

**FREEDOM AREA SCHOOL DISTRICT**  
**FREEDOM, WISCONSIN**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

*Certified Public Accountants and Financial Consultants*

1000 West College Avenue • P.O. Box 1116 • Appleton, Wisconsin 54912  
(920) 733-4957 • FAX (920) 733-6221 • [www.erickson-cpas.com](http://www.erickson-cpas.com)

### **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, 2012, 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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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 governmental fund, general fund, and agency fund combining schedules as listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 governmental fund, general fund, agency fund combining schedules, and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 26, 2012

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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, 2012. 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 \$563,393. The fund balance is 17.0% of general fund expenditures. The Board of Education policy is to have a fund balance of greater than 5%.
- General Fund actual revenues of \$15,816,298 were \$82,828 less than final budgeted revenues of \$15,899,126. Actual expenditures of \$15,252,905 were \$646,221 less than the final budgeted expenditures of \$15,899,126. Actual expenditures were approximately 96% 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 2011-2012 the amount of the grant money that was spent was \$76,895. The majority of this money was spent on staff training and curriculum development as well as additional equipment for use in physical education classes.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

### 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 by including a comparison of the District's budget data for the year and all reports in the financial statements through and including the financial notes

*Other 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, 2012

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

**Table #1**

		-----Fund Financial Statements-----		
	District-wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business. <b><u>The District does not report any program for this designation.</u></b>	Assets held by the district on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here. 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, 2012

**Table #2**

<b>Condensed Statement of Net Assets</b>			
	<u>2012</u>	<u>2011</u>	<u>% Change</u>
<b><u>Assets</u></b>			
Current Assets	\$6,808,754	\$6,071,625	12%
Noncurrent Assets	\$11,129,252	\$11,455,740	-3%
<b>Total Assets</b>	<b>\$17,938,006</b>	<b>\$17,527,365</b>	<b>2%</b>
<b><u>Liabilities</u></b>			
Current Liabilities	\$4,835,711	\$4,566,757	6%
Noncurrent Liabilities	\$6,792,249	\$7,716,030	-12%
<b>Total Liabilities</b>	<b>\$11,627,960</b>	<b>\$12,282,787</b>	<b>-5%</b>
<b><u>Net Assets</u></b>			
Invested in Capital, net of related debt	\$4,791,938	\$4,188,866	14%
Restricted	\$492,014	\$485,254	1%
Unrestricted	\$1,026,094	\$570,458	80%
<b>Total Net Assets</b>	<b>\$6,310,046</b>	<b>\$5,244,578</b>	<b>20%</b>

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

The District's overall financial status, as reflected in total net assets, increased by \$1.1M to \$6.3M. The District reported total assets of \$17.9M, of which \$11.1M are noncurrent assets. The District reported total liabilities of \$11.6M, of which \$6.8M are long-term liabilities.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

**Table #3**

<b>Changes in Net Assets from Operating Results For Governmental Activities</b>					
	<u>2011-12</u>	<u>%</u>	<u>2010-11</u>	<u>%</u>	<u>% Change</u>
<b>Revenues:</b>					
<b>Program</b>					
Charges for Services	\$1,263,021	7%	\$1,141,477	6%	11%
Operating Grants & Cont.	\$1,454,597	8%	\$2,254,092	11%	-35%
<b>General</b>					
General State Aids	\$9,447,175	50%	\$10,437,516	51%	-9%
Property Taxes	\$6,525,538	35%	\$6,411,722	32%	2%
Other	\$40,996	0%	\$46,793	0%	-12%
<b>Total Revenues</b>	<u><b>\$18,731,327</b></u>	<u><b>100%</b></u>	<u><b>\$20,291,600</b></u>	<u><b>100%</b></u>	<b>-8%</b>
<b>Expenses:</b>					
Instruction	\$9,290,481	52%	\$10,248,691	55%	-9%
Support Services	\$6,097,346	35%	\$6,173,353	33%	-1%
Nonprogram	\$849,462	5%	\$926,139	5%	-8%
Food Service, Community	\$591,304	3%	\$551,573	3%	7%
Interest and Fiscal Charges	\$321,142	2%	\$409,988	2%	-22%
Unallocated Depreciation	\$516,124	3%	\$457,647	2%	13%
<b>Total Expenses</b>	<u><b>\$17,665,859</b></u>	<u><b>100%</b></u>	<u><b>\$18,767,391</b></u>	<u><b>100%</b></u>	<b>-6%</b>
<b>Change in Net Assets</b>	<u><b>\$1,065,468</b></u>		<u><b>\$1,524,209</b></u>		<b>-30%</b>

# FREEDOM AREA SCHOOL DISTRICT

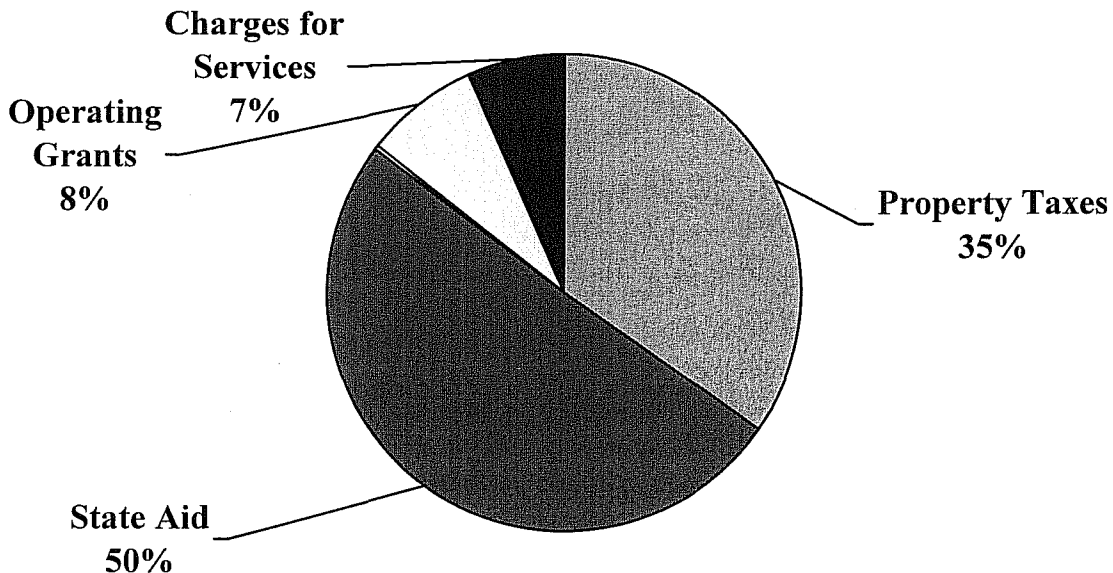
## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

