

**Freedom Area School District  
Financial Statements  
June 30, 2017**

**Freedom Area School District  
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**Independent Auditor's Report**

Members of the Board  
Freedom Area School District  
Freedom, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Freedom Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Freedom Area School 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 State 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 from 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 entity'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 entity'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.

## **Report on the Financial Statements (Cont'd)**

### ***Auditor's Responsibility (Cont'd)***

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, the business-type activities, each major fund, and the aggregate remaining fund information of Freedom Area School District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, post-employment benefit information and pension information as shown 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 Freedom Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

**Report on the Financial Statements (Cont'd)**

***Other Matters (Cont'd)***

***Other Information (Cont'd)***

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards 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 our report dated December 4, 2017, on our consideration of Freedom Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 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 Freedom Area School District's internal control over financial reporting and compliance.

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 4, 2017

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

The discussion and analysis of Freedom Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should review the transmittal letter, the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in this MD&A.

**Financial Highlights**

Freedom Area School District had a 1.83%, \$389,144 increase in expenditures during the 2016/2017 school year over the 2015/2016 school year. A large portion of the increase can be contributed to the increases in the Commonwealth's retirement system. The School District's contribution rate increased from 25.84% to 30.34%, which was an additional \$410,000 in expenditures. This increase was offset by reductions and/or savings in tuition to other educational institutions and salary and benefit savings from several positions left temporarily unfilled. With a conservative approach to spending, and over a \$791,000 reduction in prepaid fund balance, the School District was able to transfer \$1,500,000 to the capital projects fund for future renovations to the high school and other needed projects.

The School District also realized increases in revenues of over \$728,000. The major increases were real estate taxes of over \$453,000 due to a 3.9 mill real estate tax increase and a \$176,000 subsidy increase for the Commonwealth's share of the retirement system, PSERS.

In reviewing the fund statements, you will note that the School District had total expenditures and transfers out of \$23,145,943, which includes the \$1,500,000 transfer to the capital projects fund. Revenues, other sources and changes in fund balances together totaled \$22,354,841. Revenues alone totaled \$22,296,323. There was an overall decrease to fund balances of \$791,102. This included decreases in the PSERS (retirement) of \$400,000, a decrease in the prepaid fund balance of \$737,010, and an increase of \$380,689 in the School District's unassigned fund balance.

**Using the Annual Financial Report**

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the Government Auditing Standards and the Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Freedom Area School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Using the Annual Financial Report (Cont'd)**

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

**Government-Wide Financial Statements**

There are two government-wide financial statements presented in this report. The first is a statement of net position and the second, a statement of activities. These government-wide financial statements present, as their name suggests, aggregated information for the overall School District; they do not display individual fund or fund types. They do not include activities reported in fiduciary funds since those activities are reported only in the fund financial statements.

Statement of Net Position - This statement follows a balance sheet format where the difference between assets and liabilities is labeled "net position" which are displayed in three components called "investment in capital assets, net of related debt", "restricted", and "unrestricted".

Statement of Activities - This statement reports the expenses, net of program revenue, of the government's individual functions, most commonly by function, which groups related activities that are aimed at accomplishing a major service. An additional component included in this statement is the reporting of depreciation expense for capital assets in a function's direct expense if the depreciation is specifically identifiable with the function.

**Fund Financial Statements**

The School District will report governmental, proprietary, and fiduciary fund activity as they have in the past. The governmental fund types found in this report include the general fund and capital projects fund. Proprietary funds include the food service fund. Activity and agency funds are found under the fiduciary fund definition.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For Freedom Area School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.



**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Using the Annual Financial Report (Cont'd)**

Fund Financial Statements (Cont'd)

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

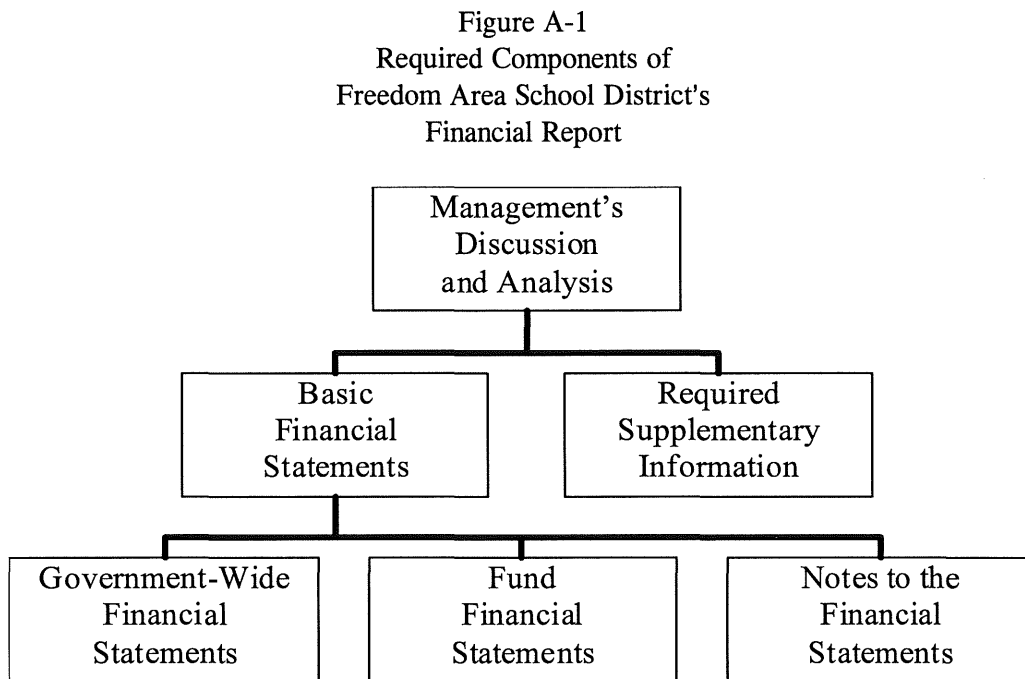


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Using the Annual Financial Report (Cont'd)**

Figure A-2  
Major Features of Freedom Area School District's  
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/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; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Overview of Financial Statements**

**Government-Wide Statements**

The government-wide statements report information about Freedom Area School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Overview of Financial Statements (Cont'd)**

Government-Wide Statements (Cont'd)

The two government-wide statements report the School District's net position and how they have changed from the previous fiscal year. Net position is the difference between the School District's assets and liabilities. This is the main way to measure the School District's current financial health or position.

Over time, increases or decreases in the School District's net position are an indication of whether its financial health is improving or deteriorating.

To assess the complete financial health of the School District, you need to consider additional non-financial factors, such as changes in the School District's tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration and community services. Property and earned income taxes, state and federal subsidies and local grants finance most of these activities.
- **Business-type activities** - The School District operates a food service operation. Fees charged to staff and students, as well as state and federal funding, are used to cover the costs related to the food service operations.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

*Governmental funds* - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

*Proprietary funds* - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When fees are charged for

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Overview of Financial Statements (Cont'd)**

Fund Financial Statements (Cont'd)

services, services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

*Fiduciary funds* - The School District is the trustee, or fiduciary, for agency funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

**Financial Analysis of the School District as a Whole**

The School District's total net position was a deficit \$(10,633,318) at June 30, 2017 and a deficit \$(8,513,149) at June 30, 2016.

