the District. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. Eligible retirees are retired teachers and administrators that are at least age 55 with a minimum of 15 years of service. The benefit to these eligible retirees is that the District makes the same medical and dental premium contributions as it made on behalf of the retiree until such time that they become Medicare-eligible. The authority to establish and amend benefit provisions is with the Board. There is no financial report issued by the plan.

The contribution requirements of the District are established and may be amended by the Board. The annual required contribution is based on an actuarial study. The actual amounts contributed are based on the pay-as-you-go basis. For the fiscal year ended June 30, 2011, the District contributed \$519,618.

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	\$ 843,040
Interest on net OPEB obligation	25,750
Adjustment to annual required contribution	<u>(22,808)</u>
Annual OPEB cost	845,982
Contributions made	<u>519,618</u>
Increase in net OPEB obligation	326,364
Net OPEB obligation - beginning of year	<u>515,002</u>
Net OPEB obligation - ending of year	<u>\$ 841,366</u>

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

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
06/30/2011	\$ 845,982	61.42%	\$ 841,366
06/30/2010	789,773	69.96%	515,002
06/30/2009	772,783	76.22%	277,760

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$8,006,345, and the actuarial value of assets was \$0. This resulted in an unfunded actuarial liability (UAAL) of \$8,006,345. The covered payroll (annual payroll of active employees covered by the plan) was \$8,342,724 and the ratio of UAAL to the covered payroll was 95.97%.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. Other Post Employment Benefits - Continued

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 health care 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 supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

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

For the actuarial valuation, the projected unit credit method was used. The actuarial assumption included a 5.0% 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 health care cost trend rate of 9.0% initially, decreasing by 1 percent per year down to 5.0%. The dental care inflation rate is set at 4.0%. Both rates include a 4.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2011, was 29 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, 2011. 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. Subsequent Events:

The District has evaluated all subsequent events through November 28, 2011, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
June 30, 2011**

<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>
07/01/2010	\$ --	\$ 8,006,345	\$ 8,006,345	0.00%	\$ 8,342,724	95.97%
01/01/2008	--	7,535,977	7,535,977	0.00%	5,874,414	128.28%

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011**

	Other Special Projects	TEACH	Food Service	Community Service	Total Nonmajor Governmental Funds
Assets:					
Cash and investments	\$ 7,748	\$ 44,993	\$ 135,075	\$ 102,272	\$ 290,088
Accounts receivable	--	--	34,607	--	34,607
Due from other governments	--	--	19,103	--	19,103
Inventories	--	--	9,030	--	9,030
TOTAL ASSETS	<u>\$ 7,748</u>	<u>\$ 44,993</u>	<u>\$ 197,815</u>	<u>\$ 102,272</u>	<u>\$ 352,828</u>
Liabilities:					
Accounts payable	\$ --	\$ --	\$ 185	\$ 6,578	\$ 6,763
Deferred revenue	--	--	13,745	--	13,745
Total liabilities	<u>--</u>	<u>--</u>	<u>13,930</u>	<u>6,578</u>	<u>20,508</u>
Fund balances:					
Non-spendable	--	--	9,030	--	9,030
Spendable					
Restricted	7,748	44,993	174,855	--	227,596
Assigned	--	--	--	95,694	95,694
Total fund balances	<u>7,748</u>	<u>44,993</u>	<u>183,885</u>	<u>95,694</u>	<u>332,320</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,748</u>	<u>\$ 44,993</u>	<u>\$ 197,815</u>	<u>\$ 102,272</u>	<u>\$ 352,828</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, 2011

	<u>Other Special Projects</u>	<u>TEACH</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Local sources	\$ 12,619	\$ 466	\$ 373,621	\$ 35,621	\$ 422,327
State sources	--	--	9,843	--	9,843
Federal sources	16,086	--	194,399	--	210,485
Other sources	<u>--</u>	<u>--</u>	<u>488</u>	<u>--</u>	<u>488</u>
Total revenues	<u>28,705</u>	<u>466</u>	<u>578,351</u>	<u>35,621</u>	<u>643,143</u>
Expenditures:					
Instruction:					
Undifferentiated curriculum	15,251	--	--	--	15,251
Other instructional curriculum	3,600	--	--	--	3,600
Support services:					
Pupil services	246	--	--	--	246
Instructional staff services	835	--	--	--	835
Other support services	9,919	--	--	--	9,919
Food service	--	--	548,909	--	548,909
Community service	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,578</u>	<u>6,578</u>
Total expenditures	<u>29,851</u>	<u>--</u>	<u>548,909</u>	<u>6,578</u>	<u>585,338</u>
Net change in fund balances	(1,146)	466	29,442	29,043	57,805
Fund balances, beginning of year	<u>8,894</u>	<u>44,527</u>	<u>154,443</u>	<u>66,651</u>	<u>274,515</u>
Fund balances, end of year	<u>\$ 7,748</u>	<u>\$ 44,993</u>	<u>\$ 183,885</u>	<u>\$ 95,694</u>	<u>\$ 332,320</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
AGENCY FUNDS**