### Revenues: (Table #3)

- For FY2012, the District received \$18.7M in revenue. This is a decrease of 8% or \$1.6M over the previous year. General state aids decreased from the prior year by \$1.0M to \$9.4M. Property taxes increased by \$113,816 to \$6.5M. For FY2012, 50% of total revenue came from general state aids, and 35% came from local school property taxes. The District received approximately 15% 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 \$1.3M of the cost, an increase of \$121,544 from the prior year. Book and activity fees, admissions to athletic events, school lunch fees, open enrollment tuition, and building rental fees are included here.
- Individuals and federal and state government subsidized certain programs with grants and contributions of \$1.5M, which is a decrease of \$799,495 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.
- The District received \$40,996 in other income, a decrease of \$5,797 from the prior year.

### REVENUES 2011-2012



# FREEDOM AREA SCHOOL DISTRICT

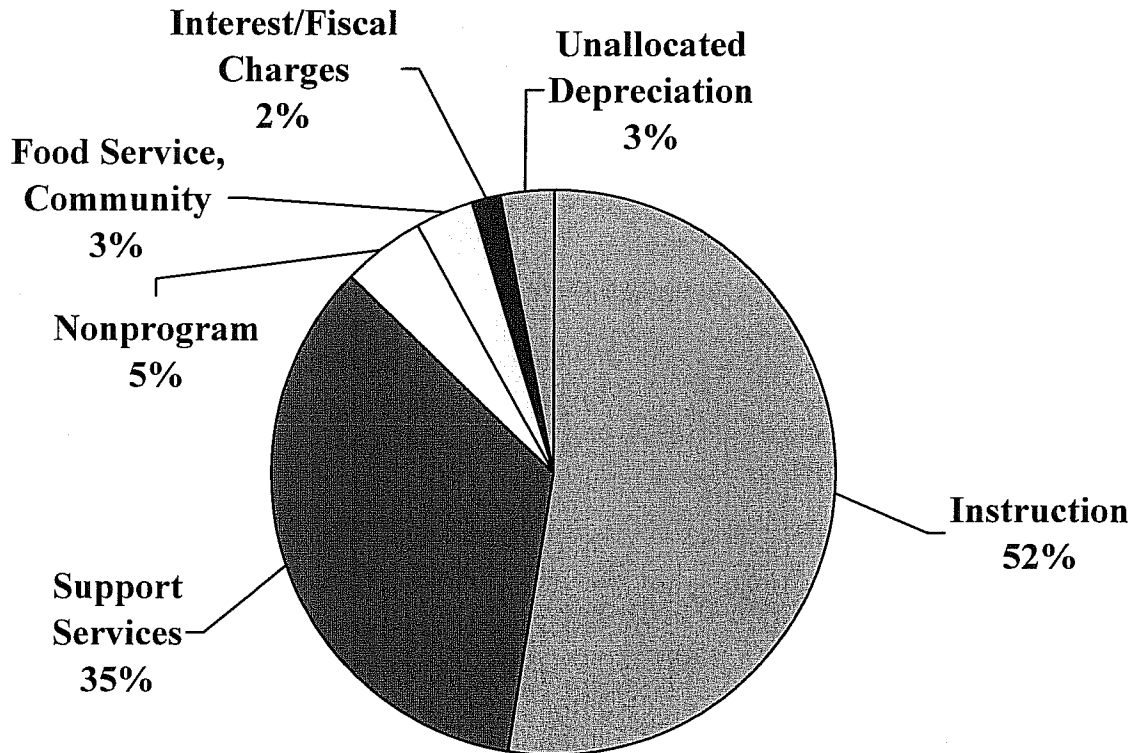
## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

### Expenses: (Table #3)

- For FY2012, the District's total expenditure amount was \$17.7M. This is a decrease of \$1.1M from the prior year. For FY2012, 52% was directed to instruction and 35% 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 2011-2012



**FREEDOM AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2012

**Table #4**

<b>Net Cost of Governmental Activities</b>		
	<u><b>Total Cost of Services</b></u>	<u><b>Net Cost of Services</b></u>
Instruction	\$9,290,481	\$7,523,961
Support Services	\$6,097,346	\$5,761,355
Nonprogram	\$849,462	\$837,498
Food Service, Community Service	\$591,304	\$(11,839)
Interest and Fiscal Charges	\$321,142	\$321,142
Unallocated Depreciation	\$516,124	\$516,124
	_____	_____
<b>Total</b>	<b>\$17,665,859</b>	<b>\$14,948,241</b>

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

- Total cost of all governmental activities was \$17.7M.
- The net cost of governmental activities, \$14.9M, was financed by general revenues, which are primarily made up of general state aids of \$9.4M and property taxes of \$6.5M. Miscellaneous and investment earnings accounted for \$40,996. In addition, District operations were subsidized by \$2.7M, which was collected through direct fees, operating grants, and contributions.