Table A-1  
Years Ended June 30, 2017 and 2016  
Net Position

	2017			2016		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 13,214,366	\$ 235,776	\$ 13,450,142	\$ 12,987,872	\$ 166,498	\$ 13,154,370
Capital Assets	<u>19,782,826</u>	<u>182,736</u>	<u>19,965,562</u>	<u>21,191,814</u>	<u>198,751</u>	<u>21,390,565</u>
Total Assets	<u>32,997,192</u>	<u>418,512</u>	<u>33,415,704</u>	<u>34,179,686</u>	<u>365,249</u>	<u>34,544,935</u>
Deferred Outflows of Resources	<u>6,323,320</u>	<u>182,671</u>	<u>6,505,991</u>	<u>3,147,998</u>	<u>94,429</u>	<u>3,242,427</u>
Current and Other Liabilities	2,616,380	16,785	2,633,165	3,073,138	25,478	3,098,616
Noncurrent Liabilities						
Due Within One Year	876,969	-	876,969	847,229	-	847,229
Due in More Than One Year	<u>45,541,316</u>	<u>944,563</u>	<u>46,485,879</u>	<u>41,150,069</u>	<u>1,021,597</u>	<u>42,171,666</u>
Total Liabilities	<u>49,034,665</u>	<u>961,348</u>	<u>49,996,013</u>	<u>45,070,436</u>	<u>1,047,075</u>	<u>46,117,511</u>
Deferred Inflows of Resources	<u>543,701</u>	<u>15,299</u>	<u>559,000</u>	<u>176,856</u>	<u>6,144</u>	<u>183,000</u>

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Financial Analysis of the School District as a Whole (Cont'd)**

Table A-1 (Cont'd)  
Years Ended June 30, 2017 and 2016  
Net Position

	2017			2016		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Net Position						
Net Investment in Capital Assets	\$ 8,231,573	\$ 182,736	\$ 8,414,309	\$ 8,844,921	\$ 198,751	\$ 9,043,672
Unrestricted	<u>(18,489,427)</u>	<u>(558,200)</u>	<u>(19,047,627)</u>	<u>(16,764,529)</u>	<u>(792,292)</u>	<u>(17,556,821)</u>
Total Net Position	<u>\$(10,257,854)</u>	<u>\$(375,464)</u>	<u>\$(10,633,318)</u>	<u>\$(7,919,608)</u>	<u>\$(593,541)</u>	<u>\$(8,513,149)</u>

The results of this year's operation as a whole are reported in the statement of activities. All expenditures are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expenditure categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the basic education subsidy provided by the Commonwealth of Pennsylvania, and the real estate and earned income taxes assessed to the taxpayers of the School District.

The following table, Table A-2, takes the information from the statement of activities and rearranges it slightly so you can see our total revenues for the year.

Table A-2  
Years Ended June 30, 2017 and 2016  
Changes in Net Position

	2017			2016		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues and Transfers						
Program Revenues						
Charges for Services	\$ -	\$ 276,548	\$ 276,548	\$ -	\$ 282,425	\$ 282,425
Operating Grants and Contrib.	4,690,122	552,207	5,242,329	4,472,887	521,280	4,994,167
Capital Grants and Contrib.	418,359	-	418,359	431,593	-	431,593

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Financial Analysis of the School District as a Whole (Cont'd)**

Table A-2 (Cont'd)  
Years Ended June 30, 2017 and 2016  
Changes in Net Position

	2017			2016		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
<b>Revenues and Transfers (Cont'd)</b>						
<b>General Revenues</b>						
Property Taxes	\$ 7,313,061	\$ -	\$ 7,313,061	\$ 6,850,493	\$ -	\$ 6,850,493
Other Taxes	1,351,842	-	1,351,842	1,420,618	-	1,420,618
Grants, Subs. and Unrestricted Contribs.	8,524,466	-	8,524,466	8,409,778	-	8,409,778
Investment Earnings	47,644	150	47,794	19,048	75	19,123
Other Revenues	150,289	157,078	307,367	118,913	-	118,913
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,000)</u>	<u>187,000</u>	<u>-</u>
<b>Total Revenues and Transfers</b>	<u><b>22,495,783</b></u>	<u><b>985,983</b></u>	<u><b>23,481,766</b></u>	<u><b>21,536,330</b></u>	<u><b>990,780</b></u>	<u><b>22,527,110</b></u>
<b>Expenses</b>						
Instruction	16,119,190	-	16,119,190	15,625,860	-	15,625,860
Instructional Student Support	1,852,308	-	1,852,308	1,760,387	-	1,760,387
Admin. and Financial Support Svcs.	2,022,130	-	2,022,130	1,977,708	-	1,977,708
Operation and Maintenance of Plant Services	2,134,063	-	2,134,063	1,944,905	-	1,944,905
Pupil Transportation	1,043,979	-	1,043,979	1,034,376	-	1,034,376
Student Activities	595,350	-	595,350	546,010	-	546,010
Community Services	4,949	-	4,949	3,317	-	3,317
Scholarships and Awards	1,000	-	1,000	-	-	-
Interest on Long-Term Debt	462,366	-	462,366	475,774	-	475,774
Unallocated Depreciation	598,694	-	598,694	599,423	-	599,423
Food Service	<u>-</u>	<u>767,906</u>	<u>767,906</u>	<u>-</u>	<u>801,580</u>	<u>801,580</u>
<b>Total Expenses</b>	<u><b>24,834,029</b></u>	<u><b>767,906</b></u>	<u><b>25,601,935</b></u>	<u><b>23,967,760</b></u>	<u><b>801,580</b></u>	<u><b>24,769,340</b></u>

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Financial Analysis of the School District as a Whole (Cont'd)**

Table A-2 (Cont'd)  
Years Ended June 30, 2017 and 2016  
Changes in Net Position

	2017			2016		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Increase (Decrease) in Net Position	\$ (2,338,246)	\$ 218,077	\$ (2,120,169)	\$(2,431,430)	\$ 189,200	\$(2,242,230)
Beginning Net Position	<u>(7,919,608)</u>	<u>(593,541)</u>	<u>(8,513,149)</u>	<u>(5,488,178)</u>	<u>(782,741)</u>	<u>(6,270,919)</u>
Ending Net Position	<u>\$(10,257,854)</u>	<u>\$(375,464)</u>	<u>\$(10,633,318)</u>	<u>\$(7,919,608)</u>	<u>\$(593,541)</u>	<u>\$(8,513,149)</u>

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant services, pupil transportation, student activities, community services, interest on debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3  
Years Ended June 30, 2017 and 2016  
Governmental Activities

Functions/Programs	2017		2016	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$16,119,190	\$12,830,929	\$15,625,860	\$12,541,698
Instructional Student Support	1,852,308	1,556,344	1,760,387	1,478,928
Admin. and Financial Support Svcs.	2,022,130	1,824,902	1,977,708	1,796,749
Operation and Maintenance of Plant Svcs.	2,134,063	1,983,302	1,944,905	1,810,402
Pupil Transportation	1,043,979	321,677	1,034,376	275,262
Student Activities	595,350	559,794	546,010	513,320
Community Services	4,949	4,899	3,317	3,317

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Financial Analysis of the School District as a Whole (Cont'd)**

Table A-3 (Cont'd)  
Years Ended June 30, 2017 and 2016  
Governmental Activities

	2017		2016	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Scholarships and Awards	\$ 1,000	\$ 1,000	\$ -	\$ -
Interest on Long-Term Debt	462,366	44,007	475,774	44,181
Unallocated Depreciation	<u>598,694</u>	<u>598,694</u>	<u>599,423</u>	<u>599,423</u>
Total Governmental Activities	<u>\$24,834,029</u>	19,725,548	<u>\$23,967,760</u>	19,063,280
Less:				
Unrestricted Grants, Subsidies and Unrestricted Contributions		<u>(8,524,466)</u>		<u>(8,409,778)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$11,201,082</u>		<u>\$10,653,502</u>

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A-4  
Years Ended June 30, 2017 and 2016  
Business-Type Activities

	2017		2016	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$767,906</u>	\$ (60,849)	<u>\$801,580</u>	\$ (2,125)
Less:				
Investment Earnings Transfers		(150) <u>(157,078)</u>		(75) <u>(187,000)</u>
		<u>\$(218,077)</u>		<u>\$(189,200)</u>



**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Financial Analysis of the School District as a Whole (Cont'd)**

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

**School District Funds**

At June 30, 2017, the School District's governmental funds reported a combined fund balance of \$9,847,796, which is an increase of \$533,594. This is a decrease of \$791,102 in the general fund and an increase of \$1,324,696 in the capital projects fund.

**General Fund Budget**

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate changes in actual revenues and expenditures of the School District. All adjustments are reconfirmed when the annual audit report is accepted, after the end of the fiscal year, which is not prohibited by the laws of the commonwealth of Pennsylvania in the statement of revenues, expenditures and changes in fund balance - budget and actual - general fund. Revenue budgets can change for different reasons. Some of these reasons are as follows: the School District applies for federal, state and local grants; and grants awarded after the start of the fiscal year and anticipated funding levels cannot be accurately anticipated during the budgeting process.