June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash	\$ 184,281	\$ 696,046	\$ 695,378	\$ 184,949
Liabilities:				
Due to student organizations:				
High school	\$ 117,982	\$ 477,658	\$ 483,468	\$ 112,172
Summer school	6,060	15,400	12,276	9,184
Officials	224	32,503	30,771	1,956
Middle school	25,545	104,079	99,610	30,014
Elementary school	31,051	55,225	57,008	29,268
Elementary-partnership	672	168	206	634
Elementary-student council	2,747	11,013	12,039	1,721
TOTAL LIABILITIES	<u>\$ 184,281</u>	<u>\$ 696,046</u>	<u>\$ 695,378</u>	<u>\$ 184,949</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011**

Awarding Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Accrued Receivable 6/30/10	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/11
U.S. DEPARTMENT OF AGRICULTURE					
WI Department of Public Instruction					
<i>Child Nutrition Cluster</i>					
National School Breakfast	10.553	\$ --	\$ 2,070	\$ 1,621	\$ 449
National School Lunch-noncash	10.555	--	42,669	42,669	--
National School Lunch-cash	10.555	1,950	146,957	130,618	18,289
National School Milk	10.556	65	2,703	2,402	366
Child Nutrition Cluster total		<u>2,015</u>	<u>194,399</u>	<u>177,310</u>	<u>19,104</u>
U.S. DEPARTMENT OF EDUCATION					
Formula Grants to LEAs	84.060A	--	16,086	16,086	--
Carol M. White Physical Education Program	84.215	--	378,045	--	378,045
WI Department of Public Instruction					
<i>Title I Cluster</i>					
Title IA - Basic Grant	84.010	152,693	125,001	152,693	125,001
ARRA-Title IA	84.389	33,368	30,128	63,496	--
Title I Cluster total		<u>186,061</u>	<u>155,129</u>	<u>216,189</u>	<u>125,001</u>
<i>Special Education Cluster</i>					
IDEA Flow Through	84.027	231,179	233,877	231,179	233,877
IDEA Preschool Entitlement	84.173	5,791	14,000	5,791	14,000
ARRA-IDEA Flow Through	84.391	123,826	207,053	123,826	207,053
ARRA-IDEA Preschool Entitlement	84.392	8,880	7,596	16,476	--
Special Education Cluster total		<u>369,676</u>	<u>462,526</u>	<u>377,272</u>	<u>454,930</u>
Title IIA - Quality Teachers	84.367	46,164	47,090	46,164	47,090
WI Department of Administration					
Education Jobs Fund	84.410	--	315,827	171,569	144,258
CESA # 6					
Carl Perkins	84.048	--	205	205	--
<i>Education Technology Cluster</i>					
Title IID-Education					
Technology	84.318	1,111	900	2,011	--
AAR-Title IID-Education					
Technology	84.386	2,403	800	3,203	--
Education Technology Cluster total		<u>3,514</u>	<u>1,700</u>	<u>5,214</u>	<u>--</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
WI Department of Health Services					
Medical Assistance Program	93.778	2,922	80,406	81,356	1,972
TOTALS		<u>\$ 610,352</u>	<u>\$ 1,651,413</u>	<u>\$ 1,091,365</u>	<u>\$ 1,170,400</u>

SEE ACCOMPANYING NOTES TO SCHEDULES.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2011