**General Fund Budgetary Comparison:**

- Consistent with current state statutes and regulations, an original budget is adopted in October to reflect the actual revenue cap and state aid certification. The District modified its original budget in 2011-12. The statement of revenues, expenditures, and changes in fund balances-budget and actual for the general fund shows a comparison of the budget versus actual.
- Actual results for the year showed an excess of revenues over expenditures of \$563,393. Total revenues were lower than budgeted by \$82,828. Total expenditures were less than budgeted by \$646,221.

# FREEDOM AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

### **Fund Balances:**

- The District shows a total for all fund balances of \$3.2M as of June 30, 2012.
- \$2.6M is in the general fund. The District utilizes this fund balance for funding future short-term operations. The fund balance is 17.0% of general fund expenditures. The Board of Education's policy is to have a minimum fund balance of at least 5%. The board policy goal has been met and the District will strive to maintain at least that level of fund balance.
- \$225,829 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 \$11.1M in capital assets. Further detail can be found in Note 3 in the financial statements.

#### Long-term Debt

- At year-end, the District had \$7.9M 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, 2012

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

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

- One of the main factors that will have economic impact on the future of the District will be how the Wisconsin Legislature continues to fund education. Each year as the state budget is being developed; educational institutions cannot be sure what the impact will be to their budget. As school districts live under revenue limits, the numbers used to generate that limit are critical to the operations of public education.
- Another factor that will have economic impact on the District is the number of students that are enrolled. This number is what is used to generate the revenue limit and amount of money that can be raised to fund the schools. From 2004-2005 to this year the full time equivalency in the District has increased. At this time future student enrollment projections are trending downwards; as this happens budget adjustments and cuts will have to be made to account for this. 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 2012-2013 fiscal year.

### **Contacting the District's Financial Management:**

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

## **BASIC FINANCIAL STATEMENTS**



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**STATEMENT OF NET ASSETS**

June 30, 2012

**ASSETS**

Current assets:

Cash and investments	\$	4,183,606
Taxes receivable		1,790,692
Accounts receivable		50,046
Due from other governments		773,630
Inventory		10,780
Total current assets		6,808,754

Capital assets:

Land, buildings and equipment		17,980,811
Less accumulated depreciation		6,851,559
Net capital assets		11,129,252

Total assets		17,938,006
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**LIABILITIES**

Current liabilities:

Short term notes payable		3,000,000
Current portion of bonds and notes payable		1,124,980
Accounts payable		6,508
Deferred revenue		13,444
Accrued salaries and wages		28,491
Accrued payroll taxes and withholdings		577,573
Accrued interest payable		82,976
Due to other governments		1,739
Total current liabilities		4,835,711

Long-term liabilities:

Bonds and notes payable		5,682,334
Other post employment benefits		1,057,374
Unused vested employee benefits		52,541
Total long-term liabilities		6,792,249

Total liabilities		11,627,960
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**NET ASSETS**

Invested in capital assets, net of related debt		4,791,938
Restricted		492,014
Unrestricted		1,026,094
Total net assets	\$	6,310,046

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, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Instruction:</b>				
Undifferentiated curriculum	\$ 2,760,125	\$ 362,695	\$ 171,887	\$ ( 2,225,543)
Regular curriculum	3,308,804	362,695	79,774	( 2,866,335)
Special education curriculum	1,712,522	139,988	642,954	( 929,580)
Other instructional curriculum	1,509,030	6,527	--	( 1,502,503)
Total instruction	<u>9,290,481</u>	<u>871,905</u>	<u>894,615</u>	<u>( 7,523,961)</u>
<b>Support services:</b>				
Pupil services	461,184	--	191,954	( 269,230)
Instructional staff services	822,928	--	95,452	( 727,476)
General administration	226,369	--	1,463	( 224,906)
School building administration	782,568	--	--	( 782,568)
Business administration	2,567,607	--	3,665	( 2,563,942)
Other support services	1,236,690	--	43,457	( 1,193,233)
Total support services	<u>6,097,346</u>	<u>--</u>	<u>335,991</u>	<u>( 5,761,355)</u>
Nonprogram	849,462	--	11,964	( 837,498)
Food service	568,438	391,116	212,027	34,705
Community service	22,866	--	--	( 22,866)
Interest and fiscal charges	321,142	--	--	( 321,142)
Unallocated depreciation	516,124	--	--	( 516,124)
Total activities	<u>\$ 17,665,859</u>	<u>\$ 1,263,021</u>	<u>\$ 1,454,597</u>	<u>( 14,948,241)</u>

**General revenues:**

General state aids	9,447,175
Property taxes levied for:	
General purposes	5,212,538
Debt service	1,313,000
Interest income	4,352
Miscellaneous	36,644
Total general revenues	<u>16,013,709</u>
Change in net assets	1,065,468
Net assets, beginning of the year	<u>5,244,578</u>
Net assets, end of year	<u>\$ 6,310,046</u>

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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

June 30, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,634,109	\$ 266,623	\$ 282,874	\$ 4,183,606
Taxes receivable, net	1,790,692	--	--	1,790,692
Accounts receivable	9,142	--	40,904	50,046
Due from other funds	40,794	--	--	40,794
Due from other governments	755,426	--	18,204	773,630
Inventory	--	--	10,780	10,780
<b>Total assets</b>	<b>\$ 6,230,163</b>	<b>\$ 266,623</b>	<b>\$ 352,762</b>	<b>\$ 6,849,548</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Short-term liabilities	\$ 3,000,000	\$ --	\$ --	\$ 3,000,000
Accounts payable	6,508	--	--	6,508
Deferred revenue	--	--	13,444	13,444
Accrued salaries and wages	28,491	--	--	28,491
Accrued payroll taxes & withholdings	577,573	--	--	577,573
Accrued interest	20,333	--	--	20,333
Due to other funds	--	40,794	--	40,794
Due to other governments	1,739	--	--	1,739
<b>Total liabilities</b>	<b>3,634,644</b>	<b>40,794</b>	<b>13,444</b>	<b>3,688,882</b>
<b>Fund balances:</b>				
Nonspendable	--	--	10,780	10,780
<b>Spendable:</b>				
Restricted	--	225,829	255,405	481,234
Assigned	--	--	73,133	73,133
Unassigned	2,595,519	--	--	2,595,519
<b>Total fund balances</b>	<b>2,595,519</b>	<b>225,829</b>	<b>339,318</b>	<b>3,160,666</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,230,163</b>	<b>\$ 266,623</b>	<b>\$ 352,762</b>	<b>\$ 6,849,548</b>