Budgeting for expenditures and other financing uses also change for various reasons. Increases or decreases in expenditures for grants will also be made after the start of the fiscal year, and changes to the budget will be made to accommodate the grants. Transfers between specific categories of expenditures and financing uses occur during the fiscal year. Most significant transfers occur between the budgetary reserve and specific areas of expenditures.

This year, the budgeted revenues and expenditures increased for changes made to reflect unexpected revenue changes, such as donations and changes to grant and/or subsidy funding levels. The budgetary reserve includes amounts that will be funded by the designated fund balance for planned opportunities of expenditures for improvements or enhancements to the School District's operations. These amounts are only appropriated with Board approval. This method is used by the Board to control real estate taxes while also protecting the integrity of the fund balance.

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2017, the School District has \$19,782,826 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions, and depreciation) of \$1,408,988 from last year.

Table A-5 shows the capital assets of both the governmental activities and business-type activities of the School District.

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Capital Assets and Debt Administration (Cont'd)**

Capital Assets (Cont'd)

Table A-5  
Governmental and Business-Type Activities  
Capital Assets - Net of Depreciation

	2017		2016	
	Governmental	Business- Type	Governmental	Business- Type
Land and Land Improvements	\$ 131,824	\$ -	\$ 131,824	\$ -
Buildings and Bldg. Improvements	17,964,347	-	19,231,374	-
Furniture and Equipment	1,544,259	182,736	1,828,616	198,751
Construction in Progress	142,396	-	-	-

More detailed information regarding the School District's capital assets is included in the notes to the financial statements.

**Debt Administration**

As of June, 30, 2017, the School District had total outstanding bond principal of \$11,485,000. This balance includes \$1,500,000 principal on the 2008 issue and also includes \$9,985,000 principal on the 2014 issue. More detailed information of the School District's long-term liabilities is shown in the notes to the financial statements.

**Major Financial and Program Issues**

**Education Programs**

Freedom Area School District continues to maintain an intense focus on the improvement of our educational programming, as we have for the last several years. We have invested heavily in terms of both financial and time resources in the areas of professional development and instructional resources. The impact of those investments is now starting to be seen in the improved achievement and academic growth of our students, especially at the elementary level.

Our focus for the 2017/2018 school year will include a very close examination of our assessment test results, working closely with individual principals, teachers, and instructional departments to bring about improvements that lead to increased growth and achievement for our students. We will also continue to support teachers in the implementation of the strong instructional resources that we put in place over the last several years to ensure that our staff, students, and community have a solid understanding of the resources and how a consistent systemic implementation can support long-term understanding and academic growth.

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Major Financial and Program Issues (Cont'd)**

Education Programs (Cont'd)

We have also expanded our instructional coaching and specialist program to provide a better, more focused support to teachers and students in all grade levels. Reading specialists work with students in the elementary grades to support the development of comprehension and fluency, while our math specialist works with students in grades K-6 to support math achievement. We also have instructional coaches to support teachers and their classroom instruction for all grade levels. This year we were able to add an Intervention Coordinator to our support staff. This provides all K-8 teachers a consistent support for the development and tracking of instructional and behavioral interventions. She also works with the preschools within our community to ensure that students coming into our kindergarten classes experience instructional practices and language that is similar to what they will experience when they arrive at Freedom Area Elementary School, setting them up for faster growth and achievement.

Facilities

Facing some significant infrastructure concerns, as well as necessary changes to facilitate the instructional program, a phased renovation plan for our high school facility is a necessity. The administration has been working closely with consultants and architects to develop a plan that will enable the School District to take initial steps toward solving significant infrastructure needs to support the facility, while also taking on projects to improve the instructional and student areas of the building. Initial steps will include the replacement of the exterior doors and windows, as well as some interior doors and the replacement of the building roof. We also hope to begin a project to improve instructional technology available to teachers and students in our classrooms. Future phases will include work on the kitchen and cafeteria areas, an expansion of the technology education labs, a new domestic hot water boiler and renovation of the library area.

The School District is also undertaking a project to renovate our existing athletic facilities. The plan approved by the Board of School Directors includes the replacement and expansion of the track and the expansion of the playing surface with the installation of artificial turf. Both of these components are necessary due to the size and condition of the current track, which makes it unusable for competition due to deterioration and size. The expansion of the track requires a complete renovation of the playing surface. Due to the number of events being held in our stadium, the cost differential and time factor between installing a natural grass surface and an artificial turf surface closes to the point that installing artificial turf is the best alternative to providing a quality, durable, safe playing surface for our students.

**Economic Factors and Budget Projections**

The School District has continued to see a decrease in enrollment from 2010/2011. The projected enrollment is expected to decrease slightly over the next few years. However, a new Pennsylvania Department of Transportation road project, Crows Run Corridor in Conway Borough and New Sewickley Township is expected to eventually increase enrollment.

**Freedom Area School District  
Management's Discussion and Analysis  
June 30, 2017**

**Economic Factors and Budget Projections (Cont'd)**

On July 1, 2009, the Board set aside \$3,540,145 for increases in retirement, due to the anticipated retirement rate contribution increases from 4.78% to over 35%. As of June 30, 2017, the Board has a committed fund balance of \$4,381,973 to address future mandated retirement increases.

The budget for 2017/2018 is prepared during the 2016/2017 fiscal year. All school districts in the Commonwealth are under the rules established by Act 1 of 2006. This Act, while similar to Act 72, which the School District was a part, provides for an index under which real estate tax millage can be raised, front and back-end referendums, ability to provide tax shifting if voter approved, and real estate tax installment payments.

**Contacting the School District**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's financial position and to show the Board's accountability for the funds the School District receives. A copy of the annual financial report, in the Pennsylvania Department of Education's format can be found on the School District website at [freedomareaschools.org](http://freedomareaschools.org). If you have questions regarding financial aspects of this report, please contact the Business Office at Freedom Area School District, 1702 School Street, Freedom, PA 15042, 724-775-7644.

**Freedom Area School District**  
**Statement of Net Position**  
**June 30, 2017**

**Exhibit 1**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,517,032	\$ 171,868	\$ 10,688,900
Taxes Receivable, Net	1,214,379	-	1,214,379
Due from Other Governments	1,182,161	16,427	1,198,588
Other Receivables	9,675	27,000	36,675
Inventories	-	20,481	20,481
Prepaid Items	260,990	-	260,990
Long-Term Prepayments (Net of Amortization)	30,129	-	30,129
Capital Assets not Being Depreciated			
Land	131,824	-	131,824
Construction in Progress	142,396	-	142,396
Capital Assets, Net of Accumulated Depreciation			
Building and Building Improvements	17,964,347	-	17,964,347
Furniture and Equipment	<u>1,544,259</u>	<u>182,736</u>	<u>1,726,995</u>
<b>TOTAL ASSETS</b>	<u><b>32,997,192</b></u>	<u><b>418,512</b></u>	<u><b>33,415,704</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts Related to Pensions	6,312,919	182,671	6,495,590
Deferred Charge on Refunding	<u>10,401</u>	<u>-</u>	<u>10,401</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>6,323,320</b></u>	<u><b>182,671</b></u>	<u><b>6,505,991</b></u>
<b>LIABILITIES</b>			
Internal Balances	3,422	(3,422)	-
Accounts Payable	169,631	1,900	171,531
Accrued Interest	148,734	-	148,734
Accrued Salaries and Benefits	2,258,969	-	2,258,969
Payroll Deductions and Withholdings	23,633	-	23,633
Unearned Revenues	3,805	9,496	13,301
Other Current Liabilities	8,186	8,811	16,997
Noncurrent Liabilities			
Due Within One Year	876,969	-	876,969
Due in More Than One Year			
Capital Leases	105,103	-	105,103
Compensated Absences	91,968	24,944	116,912
Bonds Payable	10,615,347	-	10,615,347
Other Post-Employment Benefits	2,048,517	-	2,048,517
Net Pension Liability	<u>32,680,381</u>	<u>919,619</u>	<u>33,600,000</u>
<b>TOTAL LIABILITIES</b>	<u><b>49,034,665</b></u>	<u><b>961,348</b></u>	<u><b>49,996,013</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to Pensions	<u>543,701</u>	<u>15,299</u>	<u>559,000</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,231,573	182,736	8,414,309
Unrestricted	<u>(18,489,427)</u>	<u>(558,200)</u>	<u>(19,047,627)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$(10,257,854)</b></u>	<u><b>\$(375,464)</b></u>	<u><b>\$(10,633,318)</b></u>

