

FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

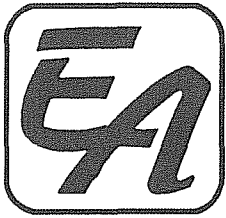
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**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Freedom Area School District
Freedom, Wisconsin

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District has implemented GASB Statement No. 82, *Pension Plans - an Amendment of GASB Statements No. 67, No. 68, and No. 73*, for the year ended June 30, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The nonmajor governmental funds, nonmajor special revenue funds, 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 basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the *State Single Audit Guidelines*, and are also not a required part of the basic financial statements.

The nonmajor governmental funds, nonmajor special revenue funds, general fund, and 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2017, 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* in considering the District's internal control over financial reporting and compliance.

Ericksen & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 6, 2017

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

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, 2016. 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 \$26,486 to \$3,005,393. The fund balance is 18.0% of general fund expenditures. The Board of Education policy is to have a fund balance of greater than 5%.
- General Fund actual revenues of \$16,698,043 were \$42,207 more than final budgeted revenues of \$16,655,836. Actual expenditures of \$16,671,557 were \$15,721 more than the final budgeted expenditures of \$16,655,836. Actual expenditures were approximately 99% of revenue.
- For 2015-2016 the District increased compensation to support staff and administrative staff by the allowed CPI increase of 1.62%. The professional staff increases were based on the new compensation model. The District continued with health and wellness initiatives to keep costs contained in that area. The cost of salaries and health insurance for the District across all funds and for all purposes was \$13,586,025.07 during 2015-2016 or 68.4% of the entire budget for funds that have salary and fringes.
- At the beginning of 2015-2016 the Board of Education passed a resolution allowing for the implementation of Fund 46 which is a capital projects fund to be used in the future. Money cannot be spent from the fund until five years after the resolution. The intent is to add money to this fund if available at the end of the year. This fund has a separate account and earns interest over time.
- The District paid off the piece of land it purchased on County Road N. At this time it is being rented by an area farmer and will continue to be rented until such a time the District decides how will be used.
- During 2015-2016 the District conducted a district wide survey to test the feelings of the community in regards to many areas. The top three areas of concern that came from the survey were facilities, CTE (career and technical education) and establishing a foundation. Three committees were formed from the survey. The Freedom Facilities Advisory Committee met and began its work. The first decision was to send out an RPF for a complete facilities study.
- During 2015-2016 the District commissioned and completed a District wide informational video. This video can be viewed on our website.

The District website can be found at www.freedomschools.k12.wi.us. Much more information on these topics can be found there.

FREEDOM AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

District-wide Financial Statements

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

Fund Financial Statements

- The 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.

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, 2016

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

Table #1

		-----Fund Financial Statements-----		
	District-wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds).	The activity of the District that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the District operates similar to private business. <u>The District does not report any program for this designation.</u>	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of net position and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balance.	Statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position and statement of changes in fiduciary net position.
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, 2016

Table #2

Condensed Statement of Net Position			
	<u>2016</u>	<u>2015</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$6,170,362	\$6,398,114	(4%)
Capital Assets	\$10,208,028	\$10,745,833	(5%)
Noncurrent Assets	\$0	\$1,548,550	(100%)
Total Assets	\$16,378,390	\$18,692,497	(12%)
<u>Deferred Outflows of Resources</u>			
	\$5,377,474	\$1,333,993	303%
<u>Liabilities</u>			
Current Liabilities	\$4,147,934	\$4,455,024	(7%)
Noncurrent Liabilities	\$4,325,295	\$4,444,384	(3%)
Total Liabilities	\$8,473,229	\$8,899,408	(5%)
<u>Deferred Inflows of Resources</u>			
	\$2,157,604	\$30,106	7067%
<u>Net Position</u>			
Invested in Capital Assets, net of related debt	\$8,058,028	\$6,996,050	14%
Restricted	\$529,500	\$529,493	0%
Unrestricted	\$2,537,503	\$3,571,433	(27%)
Total Net Position	\$11,125,031	\$11,096,976	0%

Statement of Net Position: (Table #2)

The District's overall financial status, as reflected in total net position, increased by \$28,055 to \$11.1M. The District reported total assets of \$16.4M, of which \$10.2M are capital assets. The District reported deferred outflows of \$5.4M at June 30, 2016, an increase of 303% from the previous year relating to the WRS net pension liability. The District reported total liabilities of \$8.5M, of which \$4.3M are long-term liabilities. The District reported deferred inflows of resources in the amount of \$2.2M, an increase of 7,067% over the previous year relating to the WRS net pension liability.

FREEDOM AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

Table #3

Changes in Net Position from Operating Results For Governmental Activities					
	<u>2015-16</u>	<u>%</u>	<u>2014-15</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program					
Charges for Services	\$1,303,039	7%	\$1,334,077	6%	(2%)
Operating Grants & Cont.	\$1,842,405	9%	\$1,678,240	9%	10%
General					
General State Aids	\$9,790,410	49%	\$9,303,384	48%	5%
Property Taxes	\$6,911,584	35%	\$7,163,808	37%	(4%)
Other	\$32,864	0%	\$41,082	0%	(20%)
Total Revenues	<u>\$19,880,302</u>	<u>100%</u>	<u>\$19,520,591</u>	<u>100%</u>	2%
Expenses:					
Instruction	\$10,737,216	54%	\$9,724,033	52%	10%
Support Services	\$6,457,061	33%	\$6,265,604	34%	3%
Nonprogram	\$1,353,310	7%	\$1,055,016	6%	28%
Food Service, Community	\$572,010	3%	\$600,606	3%	(5%)
Interest and Fiscal Charges	\$93,428	0%	\$199,705	1%	(53%)
Unallocated Depreciation	\$639,222	3%	\$704,611	4%	(9%)
Total Expenses	<u>\$19,852,247</u>	<u>100%</u>	<u>\$18,549,575</u>	<u>100%</u>	7%
Change in Net Position	<u>\$28,055</u>		<u>\$971,016</u>		(97%)