Awarding Agency/ Pass-Through Agency/ Award Description	State ID Number	Accrued Receivable 6/30/10	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/11
WI DEPARTMENT OF PUBLIC INSTRUCTION					
Special Education and School Age Parents	255.101	\$ --	\$ 522,337	\$ 522,337	\$ --
State School Lunch Aid	255.102	--	7,991	7,991	--
Common School Fund					
Library Aid	255.103	--	66,343	66,343	--
General Transportation Aid	255.107	--	60,428	60,428	--
WI School Day Milk Program	255.109	--	1,852	1,852	--
General Equalization Aids	255.201	163,193	10,437,516	10,424,629	176,080
CESA # 6					
Special Education and School Age Parents	255.101	--	7,753	7,753	--
Mini-Grant	255.306	--	370	370	--
CESA # 8					
Special Education and School Age Parents	255.101	--	2,476	459	2,017
WI DEPARTMENT OF REVENUE					
Exempt Computer Aid	xxx.xxx	2,081	2,233	2,081	2,233
TOTALS		<u>\$ 165,274</u>	<u>\$ 11,109,299</u>	<u>\$ 11,094,243</u>	<u>\$ 180,330</u>

SEE ACCOMPANYING NOTES TO SCHEDULES.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

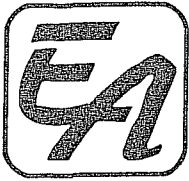
For the Year Ended June 30, 2011

Note 1. Basis of Presentation:

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

Note 2. Special Education and School Age Parents Program:

The 2010-2011 eligible costs under the state special education program as reported by the District are \$1,854,649.



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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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2011. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

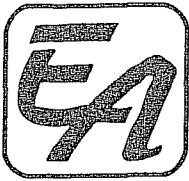
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 28, 2011



Erickson & Associates, S.C.

Certified Public Accountants and Financial Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 OMB Circular A-133 *Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2011. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the 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 the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-3 to be a significant deficiency.

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

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 28, 2011

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

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?	Yes

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)? Yes

Identification of major federal programs:	
84.027	IDEA Flow Through
84.173	IDEA Preschool Entitlement
84.391	ARRA-IDEA Flow Through
84.392	ARRA-IDEA Preschool Entitlement
84.410	Education Jobs Fund
84.215	Carol M White Physical Education Program

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?	Yes

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 *State Single Audit Guidelines*? Yes

Identification of major state programs:	
255.101	Special Education and School Age Parents
255.201	General Equalization Aids

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2011

Financial Statement Findings:

2011-1 Financial Statement Preparation

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

Criteria: Pursuant to SAS 115, *Communicating Internal Control Related Matters Identified in an Audit*, we are required to report on whether the District is able to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting district-wide and fund financial statements, including the related footnotes.

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

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

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.

2011-2 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 115, *Communicating Internal Control Matters Identified in an Audit*, we are required to report a finding if we identify material misstatements in the financial statements that were not initially identified by the District's internal controls, even if management subsequently corrects the misstatements.

Cause: Due to the quantity and qualitative nature of the entries, various account balances needed auditor adjustments in order to produce financial statements in conformity with generally accepted accounting principles.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2011

2011-2 Number and Type of Journal Entries - Continued

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 ensure that procedures are in place to detect and correct misstatements in the general ledger.

Federal and State Findings and Questioned Costs:

2011-3 Financial Reporting for Federal and State Awards

Condition: Having District staff prepare the schedules of expenditures of federal and state awards is an internal control intended to prevent, detect and correct, a potential misstatement in the schedules or accompanying notes to the schedules.

Criteria: OMB Circular A-133 and the *State Single Audit Guidelines* require the District to prepare appropriate financial statements, including the schedules of expenditures of federal and state awards. During the current year, these schedules were prepared by the District's auditors.

Cause: The staff of the District did not prepare these schedules. They were prepared by the District's auditors.

Recommendation: For the current year we recommend the District review the schedules of expenditures of federal and state awards prepared by the District's auditors. A thorough review of this information is necessary to obtain an adequate understanding of the District's financial report. For future years, we recommend the District allocate sufficient resources and complete the schedules of expenditures of federal and state awards.

Management

Response: The District will look into implementing procedures to address this finding and will consider putting these procedures into place in the future.

Programs

Affected:	84.027	IDEA Flow Through
	84.173	IDEA Preschool Entitlement
	84.391	ARRA-IDEA Flow Through
	84.392	ARRA-IDEA Preschool Entitlement

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2011**

Status of Prior Year Findings:

The finding noted in the 2010 schedule of findings and questioned costs has been reported to the proper federal and state agencies.

2010-1 Financial Statement Preparation

Management continues to believe the costs of hiring staff experienced in preparing financial statements, along with additional training time, outweigh the benefits.

Corrective Action Plan:

See management's responses for each finding in the schedule of findings and questioned costs.