See Accompanying Notes

**Freedom Area School District  
Statement of Activities  
Year Ended June 30, 2017**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>Governmental Activities</b>							
Instruction	\$16,119,190	\$ -	\$3,288,261	\$ -	\$(12,830,929)	\$ -	\$(12,830,929)
Instructional Student Support	1,852,308	-	295,964	-	(1,556,344)	-	(1,556,344)
Administrative and Financial Support Services	2,022,130	-	197,228	-	(1,824,902)	-	(1,824,902)
Operation and Maintenance of Plant Services	2,134,063	-	150,761	-	(1,983,302)	-	(1,983,302)
Pupil Transportation	1,043,979	-	722,302	-	(321,677)	-	(321,677)
Student Activities	595,350	-	35,556	-	(559,794)	-	(559,794)
Community Services	4,949	-	50	-	(4,899)	-	(4,899)
Scholarships and Awards	1,000	-	-	-	(1,000)	-	(1,000)
Interest on Long-Term Debt	462,366	-	-	418,359	(44,007)	-	(44,007)
Unallocated Depreciation Expense	598,694	-	-	-	(598,694)	-	(598,694)
<b>Total Governmental Activities</b>	<u>24,834,029</u>	<u>-</u>	<u>4,690,122</u>	<u>418,359</u>	<u>(19,725,548)</u>	<u>-</u>	<u>(19,725,548)</u>
<b>Business-Type Activities</b>							
Food Service	767,906	276,548	552,207	-	-	60,849	60,849
<b>Total Primary Government</b>	<u>\$25,601,935</u>	<u>\$276,548</u>	<u>\$5,242,329</u>	<u>\$418,359</u>	<u>(19,725,548)</u>	<u>60,849</u>	<u>(19,664,699)</u>
<b>General Revenues</b>							
<b>Taxes</b>							
Property Taxes Levied for General Purposes, Net					7,313,061	-	7,313,061
Earned Income Taxes					1,203,277	-	1,203,277
Real Estate Transfer Taxes					126,831	-	126,831
Other Taxes Levied for General Purposes, Net					21,734	-	21,734
Grants, Subsidies and Contributions not Restricted					8,524,466	-	8,524,466
Investment Earnings					47,644	150	47,794
Miscellaneous Income					150,289	157,078	307,367
<b>Total General Revenues</b>					<u>17,387,302</u>	<u>157,228</u>	<u>17,544,530</u>
<b>Changes in Net Position</b>					(2,338,246)	218,077	(2,120,169)
<b>Net Position - July 1, 2016</b>					<u>(7,919,608)</u>	<u>(593,541)</u>	<u>(8,513,149)</u>
<b>Net Position - June 30, 2017</b>					<u>\$(10,257,854)</u>	<u>\$(375,464)</u>	<u>\$(10,633,318)</u>

See Accompanying Notes

**Freedom Area School District  
Balance Sheet  
Governmental Funds  
June 30, 2017**

**Exhibit 3**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,882,083	\$1,634,949	\$10,517,032
Taxes Receivable, Net	1,214,379	-	1,214,379
Due from Other Funds	1,326	1,500,000	1,501,326
Due from Other Governments	1,182,161	-	1,182,161
Other Receivables	8,290	59	8,349
Prepaid Items	<u>260,990</u>	<u>-</u>	<u>260,990</u>
<b>TOTAL ASSETS</b>	<b><u>\$11,549,229</u></b>	<b><u>\$3,135,008</u></b>	<b><u>\$14,684,237</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Due to Other Funds	\$ 1,503,422	\$ -	\$ 1,503,422
Accounts Payable	134,253	35,378	169,631
Accrued Salaries and Benefits	2,258,969	-	2,258,969
Payroll Deductions and Withholdings	23,633	-	23,633
Unearned Revenues	3,805	-	3,805
Other Current Liabilities	<u>8,186</u>	<u>-</u>	<u>8,186</u>
<b>Total Liabilities</b>	<b><u>3,932,268</u></b>	<b><u>35,378</u></b>	<b><u>3,967,646</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenues - Property Taxes	<u>868,795</u>	<u>-</u>	<u>868,795</u>
<b>Fund Balances</b>			
Nonspendable	260,990	-	260,990
Restricted	-	3,099,630	3,099,630
Committed	4,912,820	-	4,912,820
Unassigned	<u>1,574,356</u>	<u>-</u>	<u>1,574,356</u>
<b>Total Fund Balances</b>	<b><u>6,748,166</u></b>	<b><u>3,099,630</u></b>	<b><u>9,847,796</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$11,549,229</u></b>	<b><u>\$3,135,008</u></b>	<b><u>\$14,684,237</u></b>

See Accompanying Notes

**Freedom Area School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2017**

**Exhibit 4**

Total Fund Balances - Governmental Funds		\$ 9,847,796
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources therefore are not reported as assets in governmental funds. The cost of assets is \$46,217,999, and the accumulated depreciation is \$26,435,173.</p>		19,782,826
<p>Property taxes receivable will be collected next year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows in the funds.</p>		868,795
<p>Discount on bonds issued are capitalized and amortized over the life of the bonds in the statement of net position.</p>		129,653
<p>Deferred charges on refunded bonds are reported as deferred outflows of resources in the statement of net position.</p>		10,401
<p>Long-term prepaid insurance on bonds are expenditures in the funds but are recorded as assets and expensed over the policy period.</p>		30,129
<p>Some liabilities including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds.</p>		
<p style="padding-left: 40px;">Net Pension Liability</p>		(32,680,381)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds.</p>		
<p>Deferred Outflows of Resources Related to Pensions</p>	\$ 6,312,919	
<p>Deferred Inflows of Resources Related to Pensions</p>	<u>(543,701)</u>	5,769,218



**Freedom Area School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2017**

**Exhibit 4**

Long-term liabilities, including bonds and capital lease payables, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$(11,485,000)	
Accrued Interest on the Bonds	(148,734)	
Capital Leases Payable	(206,307)	
Other Post-Employment Benefits	(2,048,517)	
Compensated Absences	<u>(127,733)</u>	<u>\$(14,016,291)</u>
Total Net Position - Governmental Activities		<u>\$(10,257,854)</u>

See Accompanying Notes

**Freedom Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017**

**Exhibit 5**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Local Sources	\$ 8,910,972	\$ 7,198	\$ 8,918,170
State Sources	12,884,499	-	12,884,499
Federal Sources	<u>500,852</u>	<u>-</u>	<u>500,852</u>
 Total Revenues	 <u>22,296,323</u>	 <u>7,198</u>	 <u>22,303,521</u>
<b>Expenditures</b>			
Instruction	13,198,202	-	13,198,202
Support Services	6,495,550	-	6,495,550
Noninstructional Services	565,915	-	565,915
Capital Outlay	112,356	182,502	294,858
Debt Service	1,267,199	-	1,267,199
Refunds of Prior Year's Receipts	<u>6,721</u>	<u>-</u>	<u>6,721</u>
 Total Expenditures	 <u>21,645,943</u>	 <u>182,502</u>	 <u>21,828,445</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>650,380</u>	 <u>(175,304)</u>	 <u>475,076</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	1,500,000	1,500,000
Sale/Compensation for Capital Assets	58,518	-	58,518
Transfers Out	<u>(1,500,000)</u>	<u>-</u>	<u>(1,500,000)</u>
 Total Other Financing Sources (Uses)	 <u>(1,441,482)</u>	 <u>1,500,000</u>	 <u>58,518</u>
 Net Changes in Fund Balances	 (791,102)	 1,324,696	 533,594
 Fund Balances - July 1, 2016	 <u>7,539,268</u>	 <u>1,774,934</u>	 <u>9,314,202</u>
 Fund Balances - June 30, 2017	 <u>\$ 6,748,166</u>	 <u>\$3,099,630</u>	 <u>\$ 9,847,796</u>