FREEDOM AREA SCHOOL DISTRICT

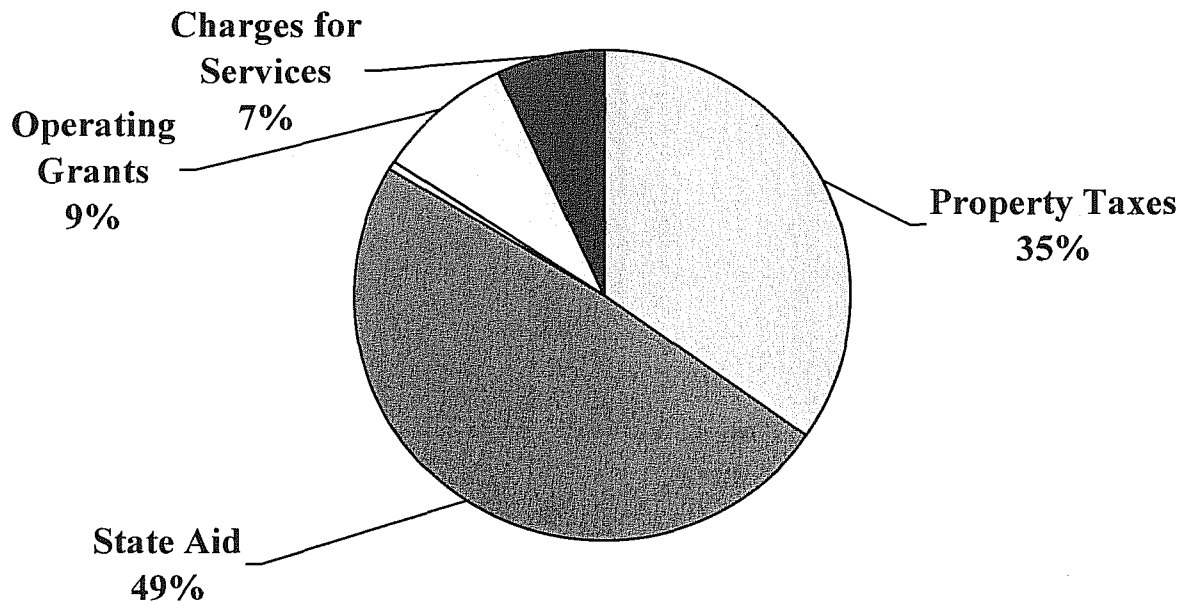
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

Revenues: (Table #3)

- For FY2015-16, the District received \$19.9M in revenue. This is an increase of 2% or \$359,711 over the previous year. General state aids increased over the prior year by \$487,026 to \$9.8M. Property taxes decreased by \$252,224 to \$6.9M. For FY2015-16, 49% of total revenue came from general state aids, and 35% came from local school property taxes. The District received approximately 16% 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, a decrease of \$31,038 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 \$1.8M, which is an increase of \$164,165 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.
- The District received \$32,864 in other income, a decrease of \$8,218 from the prior year.

REVENUES ALL FUNDS 2015 - 2016



FREEDOM AREA SCHOOL DISTRICT

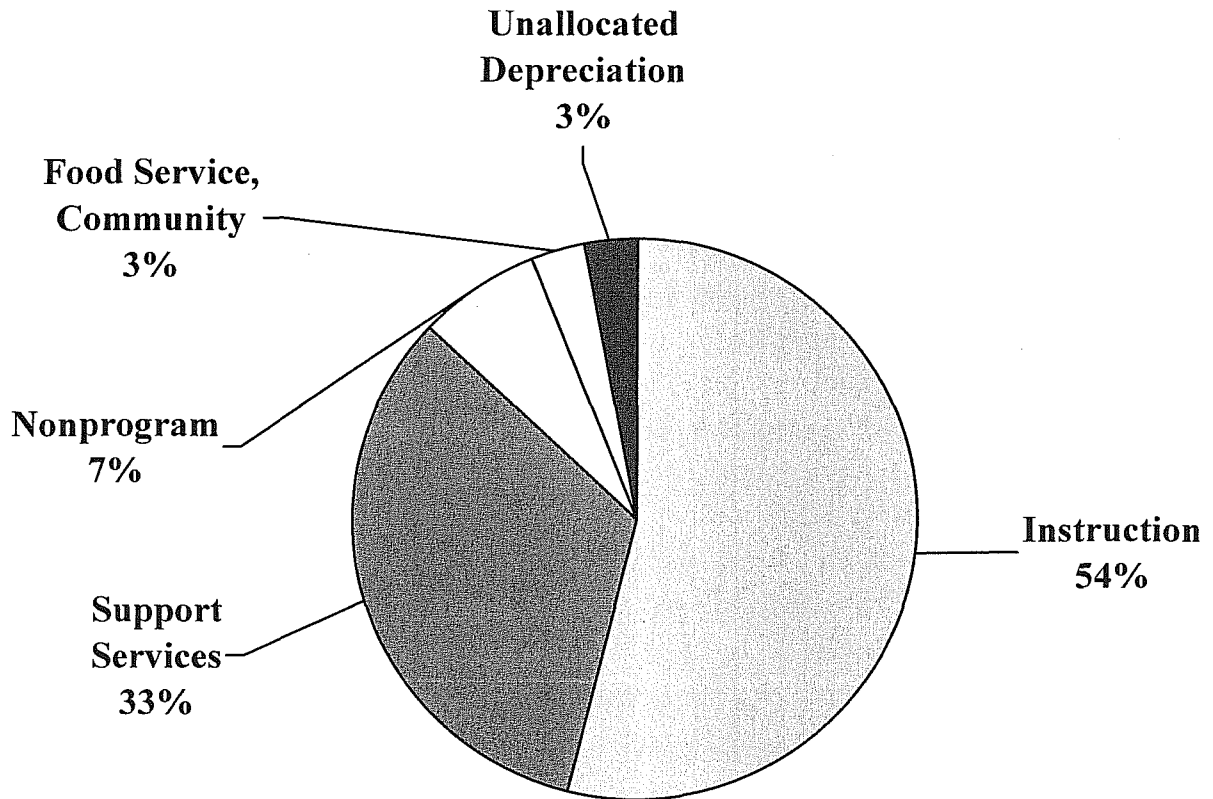
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

Expenses: (Table #3)

- For FY2015-16, the District's total expenditure amount was \$19.9M. This is an increase of \$1.3M from the prior year. For FY2015-16, 54% was directed to instruction and 33% was directed to support services. Nonprogram expenditure amounts were 7% of the total. The food service program and community service represents 3% and costs for debt service represented 0% of total expenditures.

**EXPENDITURES ALL FUNDS
2015 - 2016**



FREEDOM AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$10,737,216	\$8,625,424
Support Services	\$6,457,061	\$5,950,483
Nonprogram	\$1,353,310	\$1,353,310
Food Service, Community Service	\$572,010	\$44,936
Interest and Fiscal Charges	\$93,428	\$93,428
Unallocated Depreciation	\$639,222	\$639,222
Total	<u><u>\$19,852,247</u></u>	<u><u>\$16,706,803</u></u>

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$19.9M.
- The net cost of governmental activities, \$16.7M, was financed by general revenues, which are primarily made up of general state aids of \$9.8M and property taxes of \$6.9M. Miscellaneous and investment earnings accounted for \$32,864. In addition, District operations were subsidized by \$3.1M, 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 2015-16. 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 \$26,486. Total revenues were higher than budgeted by \$42,207. Total expenditures were more than budgeted by \$15,721.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

Fund Balances:

- The District shows a total for all fund balances of \$3.6M as of June 30, 2016.
- \$3.0M is in the general fund. The District utilizes this fund balance for funding future short-term operations. The fund balance is 18.0% 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.
- \$27,948 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 \$10.2M in capital assets. Further detail can be found in Note 3 in the financial statements.

Long-term Debt

- At year-end, the District had \$5.9 in long-term obligations. Further detail can be found in Note 5 in the financial statements.