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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

June 30, 2012

Total fund balance - governmental funds \$ 3,160,666

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 \$663,983 accumulated depreciation	457,727	
Buildings, net of \$3,738,366 accumulated depreciation	8,188,844	
Machinery and equipment, net of \$2,411,210 accumulated depreciation	981,206	
Infrastructure, net of \$38,000 accumulated depreciation	<u>    --</u>	
Total capital assets		11,129,252

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. ( 62,643)

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, 2012, are:

Bonds and notes payable, including current portion	( 6,807,314)	
Other post employment benefits	( 1,057,374)	
Unused vested employee benefits	( 52,541)	
Total long-term liabilities		<u>( 7,917,229)</u>

Total net assets of governmental activities \$ 6,310,046

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 5,383,366	\$ 1,313,921	\$ 408,805	\$ 7,106,092
Interdistrict sources	612,717	--	--	612,717
Intermediate sources	21,320	--	--	21,320
State sources	10,077,271	--	9,953	10,087,224
Federal sources	660,897	--	216,119	877,016
Other sources	26,958	--	--	26,958
Total revenues	<u>16,782,529</u>	<u>1,313,921</u>	<u>634,877</u>	<u>18,731,327</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Undifferentiated curriculum	2,747,450	--	13,344	2,760,794
Regular curriculum	3,328,210	--	--	3,328,210
Special education curriculum	1,714,201	--	--	1,714,201
Other instructional curriculum	1,523,389	--	14,628	1,538,017
Total instruction	<u>9,313,250</u>	<u>--</u>	<u>27,972</u>	<u>9,341,222</u>
<b>Support services:</b>				
Pupil services	459,753	--	1,431	461,184
Instructional staff services	822,304	--	701	823,005
General administration	232,252	--	--	232,252
School building administration	782,568	--	--	782,568
Business administration	2,590,512	--	--	2,590,512
Debt service	29,985	1,336,720	--	1,366,705
Other support services	1,139,050	--	--	1,139,050
Total support services	<u>6,056,424</u>	<u>1,336,720</u>	<u>2,132</u>	<u>7,395,276</u>
Nonprogram	849,462	--	--	849,462
Food service	--	--	574,909	574,909
Community service	--	--	22,866	22,866
Total expenditures	<u>16,219,136</u>	<u>1,336,720</u>	<u>627,879</u>	<u>18,183,735</u>
Net change in fund balances	563,393	( 22,799)	6,998	547,592
Fund balances, beginning of year	<u>2,032,126</u>	<u>248,628</u>	<u>332,320</u>	<u>2,613,074</u>
Fund balances, end of year	<u>\$ 2,595,519</u>	<u>\$ 225,829</u>	<u>\$ 339,318</u>	<u>\$ 3,160,666</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, 2012**

Net change in fund balance - total governmental funds	\$ 547,592
The change in net assets reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which depreciation exceeds capital outlays in the current period.	( 326,488)
Other post employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned throughout the year. The increase in other post employment benefits liability is greater than the amounts paid.	( 216,008)
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.	14,809
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.	6,003
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 governmental funds, but reduces the liability in the statement of net assets. This is the amount by which repayments exceed proceeds.	<u>1,039,560</u>
Change in net assets of governmental activities	<u>\$ 1,065,468</u>

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

FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN

STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS

June 30, 2012

	<u>Student Activity</u>
ASSETS	
Cash	<u>\$    193,828</u>
LIABILITIES	
Due to student organizations	<u>            193,828</u>
Net assets	<u><u>            \$          --</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 U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

**A. Reporting Entity**

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



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

Additionally, the District reports the following fund type:

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

**C. Basis of Presentation**

**District-wide Financial Statements**

The statement of net 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, 2012.

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

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

**Fund Financial Statements**

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

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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, tuition, grants, and student fees.

Expenditures

Under the accrual basis of accounting, expenditures are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Accounting**

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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

**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.

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 2011 tax levy is used to finance operations of the District's fiscal year ended June 30, 2012. All property taxes are considered due on January 1, 2012, 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, 2012, consisted of taxes, accounts, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

**I. Inventory**

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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

**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.

**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.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

**M. Accrued Liabilities and Long-term Debt**

All accrued liabilities and long-term debt are reported in the 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 nonspendable resources and spendable resources. The District has adopted GASB 54 and the following information relates to its implementation:

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

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

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

Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board - the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed fund balances as of June 30, 2012.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

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

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

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

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

**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, agency funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

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

- Time deposits
- Securities guaranteed by the U. S. Government
- Securities of Wisconsin Municipal Units
- Securities of Wisconsin Educational and Local Government Investment Pool
- Bonds issued by a local exposition district
- Bonds issued by a local professional baseball park district
- Bonds issued by a local professional stadium district
- Bonds issued by the University of Wisconsin Hospitals and Clinics Authority
- Bonds issued by a local cultural arts district
- Bonds issued by the Wisconsin Aerospace Authority

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

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 \$4,377,434 on June 30, 2012 as summarized below:

Petty cash funds	\$	275
Deposits with financial institutions		4,178,610
Investments		
Local government investment pool		198,549
		\$ 4,377,434

Reconciliation to the basic financial statements:

Statement of net assets	\$	4,183,606
Agency funds		193,828
		\$ 4,377,434

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

**Custodial Credit Risk**

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

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian 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.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

As of June 30, 2012, the carrying amount of the District's deposits was \$4,178,610 and the bank balance was \$4,524,672. Of the bank balance, \$3,653,940 was covered by FDIC insurance and the remaining \$870,732 was covered by pledged collateral.