See Accompanying Notes

**Freedom Area School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2017**

**Exhibit 6**

Total Net Change in Fund Balances - Governmental Funds \$ 533,594

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation Expense	\$(1,527,282)	
Capital Outlays	168,677	
Net Book Value of Assets Retired	<u>(50,383)</u>	(1,408,988)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unearned revenues increased by this amount this year. 140,465

Repayment of bond and capital leases payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 817,450

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacations) and other post-employment benefits (OPEB) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	(8,617)	
Other Post-Employment Benefits	<u>(1,254,421)</u>	(1,263,038)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on Bonds		10,483
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**Freedom Area School District  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 to the Statement of Activities  
 Year Ended June 30, 2017**

**Exhibit 6**

Governmental funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

School District Pension Contributions to PSERS	\$ 2,563,114	
Cost of Benefits Earned	<u>(3,708,225)</u>	\$(1,145,111)

Bond discount and premium are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Discount and Deferred Loss on Refunding		<u>(23,101)</u>
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Change in Net Position of Governmental Activities		<u>\$(2,338,246)</u>
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See Accompanying Notes

**Freedom Area School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

**Exhibit 7**

	Food Service Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 171,868
Due from Other Funds	3,422
Due from Other Governments	16,427
Other Receivables	27,000
Inventories	<u>20,481</u>
Total Current Assets	<u>239,198</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>182,736</u>
<b>TOTAL ASSETS</b>	<u>421,934</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts Related to Pensions	<u>182,671</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	1,900
Unearned Revenues	9,496
Other Current Liabilities	<u>8,811</u>
Total Current Liabilities	<u>20,207</u>
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	24,944
Net Pension Liability	<u>919,619</u>
Total Noncurrent Liabilities	<u>944,563</u>
<b>TOTAL LIABILITIES</b>	<u>964,770</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts Related to Pensions	<u>15,299</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	182,736
Unrestricted	<u>(558,200)</u>
<b>TOTAL NET POSITION</b>	<u>\$(375,464)</u>

See Accompanying Notes

**Freedom Area School District**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**Proprietary Fund**  
**Year Ended June 30, 2017**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ 275,814
Other Operating Revenues	<u>734</u>
Total Operating Revenues	<u>276,548</u>
Operating Expenses	
Salaries	242,433
Employee Benefits	139,338
Purchased Property Services	4,043
Other Purchased Services	2,562
Supplies	344,578
Depreciation	32,442
Dues and Fees	610
Other Operating Expenditures	<u>1,900</u>
Total Operating Expenses	<u>767,906</u>
Operating Income (Loss)	<u>(491,358)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	150
State Sources	72,103
Federal Sources	480,104
Refunds of Prior Year's Expenditures	<u>157,078</u>
Total Nonoperating Revenues (Expenses)	<u>709,435</u>
Change in Net Position	218,077
Net Position - July 1, 2016	<u>(593,541)</u>
Net Position - June 30, 2017	<u>\$(375,464)</u>

See Accompanying Notes

**Freedom Area School District  
Statement of Cash Flows  
Proprietary Fund Type  
Year Ended June 30, 2017**

**Exhibit 9**

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 277,617
Cash Received from Other Operating Revenue	734
Cash Payments to Employees for Services	(395,487)
Cash Payments to Suppliers for Goods and Services	<u>(366,376)</u>
Net Cash Used for Operating Activities	<u>(483,512)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	73,098
Federal Sources	<u>477,794</u>
Net Cash Provided by Non-Capital Financing Activities	<u>550,892</u>
Cash Flows from Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp. Svcs.	<u>(16,427)</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>150</u>
Net Increase in Cash and Cash Flows	51,103
Cash and Cash Equivalents - July 1, 2016	<u>120,765</u>
Cash and Cash Equivalents - June 30, 2017	<u>\$ 171,868</u>

**Freedom Area School District  
Statement of Cash Flows  
Proprietary Fund Type  
Year Ended June 30, 2017**

**Exhibit 9**

	Food Service Fund
Operating Income (Loss)	<u>\$(491,358)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	32,442
(Increase) Decrease in Accounts Receivable	791
Advances to Other Funds	(3,422)
(Increase) Decrease in Inventories	(6,400)
Increase (Decrease) in Accounts Payable	1,900
Increase (Decrease) in Accrued Salaries Benefits	957
Increase (Decrease) in Advances from Other Funds	(11,251)
Increase (Decrease) in Unearned Revenue	1,012
Increase (Decrease) in Other Current Liabilities	<u>(8,183)</u>
 Total Adjustments	 <u>7,846</u>
 Cash Used for Operating Activities	 <u>\$(483,512)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2017, the School District received \$69,384 of U. S. D. A. Donated Commodities in the food service fund.

See Accompanying Notes



**Freedom Area School District**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

**Exhibit 10**

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	<u>\$210,410</u>	<u>\$49,779</u>
<b>LIABILITIES</b>		
Due to Other Funds	-	1,326
Other Current Liabilities	<u>-</u>	<u>48,453</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>49,779</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>\$210,410</u>	<u>\$ -</u>

See Accompanying Notes

**Freedom Area School District  
Statement of Changes in Net Position  
Fiduciary Funds  
Year Ended June 30, 2017**

**Exhibit 11**

	Private Purpose Trust Fund
Additions	
Interest	\$ <u>2,394</u>
Deductions	
Scholarships Awarded	<u>10,000</u>
Change in Net Position	(7,606)
Net Position - July 1, 2016	<u>218,016</u>
Net Position - June 30, 2017	<u>\$210,410</u>

See Accompanying Notes

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies**

Freedom Area School District, located in Beaver County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Freedom and Conway and the Township of New Sewickley. The School District operates under an elected Board of Directors.

**A. Basic Financial Statements - Government-Wide Statements**

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Freedom Area School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**B. Basic Financial Statements - Fund Financial Statements**

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

**B. Basic Financial Statements - Fund Financial Statements (Cont'd)**

**1. Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports these major governmental funds and fund types:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodeling of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

**2. Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

**3. Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The School District reports the following fiduciary fund types:

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

3. Fiduciary Funds (Cont'd)

The *private purpose trust fund* is used to account for resources of monies contributed to the School District for scholarships.

The *agency fund* represents the School District's student activity funds. These funds account for student activities in the high school and middle school.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

C. Measurement Focus and Basis of Accounting (Cont'd)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

D. Joint Ventures

The School District is one of fourteen member school districts of the Beaver County Career & Technology Center (CTC). CTC provides vocational-technical training and education to participating students of the member districts. CTC is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of CTC's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of CTC. The School District's share of annual operating and capital costs for CTC fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to CTC for the year ended June 30, 2017 was \$333,586, which has been reported in the School District's general fund.

The School District has no equity interest in CTC as of June 30, 2017. Complete financial statements for CTC can be obtained from the administrative offices at 145 Poplar Drive, Monaca, Pennsylvania 15061.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

**D. Joint Ventures (Cont'd)**

The School District is also one of fourteen member school districts of the Beaver Valley Joint School Committee (Beaver Valley). Beaver Valley provides alternative education services to participating students of the member districts. Beaver Valley is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of Beaver Valley's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Beaver Valley. The School District's share of annual operating and capital costs for Beaver Valley fluctuates, based on the percentage of enrollment of each member district in the school. The School District has no equity interest in Beaver Valley as of June 30, 2017. Complete financial statements for Beaver Valley can be obtained from the administrative offices at 147 Poplar Drive, Monaca, PA 15061.

**E. Cash and Cash Equivalents**

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**F. Investments**

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

**G. Budgets**

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year.

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

**G. Budgets (Cont'd)**

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes, the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

**H. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**I. Inventories**

On government-wide financial statements, inventories are stated at cost.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund if considered material. There was no material inventory balance as of June 30, 2017 in the governmental funds.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

**J. Prepaid Expenses**

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.



**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

**K. Capital Assets**

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20
Furniture	10
Vehicles	5
Equipment	15
Technology Group	3

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5 to 12 years.