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

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

- One of the main factors that will have economic impact on the future of the District will be how the Wisconsin Legislature continues to fund education. Each year as the state budget is being developed; educational institutions cannot be sure what the impact will be to their budget. As school districts live under revenue limits, the numbers used to generate that limit are critical to the operations of public education.
- Another factor that will have economic impact on the District is the number of students that are enrolled. This number is what is used to generate the revenue limit and amount of money that can be raised to fund the schools. Since 2004-2005 to this year the full time equivalency in the District has increased. At this time future student enrollment projections are projected to increase slightly; 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.
- Health insurance is an issue that will be continuously reviewed and changes will be made to keep the District compliant with the Affordable Care Act. This will have financial impact on the District that must be considered.

FREEDOM AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

- The District will redevelop pay schedules for co and extracurricular activities. This is an attempt to keep pay competitive and to review the areas we are supporting for co and extracurricular activities.
- During 2016-2017 the District will continue to engage committee in the three areas of interest that came up in the 2015-2016 survey. A complete facility study will be completed and plans will be made going forward from that study. The Freedom Facility Advisory Committee will spend time reviewing, planning and visiting in order to get a better idea of how to move the District forward.

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 POSITION

June 30, 2016

ASSETS

Current assets:

Cash and investments	\$ 3,400,678
Taxes receivable	1,761,122
Accounts receivable	50,391
Due from other governments	947,866
Inventory	10,305
Total current assets	<u>6,170,362</u>

Capital assets:

Land, buildings and equipment	19,138,825
Less accumulated depreciation	<u>8,930,797</u>
Net capital assets	<u>10,208,028</u>

Total assets	<u>16,378,390</u>
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DEFERRED OUTFLOWS OF RESOURCES

Expected vs. actual experience - WRS	173,320
Expected vs. actual investment income - WRS	4,149,320
Change in assumptions - WRS	707,847
Contributions made after measurement date - WRS	<u>346,987</u>

Total deferred outflows of resources	<u>5,377,474</u>
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LIABILITIES

Current liabilities:

Short term notes payable	1,850,000
Current portion of bonds and notes payable	1,575,000
Accounts payable	190
Food service deposits	19,561
Accrued salaries and wages	10,101
Accrued payroll taxes and withholdings	656,417
Accrued interest payable	36,665
Total current liabilities	<u>4,147,934</u>

Long-term liabilities:

Net pension liability - WRS	1,011,725
Bonds and notes payable	575,000
Other post employment benefits	2,640,562
Unused vested employee benefits	98,008
Total long-term liabilities	<u>4,325,295</u>

Total liabilities	<u>8,473,229</u>
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DEFERRED INFLOWS OF RESOURCES

Expected vs. actual experience - WRS	2,129,159
Change in proportional share and difference in actual contributions - WRS	<u>28,445</u>

Total deferred outflows of resources	<u>2,157,604</u>
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NET POSITION

Invested in capital assets, net of related debt	8,058,028
Restricted	529,500
Unrestricted	<u>2,537,503</u>

Total net position	<u>\$ 11,125,031</u>
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**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction:				
Undifferentiated curriculum	\$ 3,138,448	\$ 485,138	\$ 54,686	\$ (2,598,624)
Regular curriculum	3,849,801	485,138	97,056	(3,267,607)
Special education curriculum	2,145,746	17,294	926,001	(1,202,451)
Other instructional curriculum	1,603,221	--	46,479	(1,556,742)
Total instruction	<u>10,737,216</u>	<u>987,570</u>	<u>1,124,222</u>	<u>(8,625,424)</u>
Support services:				
Pupil services	592,377	--	140,638	(451,739)
Instructional staff services	954,765	--	340,975	(613,790)
General administration	244,065	--	2,278	(241,787)
School building administration	864,761	--	--	(864,761)
Business administration	2,538,129	--	1,142	(2,536,987)
Other support services	1,262,964	--	21,545	(1,241,419)
Total support services	<u>6,457,061</u>	<u>--</u>	<u>506,578</u>	<u>(5,950,483)</u>
Nonprogram	1,353,310	--	--	(1,353,310)
Food service	558,549	315,469	211,605	(31,475)
Community service	13,461	--	--	(13,461)
Interest and fiscal charges	93,428	--	--	(93,428)
Unallocated depreciation	639,222	--	--	(639,222)
Total activities	<u>\$ 19,852,247</u>	<u>\$ 1,303,039</u>	<u>\$ 1,842,405</u>	<u>(16,706,803)</u>

General revenues:

General state aids	9,790,410
Property taxes levied for:	
General purposes	5,336,584
Debt service	1,555,000
Community service	20,000
Interest income	955
Miscellaneous	31,909
Total general revenues	<u>16,734,858</u>

Change in net position 28,055

Net position, beginning of the year, as restated 11,096,976

Net position, end of year \$ 11,125,031

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,949,246	\$ 27,948	\$ 423,484	\$ 3,400,678
Taxes receivable, net	1,761,122	--	--	1,761,122
Accounts receivable	29,029	--	21,362	50,391
Due from other funds	--	--	150,000	150,000
Due from other governments	946,611	--	1,255	947,866
Inventory	--	--	10,305	10,305
	<u>\$ 5,686,008</u>	<u>\$ 27,948</u>	<u>\$ 606,406</u>	<u>\$ 6,320,362</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Short-term liabilities	\$ 1,850,000	\$ --	\$ --	\$ 1,850,000
Accounts payable	190	--	--	190
Food service deposits	--	--	19,561	19,561
Accrued salaries and wages	10,101	--	--	10,101
Accrued payroll taxes & withholdings	656,417	--	--	656,417
Accrued interest	13,907	--	--	13,907
Due to other funds	150,000	--	--	150,000
Total liabilities	<u>2,680,615</u>	<u>--</u>	<u>19,561</u>	<u>2,700,176</u>
Fund balances:				
Nonspendable	--	--	10,305	10,305
Spendable:				
Restricted	--	27,948	491,247	519,195
Assigned	--	--	85,293	85,293
Unassigned	3,005,393	--	--	3,005,393
Total fund balances	<u>3,005,393</u>	<u>27,948</u>	<u>586,845</u>	<u>3,620,186</u>
Total liabilities and fund balances	<u>\$ 5,686,008</u>	<u>\$ 27,948</u>	<u>\$ 606,406</u>	<u>\$ 6,320,362</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

June 30, 2016

Total fund balance - governmental funds \$ 3,620,186

Amounts reported for governmental activities in the statement of net position 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 \$879,896 accumulated depreciation	246,654	
Buildings, net of \$4,672,312 accumulated depreciation	7,254,898	
Machinery and equipment, net of \$3,340,589 accumulated depreciation	1,205,001	
Building infrastructure, net of \$38,000 accumulated depreciation	--	
Total capital assets		10,208,028

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. 5,377,474

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. (22,758)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds but, rather, is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2016, are:

Bonds and notes payable, including current portion	(2,150,000)	
Net pension liability - WRS	(1,011,725)	
Other post employment benefits	(2,640,562)	
Unused vested employee benefits	(98,008)	
Total long-term liabilities		(5,900,295)

Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. (2,157,604)

Total net position of governmental activities \$ 11,125,031

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 5,537,711	\$ 1,555,031	\$ 377,055	\$ 7,469,797
Interdistrict sources	789,915	--	--	789,915
Intermediate sources	18,673	--	--	18,673
State sources	10,766,857	--	8,012	10,774,869
Federal sources	572,145	--	223,255	795,400
Other sources	31,648	--	--	31,648
Total revenues	<u>17,716,949</u>	<u>1,555,031</u>	<u>608,322</u>	<u>19,880,302</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	2,983,190	--	18,766	3,001,956
Regular curriculum	3,700,485	--	--	3,700,485
Special education curriculum	2,048,909	--	--	2,048,909
Other instructional curriculum	1,528,062	--	34,642	1,562,704
Total instruction	<u>10,260,646</u>	<u>--</u>	<u>53,408</u>	<u>10,314,054</u>
Support services:				
Pupil services	569,310	--	195	569,505
Instructional staff services	917,209	--	896	918,105
General administration	235,301	--	--	235,301
School building administration	825,289	--	235	825,524
Business administration	2,518,894	--	399	2,519,293
Debt service	19,864	1,694,594	--	1,714,458
Other support services	840,640	--	--	840,640
Total support services	<u>5,926,507</u>	<u>1,694,594</u>	<u>1,725</u>	<u>7,622,826</u>
Nonprogram	1,353,310	--	--	1,353,310
Food service	--	--	543,601	543,601
Community service	--	--	13,203	13,203
Total expenditures	<u>17,540,463</u>	<u>1,694,594</u>	<u>611,937</u>	<u>19,846,994</u>
Excess of revenues over (under) expenditures	<u>176,486</u>	<u>(139,563)</u>	<u>(3,615)</u>	<u>33,308</u>
Other financing sources (uses):				
Operating transfers in	--	--	150,000	150,000
Operating transfers (out)	(150,000)	--	--	(150,000)
Net other financing sources (uses)	<u>(150,000)</u>	<u>--</u>	<u>150,000</u>	<u>--</u>
Net change in fund balances	26,486	(139,563)	146,385	33,308
Fund balances, beginning of year	<u>2,978,907</u>	<u>167,511</u>	<u>440,460</u>	<u>3,586,878</u>
Fund balances, end of year	<u>\$ 3,005,393</u>	<u>\$ 27,948</u>	<u>\$ 586,845</u>	<u>\$ 3,620,186</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, 2016

Net change in fund balance - total governmental funds	\$ 33,308
The change in net position reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which depreciation exceeds capital outlays in the current period.	(537,805)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount pension expense exceeds the amounts contributed by the District based on WRS calculations.	(644,292)
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.	(430,813)
Governmental funds report actual vested employee benefit payments made. The district-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which the accrual basis exceeds actual payments in the current year.	(13,373)
Accrued interest expense on long-term debt is reported in the district-wide statement of activities and changes in net position but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds.	21,247
Loan proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. This is the amount by which repayments exceed proceeds.	1,599,783
Change in net position of governmental activities	<u>\$ 28,055</u>

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

FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN

STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS

June 30, 2016

	<u>Student Activity</u>
ASSETS	
Cash	\$ 274,634
LIABILITIES	
Due to student organizations	<u>274,634</u>
Net position	<u><u>\$ --</u></u>

**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 61 that are included in the District's reporting entity.

B. Fund Accounting

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

The District operates the following major governmental funds:

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

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

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.

Long-Term Capital Improvement Fund - The Long-Term Capital Improvement Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities. The District may not expend money deposited into the fund for a period of five years. The fund was established in June 2015 and first funded in July 2015.

**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 position 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, 2016.

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

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

Fund Financial Statements

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

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

D. Basis of Accounting

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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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.

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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

G. Property Taxes

The aggregate District tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31, and the final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period that the taxes are levied as if they are due in the current year and available to pay current liabilities. The 2015 tax levy is used to finance operations of the District's fiscal year ended June 30, 2016. All property taxes are considered due on January 1, 2016, 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, 2016, consisted of taxes, accounts, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Inventory

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

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

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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

K. Capital Assets and Depreciation

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

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

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

L. Interfund Activity

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

M. Accrued Liabilities and Long-term Debt

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

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

N. Deferred Outflows / Inflows of Resources

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In addition to assets and liabilities, the statement of net position will report separate sections for deferred outflows and deferred inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows relating to the WRS pension plan.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows relating to the WRS pension plan.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

O. 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, 2016.

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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

P. WRS Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Accounting Changes

The WRS adopted GASB Statement 82 - Pension Issues, an Amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

R. Use of Estimates

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

Note 2. Cash and Investments:

The debt service fund accounts for its transactions through separate and distinct bank and investment accounts as required by state statutes. 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

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

Securities of an open-ended management investment company or investment trust, if the investment company does not charge a sales load, is registered under the Investment Company Act of 1940, and the portfolio is limited to bonds and securities issued by the federal government, bonds that are guaranteed by the federal government, or repurchase securities that are fully collateralized by bonds or securities

The carrying amount of the District's cash and investments totaled \$3,675,612 on June 30, 2016, as summarized below:

Petty cash funds	\$ 275
Deposits with financial institutions	3,667,563
Investments	
Local government investment pool	7,774
	<u>\$ 3,675,612</u>

Reconciliation to the basic financial statements:

Statement of net position	\$ 3,400,678
Agency funds	274,634
	<u>\$ 3,675,612</u>

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

Custodial Credit Risk

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

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian. In addition, the State of Wisconsin has a State Guarantee Fund that provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

As of June 30, 2016, the carrying amount of the District's deposits was \$3,675,612 and the bank balance was \$4,131,908. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$3,881,908 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.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

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	\$ 7,774	\$ 7,774

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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Land	\$ 1,501,475	\$ --	\$ --	\$ 1,501,475
Land improvements	1,121,710	4,840	--	1,126,550
Buildings	11,927,210	--	--	11,927,210
Furniture and equipment	4,449,013	96,577	--	4,545,590
Building infrastructure	38,000	--	--	38,000
Total	19,037,408	101,417	--	19,138,825
Accumulated depreciation:				
Land improvements	829,392	50,504	--	879,896
Buildings	4,443,093	229,219	--	4,672,312
Furniture and equipment	2,981,090	359,499	--	3,340,589
Building infrastructure	38,000	--	--	38,000
Total	8,291,575	639,222	--	8,930,797
Net total	\$ 10,745,833	\$ (537,805)	\$ --	\$ 10,208,028

All depreciation expense was charged to unallocated depreciation.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. 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, 2016:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$ 2,100,000	\$ 1,850,000	\$ 2,100,000	\$ 1,850,000

The note was issued on September 29, 2015, and matured on October 10, 2016. The interest rate on the note was 1.0%. The proceeds were used to finance continuing operations.

Interest expense for the year ended June 30, 2016, for short-term notes totaled \$19,682.