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

**Credit Risk**

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

Following is the distribution of the District's investments:

	Cost	Fair Value
Local government investment pool	\$ 198,549	\$ 198,549

**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.

**Note 3. Capital Assets:**

Capital asset activity for the year ended June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 1,501,475	\$ --	\$ --	\$ 1,501,475
Land improvements	1,121,710	--	--	1,121,710
Buildings	11,927,210	--	--	11,927,210
Furniture and equipment	3,202,780	189,636	--	3,392,416
Infrastructure	38,000	--	--	38,000
Total	17,791,175	189,636	--	17,980,811



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 3. Capital Assets - Continued:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Accumulated Depreciation:				
Land improvements	607,897	56,086	--	663,983
Buildings	3,502,319	236,047	--	3,738,366
Furniture and equipment	2,187,219	223,991	--	2,411,210
Infrastructure	38,000	--	--	38,000
Total	<u>6,335,435</u>	<u>516,124</u>	<u>--</u>	<u>6,851,559</u>
Net total	<u>\$ 11,455,740</u>	<u>\$ ( 326,488)</u>	<u>\$ --</u>	<u>\$ 11,129,252</u>

**Note 4. Interfund Receivables, Payables, and Transfers:**

Interfund balances on the fund financial statements at June 30, 2012, 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, 2012:

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

The note was issued on October 26, 2011, and matured on October 15, 2012. The interest rate on the note was 1.00%. The proceeds were used to finance continuing operations.

Interest expense for the year ended June 30, 2012, for short-term notes totaled \$29,622.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. Long-term Obligations:**

Long-term obligations of the District at June 30, 2012:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General obligation debt	\$ 7,846,874	\$ --	\$ 1,039,560	\$ 6,807,314
Other post employment benefits	841,366	885,108	669,100	1,057,374
Vested employee benefits	<u>67,350</u>	<u>--</u>	<u>14,809</u>	<u>52,541</u>
Totals	<u>\$ 8,755,590</u>	<u>\$ 885,108</u>	<u>\$ 1,723,469</u>	<u>\$ 7,917,229</u>

Total interest paid for the year ended June 30, 2012, was \$297,160 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, 2012, 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	\$ 1,950,000
General obligation refunding bonds	4/01/2005	2.65%-4.20%	4/01/2021	4,010,000
General obligation refunding bonds (JPMorgan Chase)	2/14/2006	5.89%	2/14/2016	377,314
General obligation promissory note	2/15/2007	4.00%	4/01/2016	<u>470,000</u>
Total general obligation debt				<u>\$ 6,807,314</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 6. Long-term Obligations - Continued:**

The 2011 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$716,044,478. The legal debt limit and margin of indebtedness as of June 30, 2012, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes follows:

Debt limit		
(10% of \$716,044,478)	\$	71,604,448
Deduct long-term debt applicable to debt margin		<u>6,807,314</u>
Margin of indebtedness	\$	<u><u>64,797,134</u></u>

Aggregate cash flow requirements for the retirement of general-obligation debt and interest on June 30, 2012, follows:

Year ending <i>June 30,</i>	Principal	Interest	Total
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	<u>2,535,000</u>	<u>332,014</u>	<u>2,867,014</u>
Totals	<u>\$ 6,807,314</u>	<u>\$ 1,114,062</u>	<u>\$ 7,921,376</u>

**Note 7. Fund Balance Reporting:**

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2012:

Description	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable:				
Inventory - food service	\$ --	\$ --	\$ 10,780	\$ 10,780
Restricted:				
Donations - special revenue trust fund	--	--	8,502	8,502
TEACH fund - future technology expenditures	--	--	45,128	45,128
Debt service	--	225,829	--	225,829
Food service	--	--	201,775	201,775
Assigned:				
Community service fund activities	--	--	73,133	73,133
Unassigned	<u>2,595,519</u>	--	--	<u>2,595,519</u>
Total fund balances	<u>\$ 2,595,519</u>	<u>\$ 225,829</u>	<u>\$ 339,318</u>	<u>\$ 3,160,666</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 8. Excess of Actual Expenditures Over Budget:**

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2012:

General fund:

Instructional staff services	\$ 2,260
------------------------------	----------

Special education fund:

Instructional staff services	18,014
Other support services	937

**Note 9. Defined Benefit Pension Plan:**

All eligible Freedom Area School District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives) and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 9. Defined Benefit Pension Plan - Continued:**

Contribution rates for 2011 are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers)	5.8%	5.8%
Executives & elected officials	6.65%	6.65%
Protective with Social Security	5.8%	8.9%
Protective without Social Security	5.8%	11.2%

The payroll for Freedom Area School District employees covered by the system for the year ended June 30, 2012, was \$8,143,366; the employer's total payroll was \$8,574,255. The total required contribution for the year ended June 30, 2012, was \$954,715, which consisted of \$455,651 or 5.1-5.9% of payroll from the employer and \$499,064, or 5.9-6.5% of payroll from employees. Total contributions for the years ended June 30, 2011 and 2010, were \$949,464 and \$882,771, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially become WRS eligible on or after July 1, 2011, must have five years of credible service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility for 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: Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. Other Post Employment Benefits:**

The District's post employment medical plan is a single-employer defined benefit healthcare plan administered by the District. The plan provides medical 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, 2012, the District contributed \$669,100.