**L. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discount are reported as deferred charges and amortized over the term of the related debt.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

L. Long-Term Obligations (Cont'd)

In the fund financial statements, governmental fund types recognize bond premiums and discount during the current period. The face amount of debt issued is reported as other financing sources while discount on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

The School District's policies regarding vacation and sick time under various contracts, provide for employees to accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other in the government-wide statement of net position is related to the participation in the cost sharing defined benefit pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The School District has one item reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

O. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in two components:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action by the School District's highest level of authority, school board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially constrain the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. Fund balance may be assigned by the superintendent or business manager.

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 1 - Summary of Significant Accounting Policies (Cont'd)**

O. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

**Note 2 - Fund Balance Classifications**

The purposes of the restricted, committed, and assigned fund balance as of June 30, 2017, are as follows:

1. The restricted fund balance of \$3,099,630 in the capital projects fund is restricted for building renovations.
2. The nonspendable and committed fund balances in the general fund of \$260,990 and \$4,912,820, respectively are:

	Nonspendable	Committed
a. Prepaid Items	\$260,990	\$ -
b. Retirement Expenditures	-	4,381,973
c. 1-to-1 Computer Program	-	89,095
d. Curriculum/Professional Development	-	199,083
e. Physical Plant Project	-	242,669
	<u>\$260,990</u>	<u>\$4,912,820</u>

**Note 3 - Deposits and Investments**

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 3 - Deposits and Investments (Cont'd)**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2017, \$3,465,401 of the School District's bank balance of \$4,450,401 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	<u>\$3,465,401</u>

As of June 30, 2017, the School District had the following investments:

Investments	Fair Value
PSDLAF	\$4,771,948
PA Invest	<u>1,895,860</u>
	<u>\$6,667,808</u>

**Interest Rate Risk** - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risks** - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) and PA Invest funds were rated AAAM by Standard & Poor's.

**Concentration of Credit Risk** - The School District places no limit on the amount it may invest in any one issue.

**Investments**

The Pennsylvania School District Liquid Asset Fund (PSDLAF) and PA Invest were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 3 - Deposits and Investments (Cont'd)**

Investments (Cont'd)

PSDLAF is governed by an elected board of trustees who are responsible for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund. The fund is audited annually by independent auditors. PSDLAF and PA Invest are local government investment pools and are exempt from the requirement of SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds measure, for financial reporting purposes, their assets at amortized cost and maintain a stable net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF and PA Invest is the same as the value of PSDLAF and PA Invest shares. There are no limitations or restrictions on withdrawals.

Fair Value of Investments

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District had no investments that required disclosure as of June 30, 2017 under this hierarchy.

**Note 4 - Real Estate Taxes**

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2016/2017 was 57 mills (\$57.00 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2016/2017 is as follows:

Tax Levy Date	July 1, 2016
2% Discount Period	Through August 31, 2016
Face Payment Period	September 1 - October 31, 2016
10% Penalty Period	November 1 Until December 31, 2016
Lien Filing Date	January 15, 2017

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$868,795 along with other taxes receivable of \$345,584.

**Note 5 - Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2017, the following amounts are due from other governmental units:

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 5 - Due from Other Governments (Cont'd)**

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$ 161,806	\$16,427	\$ 178,233
State	789,226	-	789,226
Local	<u>231,129</u>	<u>-</u>	<u>231,129</u>
	<u>\$1,182,161</u>	<u>\$16,427</u>	<u>\$1,198,588</u>

**Note 6 - Capital Assets**

For the year ended June 30, 2017, capital asset activity was as follows:

	Balance 07/01/16	Additions	Disposals	Balance 06/30/17
<b>Governmental Activities</b>				
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 131,824	\$ -	\$ -	\$ 131,824
Construction in Progress	<u>-</u>	<u>142,396</u>	<u>-</u>	<u>142,396</u>
Total Capital Assets not Being Depreciated	<u>131,824</u>	<u>142,396</u>	<u>-</u>	<u>274,220</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and Building Improvements	40,755,201	-	-	40,755,201
Furniture and Equipment	<u>5,212,680</u>	<u>26,281</u>	<u>50,383</u>	<u>5,188,578</u>
Total Capital Assets Being Depreciated	<u>45,967,881</u>	<u>26,281</u>	<u>50,383</u>	<u>45,943,779</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Building Improvements	21,523,827	1,267,027	-	22,790,854
Furniture and Equipment	<u>3,384,064</u>	<u>260,255</u>	<u>-</u>	<u>3,644,319</u>
Total Accumulated Depreciation	<u>24,907,891</u>	<u>1,527,282</u>	<u>-</u>	<u>26,435,173</u>
Total Capital Assets Being Depreciated, Net	<u>21,059,990</u>	<u>(1,501,001)</u>	<u>50,383</u>	<u>19,508,606</u>
Governmental Activities Capital Assets, Net	<u>\$21,191,814</u>	<u>\$(1,358,605)</u>	<u>\$ 50,383</u>	<u>\$19,782,826</u>

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 6 - Capital Assets (Cont'd)**

	Balance 07/01/16	Additions	Disposals	Balance 06/30/17
Business-Type Activities				
Furniture and Equipment	\$ 364,690	\$ 16,427	\$ -	\$ 381,117
Less Accumulated Depreciation	<u>165,939</u>	<u>32,442</u>	<u>-</u>	<u>198,381</u>
Business-Type Capital Assets, Net	<u>\$ 198,751</u>	<u>\$ (16,015)</u>	<u>\$ -</u>	<u>\$ 182,736</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$ 694,912
Instructional Student Support	74,837
Administration and Financial Support Services	73,310
Operation and Maintenance of Plant Services	82,473
Student Activities	3,055
Unallocated Depreciation Expense	<u>598,695</u>
Total Depreciation Expense	<u>\$1,527,282</u>
Business-Type Activities	
Food Service	<u>\$ 32,442</u>

**Note 7 - Interfund Balances**

Interfund balances at June 30, 2017 were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,326	\$1,503,422
Capital Projects Fund	1,500,000	-
Proprietary Funds		
Food Service Fund	3,422	-
Fiduciary Funds		
Agency Fund	<u>-</u>	<u>1,326</u>
Total	<u>\$1,504,748</u>	<u>\$1,504,748</u>



**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 7 - Interfund Balances (Cont'd)**

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

**Note 8 - Interfund Transfers**

For the year ended June 30, 2017, interfund transfers consisted of the following:

	Transfer From
Transfer To	General Fund
Capital Projects Fund	<u>\$1,500,000</u>

The general fund made a transfer to the capital projects fund for the purpose of funding further capital projects.

**Note 9 - Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance 07/01/16	Additions	Reductions	Balance 06/30/17	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$12,205,000	\$ -	\$720,000	\$11,485,000	\$740,000
Less: Bond Discount	<u>(141,061)</u>	<u>-</u>	<u>(11,408)</u>	<u>(129,653)</u>	<u>-</u>
Total Bonds Payable	<u>12,063,939</u>	<u>-</u>	<u>708,592</u>	<u>11,355,347</u>	<u>740,000</u>
Capital Leases Payable	303,757	-	97,450	206,307	101,204
Compensated Absences	<u>119,116</u>	<u>8,617</u>	<u>-</u>	<u>127,733</u>	<u>35,765</u>
Governmental Activities					
Long-Term Liabilities	<u>\$12,486,812</u>	<u>\$8,617</u>	<u>\$806,042</u>	<u>\$11,689,387</u>	<u>\$876,969</u>
Business-Type Activities					
Compensated Absences	<u>\$ 23,987</u>	<u>\$ 957</u>	<u>\$ -</u>	<u>\$ 24,944</u>	<u>\$ -</u>

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 9 - Long-Term Liabilities (Cont'd)**

General Obligation Bonds

2008 general obligation refunding bonds in the amount of \$6,740,000, due in annual installments of \$125,000 to \$765,000, beginning July 15, 2008 through July 15, 2018; interest from 2.0% to 4.0%.	\$ 1,500,000
2014 general obligation bonds in the amount of \$10,000,000, due in annual installments of \$5,000 to \$470,000, beginning March 1, 2015 through March 1, 2040; interest from 0.5% to 4.0%.	<u>9,985,000</u>
	<u>\$11,485,000</u>

The debt service source for the above debt is the general fund.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2017, including interest and sinking fund payments, are as follows:

Year Ended June 30,	General Obligation Bonds		Totals
	Principal	Interest	
2018	\$ 740,000	\$ 414,066	\$ 1,154,066
2019	770,000	388,268	1,158,268
2020	355,000	374,780	729,780
2021	360,000	367,680	727,680
2022	370,000	359,580	729,580
2023-2027	2,005,000	1,637,938	3,642,938
2028-2032	2,365,000	1,276,567	3,641,567
2033-2037	2,880,000	756,018	3,636,018
2038-2040	<u>1,640,000</u>	<u>131,625</u>	<u>1,771,625</u>
	<u>\$11,485,000</u>	<u>\$5,706,522</u>	<u>\$17,191,522</u>

Capital Leases

The School District is currently obligated for the purchase of computer equipment through capital leasing arrangements.