Note 5. Long-term Obligations:

Long-term obligations of the District at June 30, 2016:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts due within one year</u>
General obligation debt	\$ 3,749,783	\$ --	\$ 1,599,783	\$ 2,150,000	\$ 1,575,000
Net pension liability - WRS	--	1,011,725	--	1,011,725	--
Other post employment benefits	2,209,749	841,306	410,493	2,640,562	--
Vested employee benefits	84,635	98,008	84,635	98,008	--
Totals	<u>\$ 6,044,167</u>	<u>\$ 1,951,039</u>	<u>\$ 2,094,911</u>	<u>\$ 5,900,295</u>	<u>\$ 1,575,000</u>

Total interest paid for the year ended June 30, 2016, was \$94,787 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, 2016, 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	1/6/2015	2.0%	10/01/2018	\$ 1,685,000
General obligation promissory note	10/1/2013	4.0%	4/01/2018	465,000
Total general obligation debt				<u>\$ 2,150,000</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5. Long-term Obligations - Continued:

The 2015 equalized valuation of the District as certified by Wisconsin Department of Revenue is \$794,080,495. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes follows:

Debt limit	
(10% of \$794,080,495)	\$ 79,408,050
Deduct long-term debt applicable to debt margin	2,150,000
Margin of indebtedness	\$ 77,258,050

Aggregate cash flow requirements for the retirement of general-obligation debt and interest on June 30, 2016, follows:

Year ending <i>June 30,</i>	Principal	Interest	Total
2017	\$ 1,575,000	\$ 43,000	\$ 1,618,000
2018	575,000	11,500	586,500
Totals	\$ 2,150,000	\$ 54,500	\$ 2,204,500

Note 6. Inter-fund Transactions:

Inter-fund balances on the fund financial statements at June 30, 2016, consisted of the following:

<i>Fund</i>	Due From	Due To
General	\$ --	\$ 150,000
Long-Term Capital Improvement Fund	150,000	--
Total	\$ 150,000	\$ 150,000

The inter-fund balance between the general fund and the long-term capital improvement fund exists to provide additional funding for future capital improvement projects.

Inter-fund transfers on the fund financial statements at June 30, 2016, consisted of the following:

Transfer from the general fund to the long-term capital improvement fund	\$ 150,000
--	------------

The inter-fund transfer between the general fund and the long-term capital improvement fund was made to provide additional funding for future capital improvement projects.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 7. Excess of Actual Expenditures Over Budget:

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2016:

General Fund:

Other instructional curriculum	\$	28,722
Business administration		33,604
Other support services		21,600
Nonprogram		6,272
Operating transfers out		130,298

Special Education Fund:

Nonprogram		37,290
------------	--	--------

Note 8. Fund Balance Reporting:

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2016:

<i>Description</i>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable:				
Inventory - food service	\$ --	\$ --	\$ 10,305	\$ 10,305
Restricted:				
Special revenue trust	--	--	19,187	19,187
TEACH	--	--	45,228	45,228
Debt service	--	27,948	--	27,948
Long-term capital improvement	--	--	300,053	300,053
Food service	--	--	126,769	126,769
Assigned:				
Community service fund activities	--	--	85,296	85,296
Unassigned	<u>3,005,393</u>	<u>--</u>	<u>--</u>	<u>3,005,393</u>
Total fund balances	<u>\$ 3,005,393</u>	<u>\$ 27,948</u>	<u>\$ 586,845</u>	<u>\$ 3,620,186</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan:

Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

Vesting

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8 %	3 %
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$588,895 in contributions from the employer.

Contribution rates as of June 30, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$1,011,725 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.06226076%, which was a decrease of 0.00078739% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,211,679.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,320	\$ 2,129,159
Changes in assumptions	707,847	--
Net differences between projected and actual earnings on pension plan investments	4,149,320	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	--	28,445
Employer contributions subsequent to the measurement date	346,987	--
Total	\$ 5,377,474	\$ 2,157,604

\$346,987 is reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending <i>June 30,</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 1,306,706	\$ 523,383
2017	1,306,706	523,383
2018	1,306,706	523,383
2019	1,087,723	519,170
Thereafter	22,646	68,285

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

Actuarial Assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%

Salary increases:

Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015, is based upon a roll-forward of the liability calculated from the December 31, 2014, actuarial valuation.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

**Retirement Funds
Asset Allocation Targets
and Expected Returns**

Core Fund Asset Class	Asset Allocation %		Rate of Return %	
	Current	Destination Target	Long-Term Expected Nominal	Long-Term Expected Real
U.S. equities	27	23	7.6	4.7
International equities	24.5	22	8.5	5.6
Fixed income	27.5	37	4.4	1.6
Inflation sensitive assets	10	20	4.2	1.4
Real estate	7	7	6.5	3.6
Private equity/debt	7	7	9.4	6.5
Multi-asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S. equities	70	70	7.6	4.7
International equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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

Single Discount Rate

A single discount rate of 7.2% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.2% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2%) or 1-percentage-point higher (8.2%) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 7,096,260	\$ 1,011,725	\$(3,740,405)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

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 (if hired after July 1, 2000; at least age 57 with a minimum of 20 years of service are required). 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 plus the implicit rate subsidy. For the fiscal year ended June 30, 2016, the District contributed \$410,493.

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	\$ 840,744
Interest on net OPEB obligation	88,390
Adjustment to annual required contribution	(87,828)
Annual OPEB cost	841,306
Contributions made	410,493
Increase in net OPEB obligation	430,813
Net OPEB obligation - beginning of year	2,209,749
Net OPEB obligation - ending of year	\$ 2,640,562

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. Other Post Employment Benefits - Continued:

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,116,730, and the actuarial value of assets was \$0. This resulted in an unfunded actuarial liability (UAAL) of \$7,116,730. The covered payroll (annual payroll of active employees covered by the plan) was \$8,603,401 and the ratio of UAAL to the covered payroll was 82.72%.

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 4.0% 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 medical and dental cost trend rate of 7.5% initially, decreasing by 0.5% per year for the first three years, and down 0.1% per year thereafter down to 5.0%. Both rates include a 3.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2016, was 29 years.