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	\$	880,302
Interest on net OPEB obligation		42,068
Adjustment to annual required contribution		<u>( 37,262)</u>
Annual OPEB cost		885,108
Contributions made		<u>669,100</u>
Increase in net OPEB obligation		216,008
Net OPEB obligation - beginning of year		<u>841,366</u>
Net OPEB obligation - ending of year	\$	<u><u>1,057,374</u></u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. Other Post Employment Benefits - Continued:**

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:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
06/30/12	\$ 885,108	75.60%	\$ 1,057,374
06/30/11	845,982	61.42%	841,366
06/30/10	789,773	69.96%	515,002

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%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress-other post employment benefits, 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 healthcare cost trend rate of 9.0% initially, decreasing by 1% 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, 2012, was 28 years.

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

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

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

**Note 12. Contingent Liabilities:**

Risk management - The District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2012. 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 26, 2012, the date on which the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FUNDING PROGRESS -  
OTHER POST EMPLOYMENT BENEFITS**

June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratios	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/10	\$ --	\$ 8,006,345	\$ 8,006,345	0.00%	\$ 8,342,724	95.97%
01/01/08	--	7,535,977	7,535,977	0.00%	5,874,414	128.28%

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
GENERAL FUND**

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>				
Local sources	\$ 5,468,386	\$ 5,390,016	\$ 5,383,366	\$ ( 6,650)
Interdistrict sources	625,320	604,389	567,742	( 36,647)
Intermediate sources	6,527	6,527	7,105	578
State sources	9,558,088	9,580,204	9,584,176	3,972
Federal sources	302,490	302,490	247,891	( 54,599)
Other sources	18,000	15,500	26,018	10,518
Total revenues	<u>15,978,811</u>	<u>15,899,126</u>	<u>15,816,298</u>	<u>( 82,828)</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Undifferentiated curriculum		2,940,160	2,747,450	192,710
Regular curriculum		3,470,672	3,328,210	142,462
Other instructional curriculum		1,546,091	1,523,389	22,702
Total instruction	<u>8,089,246</u>	<u>7,956,923</u>	<u>7,599,049</u>	<u>357,874</u>
<b>Support services:</b>				
Pupil services		393,379	385,087	8,292
Instructional staff services		614,716	616,976	( 2,260)
General administration		245,128	232,252	12,876
School building administration		791,973	782,568	9,405
Business administration		2,594,141	2,510,478	83,663
Debt service		30,750	29,985	765
Other support services		1,143,495	1,120,518	22,977
Total support services	<u>5,670,620</u>	<u>5,813,582</u>	<u>5,677,864</u>	<u>135,718</u>
Nonprogram	<u>852,916</u>	<u>762,592</u>	<u>703,152</u>	<u>59,440</u>
Total expenditures	<u>14,612,782</u>	<u>14,533,097</u>	<u>13,980,065</u>	<u>553,032</u>
Excess of revenues over expenditures	<u>1,366,029</u>	<u>1,366,029</u>	<u>1,836,233</u>	<u>470,204</u>
<b>Other financing sources (uses):</b>				
Operating transfers (out)	<u>( 1,366,029)</u>	<u>( 1,366,029)</u>	<u>( 1,272,840)</u>	<u>93,189</u>
Net change in fund balance	--	--	563,393	563,393
Fund balance, beginning of year	<u>2,032,126</u>	<u>2,032,126</u>	<u>2,032,126</u>	--
Fund balance, end of year	<u>\$ 2,032,126</u>	<u>\$ 2,032,126</u>	<u>\$ 2,595,519</u>	<u>\$ 563,393</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL -  
SPECIAL EDUCATION FUND  
For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Interdistrict sources	\$	\$ 34,200	\$ 44,975	\$ 10,775
Intermediate sources		16,000	14,215	( 1,785)
State sources		525,000	493,095	( 31,905)
Federal sources		496,464	413,006	( 83,458)
Other sources		1,000	940	( 60)
Total revenues	<u>1,072,664</u>	<u>1,072,664</u>	<u>966,231</u>	<u>( 106,433)</u>
Expenditures:				
Instruction:				
Special education curriculum		<u>1,880,659</u>	<u>1,714,201</u>	<u>166,458</u>
Support services:				
Pupil services		82,216	74,666	7,550
Instructional staff services		187,314	205,328	( 18,014)
Business administration		105,200	80,034	25,166
Other support services		17,595	18,532	( 937)
Total support services		<u>392,325</u>	<u>378,560</u>	<u>13,765</u>
Nonprogram		165,709	146,310	19,399
Total expenditures	<u>2,438,693</u>	<u>2,438,693</u>	<u>2,239,071</u>	<u>199,622</u>
Excess of revenues over (under) expenditures	( 1,366,029)	( 1,366,029)	( 1,272,840)	93,189
Other financing sources (uses):				
Operating transfers in	<u>1,366,029</u>	<u>1,366,029</u>	<u>1,272,840</u>	<u>( 93,189)</u>
Net change in fund balance	--	--	--	--
Fund balance, beginning of year	--	--	--	--
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**OTHER SUPPLEMENTARY INFORMATION**

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2012

	Other Special Projects	TEACH	Food Service	Community Service	Total
<b>ASSETS</b>					
Cash and investments	\$ 8,502	\$ 45,128	\$ 156,111	\$ 73,133	\$ 282,874
Accounts receivable	--	--	40,904	--	40,904
Due from other governments	--	--	18,204	--	18,204
Inventories	--	--	10,780	--	10,780
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 8,502</u>	<u>\$ 45,128</u>	<u>\$ 225,999</u>	<u>\$ 73,133</u>	<u>\$ 352,762</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Deferred revenue	\$ --	\$ --	\$ 13,444	\$ --	\$ 13,444
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances:					
Nonspendable	--	--	10,780	--	10,780
Spendable					
Restricted	8,502	45,128	201,775	--	255,405
Assigned	--	--	--	73,133	73,133
Total fund balances	<u>8,502</u>	<u>45,128</u>	<u>212,555</u>	<u>73,133</u>	<u>339,318</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 8,502</u>	<u>\$ 45,128</u>	<u>\$ 225,999</u>	<u>\$ 73,133</u>	<u>\$ 352,762</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2012