The assets acquired through the capital leases are as follows:

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 9 - Long-Term Liabilities (Cont'd)**

Capital Leases (Cont'd)

	Governmental Activities
Asset	
Machinery and Equipment	\$ 412,910
Less: Accumulated Depreciation	<u>(206,456)</u>
Total	<u>\$ 206,454</u>

The future minimum lease obligations as of June 30, 2017, are as follows:

	Amount
Year Ended June 30,	
2018	\$109,153
2019	<u>109,153</u>
Total minimum lease payments	218,306
Amount representing interest	<u>(11,999)</u>
Present value of minimum lease payments	<u>\$206,307</u>

**Note 10 - Public School Employees' Retirement System (PSERS)**

A. Summary of Significant Accounting Policies

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. 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.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

**B. General Information about the Pension Plan**

**1. Plan Description**

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.pasers.state.pa.gov](http://www.pasers.state.pa.gov).

**2. Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

**B. General Information about the Pension Plan (Cont'd)**

**3. Contributions**

**Member Contributions**

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$2,640,267 for the year ended June 30, 2017.

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

At June 30, 2017, the School District reported a liability of \$33,600,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was 0.0678%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2015.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

For the year ended June 30, 2017, the School District recognized pension expense of \$3,628,300. At June 30, 2017, the School 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
Changes in assumptions	\$1,213,000	\$279,000
Net difference between expected and actual experience	714,000	280,000
Net difference between projected and actual investment earnings	1,873,000	-
Difference between employer contributions and proportionate share of total contributions	55,323	-
Contributions subsequent to the measurement date	<u>2,640,267</u>	<u>-</u>
	<u>\$6,495,590</u>	<u>\$559,000</u>

\$2,640,267 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 759,988
2019	759,988
2020	1,130,112
2021	<u>646,235</u>
	<u>\$3,296,323</u>

1. Changes in Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**1. Changes in Actuarial Assumptions (Cont'd)**

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016.

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00% real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 combined healthy annuitant tables (male and female) with age set back 3 years for both males and females to the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. For disabled annuitants, the RP-2000 combined disabled tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting and were effective beginning with the June 30, 2016 actuarial valuation.

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 pension plan's policy in regard to allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status of the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

**C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**1. Changes in Actuarial Assumptions (Cont'd)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternate investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0)%	0.5%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

**2. Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments 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.

**3. Sensitivity of School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	(In thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.25%	7.25%	8.25%
School's proportionate share of the net pension liability	\$41,101	\$33,600	\$27,296



**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

4. Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.gov](http://www.psers.state.pa.gov).

**Note 11 - Contingent Liabilities**

Freedom Area School District participates in a number of federally assisted grant programs, principal of which are Title I, IDEA, and the National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2017 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**Note 12 - On-Behalf Payments**

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2017 was \$1,971,861.

This includes \$1,573,036 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$398,825 to the federal government for social security and Medicare taxes for the year ended June 30, 2017. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

**Note 13 - Risk Management**

The School District is a member district to the Beaver County School Health Care Insurance Consortium (the Consortium) which was formed on July 1, 2003. The Consortium is a cooperative joint venture to provide hospitalization, medical and surgical services, professional services and drug benefits to its member districts on a pooled risk basis. The School District pays an annual premium to the Consortium for its health and medical insurance coverage and this rate is adjusted annually based on amounts required to fund anticipated benefits and claims as well as other administrative costs. The formation agreement of the Consortium provides that the Consortium will be self-sustaining through annually determined member premiums and will reinsure through commercial companies for excess claims of amounts as defined in the insurance contract. Contributions to the Consortium totaled \$2,230,210 and \$2,389,795 for the years ended June 30, 2017 and 2016, respectively.

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 13 - Risk Management (Cont'd)**

The agreement permits participating districts to withdraw from the Consortium. If the School District would withdraw, the Articles of Agreement state that the School District would be entitled to their respective share of the Consortium's net position. This is calculated by multiplying net position by the fraction of dividing the withdrawing member's total contributions over the last three years by the total of all member district contribution over the same time period. The distribution would be required to be paid within one year of the date of withdrawal. At June 30, 2017, the net position of the Consortium was \$4,682,700, of which \$319,828 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**Note 14 - Post-Employment Healthcare Plan**

**A. Plan Description**

Freedom Area School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical, and in some cases dental and vision, for three groups of employees: teachers; administrators; and support personnel. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

**B. Funding Policy**

The eligibility and the benefits for each group is as follows:

1) Eligibility for Benefit

Teachers

Age 50 for School District incentive. Retirees under the age of 65 can purchase coverage under Act 110/43 upon expiration of benefits under the incentive.

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 14 - Post-Employment Healthcare Plan**

**B. Funding Policy (Cont'd)**

**1) Eligibility for Benefit (Cont'd)**

Administrators	Hired before July 1, 2007, age 50 for School District incentive. Retirees under the age of 65 can purchase coverage under Act 110/43 upon expiration of benefits under the incentive. Hired after June 30, 2007, age 60 and PSERS superannuation for School District incentive.
Support Personnel	Age 50 for School District incentive. Retirees under the age of 65 can purchase coverage under Act 110/43 upon expiration of benefits under the incentive.

**2) Benefit at Retirement**

Teachers	Retirees prior to September 1, 2015, the School District pays the premium for retiree/spouse coverage for the medical insurance plan at time of retirement. Retiree/spouse contribute any increases above the premium in place at the time of retirement. Retirees after September 1, 2015, the School District establishes an account for retiree in the amount of \$30,000. Retiree then can choose to have the School District pay the full premium until the \$30,000 is exhausted or have \$500 per month deducted from account and the retiree contributes the additional amount to the current premium until \$30,000 is exhausted.
Administrators	Retirees prior to September 1, 2015, the School District pays the premium for retiree/spouse coverage for the medical insurance plan at time of retirement. Retiree/spouse contribute any increases above the premium in place at the time of retirement. Retirees after September 1, 2015, the School District establishes an account for retiree in the amount of \$30,000. Retiree then can choose to have the School District pay the full premium until the \$30,000 is exhausted or have \$500 per month deducted from account and the retiree contributes the additional amount to the current premium until \$30,000 is exhausted.

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 14 - Post-Employment Healthcare Plan (Cont'd)**

**B. Funding Policy (Cont'd)**

**2) Benefit at Retirement (Cont'd)**

**Support Personnel**

Retirees prior to September 1, 2015, the School District pays the premium for retiree/spouse coverage for the medical insurance plan at time of retirement. Retiree/spouse contribute any increases above the premium in place at the time of retirement. Retirees after September 1, 2015, the School District establishes an account for retiree in the amount of \$30,000. Retiree then can choose to have the School District pay the full premium until the \$30,000 is exhausted or have \$500 per month deducted from account and the retiree contributes the additional amount to the current premium until \$30,000 is exhausted.

For the year ended June 30, 2017, the School District contributed \$116,519. Plan members receiving benefits contributed \$85,914. The plan is financed on a pay-as-you-go basis.

**C. Annual OPEB Cost and Net OPEB Obligation**

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation.