Note 11. Limitation on School District Revenues:

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

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

Note 12. Contingent Liabilities:

Risk management - The District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2016. No settlements exceeded insured amounts in the last three fiscal years.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 12. Contingent Liabilities - Continued:

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

Note 13. Prior Period Adjustment:

The effect of the District making a prior period adjustment due to the implementation of GASB 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*, and revaluation of the net pension asset of the Wisconsin Retirement System as of December 31, 2014 resulted in the restatement of the District's net position as of June 30, 2015, is as follows:

Total net position as previously reported in the statement of activities as of June 30, 2015	\$ 11,097,061
Net pension asset - WRS adjustment as of June 30, 2015	<u>(85)</u>
Net position, beginning of year, as restated	<u>\$ 11,096,976</u>

Note 14. Subsequent Events:

The District has evaluated all subsequent events through January 6, 2017, 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, 2016

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
07/01/14	\$ --	\$ 7,116,730	\$ 7,116,730	0.00%	\$ 8,603,401	82.72%
07/01/12	--	7,133,265	7,133,265	0.00%	8,366,965	85.26%
07/01/10	--	8,006,345	8,006,345	0.00%	8,342,724	95.97%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS -
OTHER POST EMPLOYMENT BENEFITS**

6/30/2016

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 841,306	48.79%	\$ 2,640,562
6/30/2015	877,835	35.97%	2,209,749
6/30/2014	792,478	55.02%	1,647,640
6/30/2013	738,768	68.35%	1,291,196
6/30/2012	885,108	75.60%	1,057,374
6/30/2011	845,982	61.42%	841,366

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)**

Wisconsin Retirement System
Last 10 Fiscal Years*

	2016	2015, as restated
District's proportion of the net pension liability (asset)	0.06226076%	0.06304815%
District's proportionate share of the net pension liability (asset)	\$ 1,011,725	\$ (1,548,209)
District's covered employee payroll	\$ 8,660,228	\$ 8,652,205
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Wisconsin Retirement System
Last 10 Fiscal Years*

Contractually required contributions	\$ 588,895	\$ 605,654
Contributions in relation to the contractually required contributions	(588,895)	(605,654)
Contribution deficiency (excess)	\$ --	\$ --
The District's covered employee payroll	\$ 8,660,228	\$ 8,652,205
Contributions as a percentage of covered employee payroll	6.80%	7.00%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

2015 is the first year that this information has been made available due to implementation of GASB 68.

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

NOTES TO REQUIRED WRS SCHEDULES
For the Year Ended June 30, 2016

Note 1. Changes of Benefit Terms:

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

Note 2. Changes of Assumptions:

There was a change in the assumptions due to a revaluation of the net pension asset as of December 31, 2014 by the WRS and adoption of GASB 82.

**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, 2016

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Local sources	\$ 5,475,788	\$ 5,533,165	\$ 5,537,711	\$ 4,546
Interdistrict sources	789,213	762,657	763,553	896
Intermediate sources	13,300	13,300	11,675	(1,625)
State sources	10,184,235	10,174,238	10,195,866	21,628
Federal sources	145,476	145,476	157,590	12,114
Other sources	27,000	27,000	31,648	4,648
Total revenues	<u>16,635,012</u>	<u>16,655,836</u>	<u>16,698,043</u>	<u>42,207</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	3,064,331	3,048,220	2,983,190	65,030
Regular curriculum	3,732,244	3,732,244	3,700,485	31,759
Other instructional curriculum	1,499,340	1,499,340	1,528,062	(28,722)
Total instruction	<u>8,295,915</u>	<u>8,279,804</u>	<u>8,211,737</u>	<u>68,067</u>
Support services:				
Pupil services	429,682	429,682	387,945	41,737
Instructional staff services	725,720	725,720	702,680	23,040
General administration	248,286	248,286	235,301	12,985
School building administration	854,377	854,377	825,289	29,088
Business administration	2,396,160	2,396,160	2,429,764	(33,604)
Debt service	21,000	21,000	19,864	1,136
Other support services	819,040	819,040	840,640	(21,600)
Total support services	<u>5,494,265</u>	<u>5,494,265</u>	<u>5,441,483</u>	<u>52,782</u>
Nonprogram	1,211,103	1,248,038	1,254,310	(6,272)
Total expenditures	<u>15,001,283</u>	<u>15,022,107</u>	<u>14,907,530</u>	<u>114,577</u>
Excess of revenues over expenditures	1,633,729	1,633,729	1,790,513	156,784
Other financing sources (uses):				
Operating transfers (out)	(1,633,729)	(1,633,729)	(1,764,027)	(130,298)
Net change in fund balance	--	--	26,486	26,486
Fund balance, beginning of year	<u>2,978,907</u>	<u>2,978,907</u>	<u>2,978,907</u>	--
Fund balance, end of year	<u>\$ 2,978,907</u>	<u>\$ 2,978,907</u>	<u>\$ 3,005,393</u>	<u>\$ 26,486</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, 2016**

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues:				
Interdistrict sources	\$ 26,400	\$ 26,400	\$ 26,362	\$ (38)
Intermediate sources	8,000	8,000	6,998	(1,002)
State sources	572,000	572,000	570,991	(1,009)
Federal sources	586,379	586,379	414,555	(171,824)
Total revenues	<u>1,192,779</u>	<u>1,192,779</u>	<u>1,018,906</u>	<u>(173,873)</u>
Expenditures:				
Instruction:				
Special education curriculum	2,258,307	2,258,307	2,048,909	209,398
Support services:				
Pupil services	197,536	197,536	181,365	16,171
Instructional staff services	216,038	216,038	214,529	1,509
Business administration	89,417	89,417	89,130	287
Other support services	3,500	3,500	--	3,500
Total support services	<u>506,491</u>	<u>506,491</u>	<u>485,024</u>	<u>21,467</u>
Nonprogram	<u>61,710</u>	<u>61,710</u>	<u>99,000</u>	<u>(37,290)</u>
Total expenditures	<u>2,826,508</u>	<u>2,826,508</u>	<u>2,632,933</u>	<u>193,575</u>
Excess of revenues under expenditures	(1,633,729)	(1,633,729)	(1,614,027)	19,702
Other financing sources (uses):				
Operating transfers in	<u>1,633,729</u>	<u>1,633,729</u>	<u>1,614,027</u>	<u>(19,702)</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**

For the Year Ended June 30, 2016

	Long-Term Capital Improvement Fund	Special Revenue Funds	Total
ASSETS			
Cash and investments	\$ 150,053	\$ 273,431	\$ 423,484
Accounts receivable	--	21,362	21,362
Due from other governments	--	1,255	1,255
Due from other funds	150,000	--	150,000
Inventories	--	10,305	10,305
	<u>\$ 300,053</u>	<u>\$ 306,353</u>	<u>\$ 606,406</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Food service deposits	\$ --	\$ 19,561	\$ 19,561
Fund balances:			
Nonspendable	--	10,305	10,305
Spendable:			
Restricted	300,053	191,194	491,247
Assigned	--	85,293	85,293
	<u>300,053</u>	<u>286,792</u>	<u>586,845</u>
Total fund balances	<u>300,053</u>	<u>286,792</u>	<u>586,845</u>
Total liabilities and fund balances	<u>\$ 300,053</u>	<u>\$ 306,353</u>	<u>\$ 606,406</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, 2016

	Long-Term Capital Improvement Fund	Special Revenue Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Local sources	\$ 53	\$ 377,002	\$ 377,055
State sources	--	8,012	8,012
Federal sources	--	223,255	223,255
	<u> </u>	<u> </u>	<u> </u>
Total revenues	53	608,269	608,322
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Instruction:			
Undifferentiated curriculum	--	18,766	18,766
Other instruction	--	34,642	34,642
Support services:			
Pupil services	--	195	195
Instructional staff services	--	896	896
School building administration	--	235	235
Business administration	--	399	399
Food service	--	543,601	543,601
Community service	--	13,203	13,203
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	--	611,937	611,937
	<u> </u>	<u> </u>	<u> </u>
Excess of revenues under expenditures	53	(3,668)	(3,615)
Other financing sources (uses):			
Operating transfers in	150,000	--	150,000
	<u> </u>	<u> </u>	<u> </u>
Excess of revenues and other financing sources over (under) expenditures	150,053	(3,668)	146,385
Fund balance, beginning of year	150,000	290,460	440,460
	<u> </u>	<u> </u>	<u> </u>
Fund balance, end of year	<u>\$ 300,053</u>	<u>\$ 286,792</u>	<u>\$ 586,845</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2016