	<u>Other Special Projects</u>	<u>TEACH</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total</u>
<b>Revenues:</b>					
Local sources	\$ 16,813	\$ 135	\$ 391,552	\$ 305	\$ 408,805
State sources	--	--	9,953	--	9,953
Federal sources	14,045	--	202,074	--	216,119
Total revenues	<u>30,858</u>	<u>135</u>	<u>603,579</u>	<u>305</u>	<u>634,877</u>
<b>Expenditures:</b>					
Instruction:					
Undifferentiated curriculum	13,344	--	--	--	13,344
Other instructional curriculum	14,628	--	--	--	14,628
Support services:					
Pupil services	1,431	--	--	--	1,431
Instructional staff services	701	--	--	--	701
Food service	--	--	574,909	--	574,909
Community service	--	--	--	22,866	22,866
Total expenditures	<u>30,104</u>	<u>--</u>	<u>574,909</u>	<u>22,866</u>	<u>627,879</u>
Net change in fund balances	754	135	28,670	( 22,561)	6,998
Fund balances,					
beginning of year	<u>7,748</u>	<u>44,993</u>	<u>183,885</u>	<u>95,694</u>	<u>332,320</u>
Fund balances, end of year	<u>\$ 8,502</u>	<u>\$ 45,128</u>	<u>\$ 212,555</u>	<u>\$ 73,133</u>	<u>\$ 339,318</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -  
GENERAL FUND**

June 30, 2012

	General Fund	Special Education Fund	Elimination	General Fund Combined
<b>ASSETS</b>				
Cash and investments	\$ 3,634,109	\$ --	\$ --	\$ 3,634,109
Taxes receivable, net	1,790,692	--	--	1,790,692
Account receivable	9,142	--	--	9,142
Due from other funds	365,698	--	( 324,904)	40,794
Due from other governments	430,522	324,904	--	755,426
	<u>\$ 6,230,163</u>	<u>\$ 324,904</u>	<u>\$ ( 324,904)</u>	<u>\$ 6,230,163</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Short-term liabilities	\$ 3,000,000	\$ --	\$ --	\$ 3,000,000
Accounts payable	6,508	--	--	6,508
Accrued salaries and wages	28,491	--	--	28,491
Accrued payroll taxes & withholdings	577,573	--	--	577,573
Accrued interest	20,333	--	--	20,333
Due to other funds	--	324,904	( 324,904)	--
Due to other governments	1,739	--	--	1,739
Total liabilities	<u>3,634,644</u>	<u>324,904</u>	<u>( 324,904)</u>	<u>3,634,644</u>
<b>Fund balances:</b>				
Unassigned	<u>2,595,519</u>	<u>--</u>	<u>--</u>	<u>2,595,519</u>
Total liabilities and fund balances	<u>\$ 6,230,163</u>	<u>\$ 324,904</u>	<u>\$ ( 324,904)</u>	<u>\$ 6,230,163</u>



**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2012

	General Fund	Special Education Fund	Elimination	General Fund Combined
<b>Revenues:</b>				
Local sources	\$ 5,383,366	\$ --	\$ --	\$ 5,383,366
Interdistrict sources	567,742	44,975	--	612,717
Intermediate sources	7,105	14,215	--	21,320
State sources	9,584,176	493,095	--	10,077,271
Federal sources	247,891	413,006	--	660,897
Other sources	26,018	940	--	26,958
Total revenues	<u>15,816,298</u>	<u>966,231</u>	<u>--</u>	<u>16,782,529</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Undifferentiated curriculum	2,747,450	--	--	2,747,450
Regular curriculum	3,328,210	--	--	3,328,210
Special education curriculum	--	1,714,201	--	1,714,201
Other instructional curriculum	1,523,389	--	--	1,523,389
Total instruction	<u>7,599,049</u>	<u>1,714,201</u>	<u>--</u>	<u>9,313,250</u>
<b>Support services:</b>				
Pupil services	385,087	74,666	--	459,753
Instructional staff services	616,976	205,328	--	822,304
General administration	232,252	--	--	232,252
School building administration	782,568	--	--	782,568
Business administration	2,510,478	80,034	--	2,590,512
Debt service	29,985	--	--	29,985
Other support services	1,120,518	18,532	--	1,139,050
Total support services	<u>5,677,864</u>	<u>378,560</u>	<u>--</u>	<u>6,056,424</u>
Nonprogram	703,152	146,310	--	849,462
Total expenditures	<u>13,980,065</u>	<u>2,239,071</u>	<u>--</u>	<u>16,219,136</u>
Excess of revenues over (under) expenditures	<u>1,836,233</u>	<u>( 1,272,840)</u>	<u>--</u>	<u>563,393</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	--	1,272,840	( 1,272,840)	--
Operating transfers (out)	( 1,272,840)	--	1,272,840	--
Net other financing sources (uses)	<u>( 1,272,840)</u>	<u>1,272,840</u>	<u>--</u>	<u>--</u>
Net change in fund balances	563,393	--	--	563,393
Fund balances, beginning of year	<u>2,032,126</u>	<u>--</u>	<u>--</u>	<u>2,032,126</u>
Fund balances, end of year	<u>\$ 2,595,519</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,595,519</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -  
AGENCY FUNDS**