	<u>Other Special Projects</u>	<u>TEACH</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 19,187	\$ 45,238	\$ 123,713	\$ 85,293	\$ 273,431
Accounts receivable	--	--	21,362	--	21,362
Due from other governments	--	--	1,255	--	1,255
Inventories	--	--	10,305	--	10,305
Total assets	<u><u>\$ 19,187</u></u>	<u><u>\$ 45,238</u></u>	<u><u>\$ 156,635</u></u>	<u><u>\$ 85,293</u></u>	<u><u>\$ 306,353</u></u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Food service deposits	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 19,561</u>	<u>\$ --</u>	<u>\$ 19,561</u>
Fund balances:					
Nonspendable	--	--	10,305	--	10,305
Spendable:					
Restricted	19,187	45,238	126,769	--	191,194
Assigned	<u>--</u>	<u>--</u>	<u>--</u>	<u>85,293</u>	<u>85,293</u>
Total fund balances	<u><u>19,187</u></u>	<u><u>45,238</u></u>	<u><u>137,074</u></u>	<u><u>85,293</u></u>	<u><u>286,792</u></u>
Total liabilities and fund balances	<u><u>\$ 19,187</u></u>	<u><u>\$ 45,238</u></u>	<u><u>\$ 156,635</u></u>	<u><u>\$ 85,293</u></u>	<u><u>\$ 306,353</u></u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2016

	<u>Other Special Projects</u>	<u>TEACH</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total</u>
Revenues:					
Local sources	\$ 41,504	\$ 11	\$ 315,469	\$ 20,018	\$ 377,002
State sources	--	--	8,012	--	8,012
Federal sources	19,662	--	203,593	--	223,255
Total revenues	<u>61,166</u>	<u>11</u>	<u>527,074</u>	<u>20,018</u>	<u>608,269</u>
Expenditures:					
Instruction:					
Undifferentiated curriculum	18,766	--	--	--	18,766
Other instructional curriculum	34,642	--	--	--	34,642
Support services:					
Pupil services	195	--	--	--	195
Instructional staff services	896	--	--	--	896
School building administration	235	--	--	--	235
Business administration	399	--	--	--	399
Food service	--	--	543,601	--	543,601
Community service	--	--	--	13,203	13,203
Total expenditures	<u>55,133</u>	<u>--</u>	<u>543,601</u>	<u>13,203</u>	<u>611,937</u>
Net change in fund balances	6,033	11	(16,527)	6,815	(3,668)
Fund balances,					
beginning of year	<u>13,154</u>	<u>45,227</u>	<u>153,601</u>	<u>78,478</u>	<u>290,460</u>
Fund balances, end of year	<u>\$ 19,187</u>	<u>\$ 45,238</u>	<u>\$ 137,074</u>	<u>\$ 85,293</u>	<u>\$ 286,792</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
GENERAL FUND
June 30, 2016**

	General Fund	Special Education Fund	Elimination	General Fund Combined
ASSETS				
Cash and investments	\$ 2,949,246	\$ --	\$ --	\$ 2,949,246
Taxes receivable, net	1,761,122	--	--	1,761,122
Accounts receivable	3,453	25,576	--	29,029
Due from other funds	338,028	--	(338,028)	--
Due from other governments	634,159	312,452	--	946,611
	<u>\$ 5,686,008</u>	<u>\$ 338,028</u>	<u>\$ (338,028)</u>	<u>\$ 5,686,008</u>
Total assets	\$ 5,686,008	\$ 338,028	\$ (338,028)	\$ 5,686,008
LIABILITIES AND FUND BALANCES				
Liabilities:				
Short-term liabilities	\$ 1,850,000	\$ --	\$ --	\$ 1,850,000
Accounts payable	190	--	--	190
Accrued salaries and wages	10,101	--	--	10,101
Accrued payroll taxes & withholdings	656,417	--	--	656,417
Accrued interest	13,907	--	--	13,907
Due to other funds	150,000	338,028	(338,028)	150,000
Total liabilities	<u>2,680,615</u>	<u>338,028</u>	<u>(338,028)</u>	<u>2,680,615</u>
Fund balances:				
Unassigned	<u>3,005,393</u>	<u>--</u>	<u>--</u>	<u>3,005,393</u>
Total liabilities and fund balances	\$ 5,686,008	\$ 338,028	\$ (338,028)	\$ 5,686,008

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2016

	General Fund	Special Education Fund	Elimination	General Fund Combined
Revenues:				
Local sources	\$ 5,537,711	\$ --	\$ --	\$ 5,537,711
Interdistrict sources	763,553	26,362	--	789,915
Intermediate sources	11,675	6,998	--	18,673
State sources	10,195,866	570,991	--	10,766,857
Federal sources	157,590	414,555	--	572,145
Other sources	31,648	--	--	31,648
Total revenues	<u>16,698,043</u>	<u>1,018,906</u>	<u>--</u>	<u>17,716,949</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	2,983,190	--	--	2,983,190
Regular curriculum	3,700,485	--	--	3,700,485
Special education curriculum	--	2,048,909	--	2,048,909
Other instructional curriculum	1,528,062	--	--	1,528,062
Total instruction	<u>8,211,737</u>	<u>2,048,909</u>	<u>--</u>	<u>10,260,646</u>
Support services:				
Pupil services	387,945	181,365	--	569,310
Instructional staff services	702,680	214,529	--	917,209
General administration	235,301	--	--	235,301
School building administration	825,289	--	--	825,289
Business administration	2,429,764	89,130	--	2,518,894
Debt service	19,864	--	--	19,864
Other support services	840,640	--	--	840,640
Total support services	<u>5,441,483</u>	<u>485,024</u>	<u>--</u>	<u>5,926,507</u>
Nonprogram	1,254,310	99,000	--	1,353,310
Total expenditures	<u>14,907,530</u>	<u>2,632,933</u>	<u>--</u>	<u>17,540,463</u>
Excess of revenues over (under) expenditures	<u>1,790,513</u>	<u>(1,614,027)</u>	<u>--</u>	<u>176,486</u>
Other financing sources (uses):				
Operating transfers in	--	1,614,027	(1,614,027)	--
Operating transfers (out)	(1,764,027)	--	1,614,027	(150,000)
Net other financing sources (uses)	<u>(1,764,027)</u>	<u>1,614,027</u>	<u>--</u>	<u>(150,000)</u>
Net change in fund balances	26,486	--	--	26,486
Fund balances, beginning of year	2,978,907	--	--	2,978,907
Fund balances, end of year	<u>\$ 3,005,393</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,005,393</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**COMBINING BALANCE SHEET -
AGENCY FUNDS**