June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>ASSETS:</b>				
Cash	\$ 184,949	\$ 672,004	\$ 663,125	\$ 193,828
<b>LIABILITIES</b>				
Due to student organizations:				
High school	\$ 112,172	\$ 456,143	\$ 446,732	\$ 121,583
Summer school	9,184	15,455	14,450	10,189
Officials	1,956	33,050	34,958	48
Middle school	30,014	95,647	96,303	29,358
Elementary school	29,268	57,622	58,837	28,053
Elementary-Partnership	634	162	637	159
Elementary-Student council	1,721	13,925	11,208	4,438
Total liabilities	<u>\$ 184,949</u>	<u>\$ 672,004</u>	<u>\$ 663,125</u>	<u>\$ 193,828</u>

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2012**

Awarding Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Accrued Receivable 6/30/2011	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/2012
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
WI Department of Public Instruction					
<i>Child Nutrition Cluster</i>					
National School Breakfast	10.553	\$ 449	\$ 2,758	\$ 2,810	\$ 397
National School Lunch-noncash	10.555	--	47,202	47,202	--
National School Lunch-cash	10.555	18,289	151,937	152,449	17,777
National School Milk	10.556	366	178	514	30
Child Nutrition Cluster total		<u>19,104</u>	<u>202,075</u>	<u>202,975</u>	<u>18,204</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Formula Grants to LEAs	84.060A	--	14,045	14,045	--
Carol M. White Physical Education Program	84.215	378,045	76,895	378,045	76,895
WI Department of Public Instruction					
<i>Special Education Cluster</i>					
IDEA Flow Through	84.027	233,877	288,935	233,877	288,935
Preschool Entitlement	84.173	14,000	12,403	14,000	12,403
ARRA-IDEA Flow Through	84.391	207,053	17,594	224,647	--
Special Education Cluster total		<u>454,930</u>	<u>318,932</u>	<u>472,524</u>	<u>301,338</u>
Title IA-Basic Grant	84.010	125,001	125,195	125,001	125,195
Title IIA - Quality Teachers	84.367	47,090	40,043	47,090	40,043
WI Department of Administration					
Education Jobs Fund	84.410	144,258	5,758	150,016	--
CESA #6					
LVEC - Carl Perkins	84.048	--	578	578	--
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
WI Department of Health Services					
Medical Assistance Program	93.778	1,972	87,609	89,581	--
Totals		<u>\$ 1,170,400</u>	<u>\$ 871,130</u>	<u>\$ 1,479,855</u>	<u>\$ 561,675</u>

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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**

For the Year Ended June 30, 2012

Awarding Agency/ Pass-Through Agency/ Award Description	State ID	Accrued Receivable 6/30/2011	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/2012
<b>WI DEPARTMENT OF PUBLIC INSTRUCTION</b>					
Special Education and					
School Age Parents	255.101	\$ --	\$ 493,095	\$ 493,095	\$ --
State School Lunch Aid	255.102	--	7,841	7,841	--
Common School Fund Library Aid	255.103	--	69,581	69,581	--
General Transportation Aid	255.107	--	64,391	64,391	--
WI School Day Milk Program	255.109	--	1,787	1,787	--
General Equalization Aids	255.201	176,080	9,133,121	9,130,368	178,833
Special Adjustment Aid	255.203	--	262,607	262,607	--
School Breakfast Program	255.344	--	325	325	--
Low Revenue Adjustment Aid	255.924	--	51,447	51,447	--
CESA#6					
Special Education and School Age Parents	255.101	--	9,965	9,025	940
CESA#8					
Special Education and School Age Parents	255.101	2,017	4,250	5,844	423
<b>WI DEPARTMENT OF REVENUE</b>					
Exempt Computer Aid	XXX.XXX	2,233	3,029	2,233	3,029
Totals		<u>\$ 180,330</u>	<u>\$ 10,101,439</u>	<u>\$ 10,098,544</u>	<u>\$ 183,225</u>

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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2012

**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 2011-2012 eligible costs under the state special education program as reported by the District are \$1,839,960.



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

*Certified Public Accountants and Financial Consultants*

1000 West College Avenue • P.O. Box 1116 • Appleton, Wisconsin 54912  
(920) 733-4957 • FAX (920) 733-6221 • [www.erickson-cpas.com](http://www.erickson-cpas.com)

### **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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2012. 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**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, 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 26, 2012



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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, 2012. 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, 2012.



## 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 2012-3 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, 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 26, 2012

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2012**

**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

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 <i>State Single Audit Guidelines</i> ?	Yes
Identification of major state programs:	
255.101	Special Education and School Age Parents
255.107	General Transportation Aid
255.201	General Equalization Aids
255.203	Special Adjustment Aid

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
For the Year Ended June 30, 2012

**Financial Statement Findings:**

**2012-1 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.

**District 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.

**2012-2 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 Related 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, 2012

**2012-2 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.
- District 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:**

**2012-3 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, or 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.
- District 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

**FREEDOM AREA SCHOOL DISTRICT  
FREEDOM, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2012**

**Status of Prior Year Findings:**

The findings noted in the 2011 schedule of findings and questioned costs have been reported to the proper federal and state agencies.

Regarding finding 2011-1, management continues to believe the costs of hiring staff experienced in preparing financial statements, along with additional training time, outweigh the benefits.

Regarding finding 2011-2, there were significant adjustments and due to the quantity and qualitative nature of some of these entries, journal entry preparation continues to be a finding for 2012.

Regarding finding 2011-3, the District's auditors prepared the schedule of expenditures of federal and state awards for the June 30, 2012 audit, so this continues to be a finding for 2012.

**Corrective Action Plan:**

The contact person responsible for these findings is Maggie Gagnon, business manager.

Finding 2012-1 is an ongoing finding and is anticipated to be a finding in future years. See management's response to this finding on page 53.

For finding 2012-2, management plans on preparing journal entries not posted in previous years, which could possibly resolve this finding in 2012-2013.

For finding 2012-3, management plans on reviewing policies and may prepare the SEFA (Schedule of Expenditures of Federal Awards), which could possibly resolve this finding in 2012-2013.