June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Cash	\$ 244,115	\$ 776,559	\$ 746,040	\$ 274,634
LIABILITIES				
Due to student organizations:				
High school	\$ 163,484	\$ 548,643	\$ 528,319	\$ 183,808
Summer school	12,641	20,650	21,764	11,527
Officials	209	51,229	50,697	741
Middle school	25,570	72,236	67,516	30,290
Elementary school	35,501	83,801	71,034	48,268
Elementary-student council	6,710	--	6,710	--
Total liabilities	<u>\$ 244,115</u>	<u>\$ 776,559</u>	<u>\$ 746,040</u>	<u>\$ 274,634</u>

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016**

Awarding Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 6/30/2015	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/2016
U.S. DEPARTMENT OF AGRICULTURE						
WI Department of Public Instruction						
<i>Child Nutrition Cluster</i>						
National School Breakfast	10.553	A546-00000-441953	\$ --	\$ 3,438	\$ 3,397	\$ 41
National School Lunch-noncash	10.555	A001-00000-441953	--	40,793	40,793	--
National School Lunch-cash	10.555	A547-00000-441953	20,475	159,362	178,622	1,215
Child Nutrition Cluster total			<u>20,475</u>	<u>203,593</u>	<u>222,812</u>	<u>1,256</u>
U.S. DEPARTMENT OF EDUCATION						
Formula Grants to LEAs	84.060A	n/a	18,774	19,662	38,436	--
WI Department of Public Instruction						
<i>Special Education Cluster</i>						
IDEA Flow Through	84.027	A341-00000-441953	221,351	340,122	260,082	301,391
Preschool Entitlement	84.173	A347-00000-441953	11,061	11,061	11,061	11,061
Special Education Cluster total			<u>232,412</u>	<u>351,183</u>	<u>271,143</u>	<u>312,452</u>
Title IA-Basic Grant	84.010	A141-00000-441953	104,199	97,056	104,199	97,056
Title IIA - Quality Teachers	84.367	A365-00000-441953	37,971	37,852	37,971	37,852
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
WI Department of Health Services						
Medical Assistance Program	93.778	n/a	--	86,054	86,054	--
Totals			<u>\$ 413,831</u>	<u>\$ 795,400</u>	<u>\$ 760,615</u>	<u>\$ 448,616</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2016**

Awarding Agency/ Pass-Through Agency/ Award Description	State ID Number	Pass-Through Identification Number	Accrued Receivable 6/30/2015	Expenditures	Grantor Reimbursement	Accrued Receivable 6/30/2016
WI DEPARTMENT OF PUBLIC INSTRUCTION						
Special Education and						
School Age Parents	255.101	441953-100	\$ --	\$ 570,991	\$ 570,991	\$ --
State School Lunch Aid	255.102	441953-107	--	7,634	7,634	--
Common School Fund Library Aid	255.103	441953-104	--	77,417	77,417	--
General Transportation Aid	255.107	441953-102	--	56,982	56,982	--
General Equalization Aids	255.201	441953-116	163,314	9,790,410	9,781,890	171,834
Alcohol and Other Drug Abuse	255.306	441953-143	--	998	--	998
School Breakfast Program	255.344	441953-108	--	378	378	--
Per Pupil Adjustment Aid	255.945	441953-113	--	248,550	--	248,550
Educator Effectiveness Grant	255.940	441953-154	--	10,080	10,080	--
Career & Technical Educ Incentive Grants	255.950	441953-151	--	9,151	9,151	--
CESA#6						
Special Education and						
School Age Parents	255.101	n/a	--	6,998	6,998	--
Local Youth Apprenticeship	445.112	n/a	--	4,975	2,475	2,500
Totals			<u>\$ 163,314</u>	<u>\$ 10,784,564</u>	<u>\$ 10,523,996</u>	<u>\$ 423,882</u>

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

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

For the Year Ended June 30, 2016

Note 1. Basis of Presentation:

The accompanying schedules of expenditures of federal awards and state awards (schedules) include the federal and state grant activity of Freedom Area School District under programs of the federal and state governments for the year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of Freedom Area School District, they are not intended to and do not present the financial position, changes in the net assets or cash flow of Freedom Area School District.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Freedom Area School District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

Note 2. Special Education and School Age Parents Program:

The 2015-2016 eligible costs under the state special education program as reported by the District are \$2,176,590.



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

Board of Education
Freedom Area School District
Freedom, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Area School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002, to be significant deficiencies in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 6, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES***

Board of Education
Freedom Area School District
Freedom, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of Freedom Area School District (District), with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, 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 on compliance for each federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Program

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, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 6, 2017

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

Summary of Auditor's Results:

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report on compliance for major programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

84.027
84.173

Special Education Cluster:
IDEA Flow Through
IDEA Preschool Entitlement

Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report on compliance for major programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ?	No

Identification of major state programs:

255.101

255.201

Special Education and
School Age Parents
General Equalization Aids

Dollar threshold used to distinguish between Type A and Type B Programs	\$250,000
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**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2016

Financial Statement Findings:

2016-001 Lack of Adequate Segregation of Duties in the System of Controls

Condition: The size of the District's office staff precludes an adequate segregation of accounting and reporting functions necessary to ensure an adequate internal control system. The District primarily operates its accounting and reporting functions with three individuals.

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting, the selection and application for accounting principles, and the safeguarding of assets. Proper segregation of duties provides a system of checks and balances on the accounting system and reduces the risk of errors and irregularities, both intentional and unintentional.

Cause: There are a limited number of office employees.

Effect: Proper segregation of duties in the system of controls is not accomplished.

Recommendation: Management and the elected body should continue the monitoring and supervision of the accounting and reporting functions. Monthly reporting of actual results, both revenues and expenditures, to budget is recommended.

District Response: We continually evaluate the job duties of those involved with internal controls to find a fit that better segregates many of the duties. We have also evaluated the cost/benefit of hiring additional support staff to achieve proper segregation of duties but at this time it is not possible due to budget constraints.

2016-002 Financial Statement Preparation

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

Criteria: 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.

Effect: Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

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

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2016

2016-002 Financial Statement Preparation - Continued

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 carefully reviews the draft of the financial statements and notes prior to approving them and will accept responsibility for their content and presentation.

Federal and State Findings and Questioned Costs:

None

**FREEDOM AREA SCHOOL DISTRICT
FREEDOM, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2016**

Status of Prior Year Findings:

The findings noted in the 2015 schedule of findings and questioned costs have been reported to the proper federal and state agencies.

Regarding findings 2015-001 and 2015-002, management continues to believe that due to budget constraints, it is not practicable for the District to hire additional staff to correct these findings.

Corrective Action Plan:

The contact person responsible for these findings is Maggie Gagnon, Business Manager.

Finding 2016-001 is an ongoing finding and is anticipated to be a finding in future years. See management's response to this finding on page 60.

Finding 2016-002 is an ongoing finding and is anticipated to be a finding in future years. See management's response to this finding on page 61.