Annual Required Contribution	\$1,961,857
Interest on Net OPEB Obligation	25,808
Adjustment to Annual Required Contribution	<u>(430,257)</u>
Annual OPEB Cost (Expense)	1,557,408
Contributions Made	<u>302,987</u>
Increase in OPEB Obligation	1,254,421
Net OPEB Obligation - Beginning of Year	<u>794,096</u>
Net OPEB Obligation - End of Year	<u>\$2,048,517</u>

**Freedom Area School District  
Notes to Financial Statements  
June 30, 2017**

**Note 14 - Post-Employment Healthcare Plan (Cont'd)**

C. Annual OPEB Cost and Net OPEB Obligation (Cont'd)

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2017, 2016 and 2015, is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/17	\$1,557,408	19.5%	\$2048,517
06/30/16	479,917	78.1%	794,096
06/30/15	460,830	78.2%	688,879

D. Funded Status and Funding Progress

As of July 1, 2016, the actuarial accrued liability for benefits was \$3,344,221, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,100,499 and the ratio of unfunded actuarial accrued liability to the covered payroll was 36.7%.

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 trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Multi-year information will be presented in future years.

E. Actuarial Methods and Assumptions

Projections 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 of benefit costs 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 long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 3.25%; an annual healthcare cost trend rate of 7.00% initially, decreasing to an ultimate rate of 4.50%. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the

**Freedom Area School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 14 - Post-Employment Healthcare Plan (Cont'd)**

E. Actuarial Methods and Assumptions

level dollar method. The amortization period for the most recent actuarial valuation is two years. The period is open.

**Note 15 - Subsequent Event**

On September 12, 2017, the School District issued general obligation bonds, Series of 2017 in the amount of \$10,000,000 to refund Series of 2014 bonds.

**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**

**Freedom Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
<b>Local Sources</b>				
Taxes				
Current Real Estate Taxes	\$ 7,074,039	\$ 6,843,899	\$ 6,762,906	\$ (80,993)
Public Utility Realty Taxes	8,000	8,000	8,532	532
Payments in Lieu of Current Taxes	3,000	3,000	2,640	(360)
Local Services Taxes	11,000	11,000	10,522	(478)
Earned Income Taxes	1,160,000	1,160,000	1,166,548	6,548
Real Estate Transfer Taxes	93,000	93,000	126,831	33,831
Delinquencies on Taxes	460,100	480,100	453,180	(26,920)
Earnings on Investments	17,000	10,000	40,446	30,446
Other Local Revenues				
Federal Revenues from IUs	215,608	215,608	223,619	8,011
Contributions & Donations from				
Private Sources	-	41,250	41,350	100
Rentals	12,000	12,000	10,700	(1,300)
Admissions	21,000	21,000	27,092	6,092
Transportation Fees	30,000	30,000	23,977	(6,023)
Tuition	-	-	2,625	2,625
Miscellaneous	13,000	16,200	9,607	(6,593)
Refunds of Prior Year's Expenditures	-	-	397	397
	<u>9,117,747</u>	<u>8,945,057</u>	<u>8,910,972</u>	<u>(34,085)</u>
<b>State Sources</b>				
Basic Instruct. and Oper. Subsidies				
Basic Instructional Subsidy	8,061,000	7,925,000	8,024,024	99,024
Tuition	600	500	729	229
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,038,000	1,000,057	1,020,295	20,238
Subsidies for Noneduc. Programs				
Transportation (Regular and Add'l.)	620,000	670,000	696,159	26,159
Rentals and Sinking Fund Payments	430,000	422,000	418,359	(3,641)
Health Services	29,000	29,920	26,419	(3,501)
State Property Tax Reduction	501,106	500,441	500,442	1
Extra Grants	-	3,000	3,000	-
Social Security Payments	421,000	400,000	389,141	(10,859)



**Freedom Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues (Cont'd)				
State Sources (Cont'd)				
Subsidies for Noneduc. Programs (Cont'd)				
State Retirement Revenue	\$ 1,796,000	\$ 1,528,000	\$ 1,537,125	\$ 9,125
Ready to Learn Block Grants	<u>268,806</u>	<u>268,806</u>	<u>268,806</u>	<u>-</u>
Total Revenues from State Sources	<u>13,165,512</u>	<u>12,747,724</u>	<u>12,884,499</u>	<u>136,775</u>
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	340,000	349,661	349,661	-
Title II	74,000	74,000	75,743	1,743
Title 19	4,000	4,000	6,448	2,448
Medical Assistance	<u>70,000</u>	<u>70,000</u>	<u>69,000</u>	<u>(1,000)</u>
Total Revenues from Federal Sources	<u>488,000</u>	<u>497,661</u>	<u>500,852</u>	<u>3,191</u>
Total Revenues	<u>22,771,259</u>	<u>22,190,442</u>	<u>22,296,323</u>	<u>105,881</u>
Other Financing Sources				
Sale of Capital Assets	<u>-</u>	<u>58,000</u>	<u>58,518</u>	<u>518</u>
Total Revenues and Other Financing Sources	<u>22,771,259</u>	<u>22,248,442</u>	<u>22,354,841</u>	<u>106,399</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	5,297,155	5,147,014	5,128,700	18,314
Employee Benefits	3,727,697	3,518,575	3,416,733	101,842
Purchased Prof. and Tech. Services	113,700	159,700	138,313	21,387
Purchased Property Services	8,715	8,715	6,961	1,754
Other Purchased Services	572,200	660,800	659,541	1,259
Supplies	<u>526,010</u>	<u>602,950</u>	<u>466,524</u>	<u>136,426</u>

**Freedom Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Instruction (Cont'd)				
Regular Programs (Cont'd)				
Property	\$ 143,300	\$ 144,211	\$ 141,805	\$ 2,406
Other Objects	<u>4,500</u>	<u>5,424</u>	<u>4,718</u>	<u>706</u>
Total Regular Programs	<u>10,393,277</u>	<u>10,247,389</u>	<u>9,963,295</u>	<u>284,094</u>
Special Programs				
Personal Services				
Salaries	1,189,284	1,187,576	1,063,997	123,579
Employee Benefits	785,967	801,865	703,240	98,625
Purchased Prof. and Tech. Services	436,400	483,414	459,429	23,985
Purchased Property Services	500	500	310	190
Other Purchased Services	832,500	669,826	594,981	74,845
Supplies	43,500	84,713	68,687	16,026
Other Objects	<u>2,600</u>	<u>2,600</u>	<u>1,660</u>	<u>940</u>
Total Special Programs	<u>3,290,751</u>	<u>3,230,494</u>	<u>2,892,304</u>	<u>338,190</u>
Vocational Education Programs				
Other Purchased Services	<u>350,000</u>	<u>352,660</u>	<u>333,586</u>	<u>19,074</u>
Other Instructional Programs				
Personal Services				
Salaries	8,000	4,000	2,611	1,389
Employee Benefits	3,275	3,110	998	2,112
Other Purchased Services	<u>15,000</u>	<u>13,500</u>	<u>4,475</u>	<u>9,025</u>
Total Other Instructional Programs	<u>26,275</u>	<u>20,610</u>	<u>8,084</u>	<u>12,526</u>
Nonpublic School Programs				
Purchased Prof. and Tech. Services	<u>1,000</u>	<u>1,862</u>	<u>933</u>	<u>929</u>
Total Instruction	<u>14,061,303</u>	<u>13,853,015</u>	<u>13,198,202</u>	<u>654,813</u>

**Freedom Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services				
Pupil Personnel				
Personal Services				
Salaries	\$ 463,334	\$ 417,556	\$ 411,097	\$ 6,459
Employee Benefits	316,159	269,264	257,374	11,890
Purchased Prof. and Tech. Services	69,780	70,780	68,147	2,633
Supplies	<u>20,800</u>	<u>19,520</u>	<u>12,476</u>	<u>7,044</u>
Total Pupil Personnel	<u>870,073</u>	<u>777,120</u>	<u>749,094</u>	<u>28,026</u>
Instructional Staff				
Personal Services				
Salaries	406,608	419,519	414,034	5,485
Employee Benefits	259,399	267,775	264,925	2,850
Purchased Prof. and Tech. Services	88,000	59,824	43,367	16,457
Other Purchased Services	-	8,168	3,340	4,828
Supplies	23,100	23,931	16,678	7,253
Other Objects	<u>-</u>	<u>7,752</u>	<u>7,752</u>	<u>-</u>
Total Instructional Staff	<u>777,107</u>	<u>786,969</u>	<u>750,096</u>	<u>36,873</u>
Administration				
Personal Services				
Salaries	727,837	672,871	658,245	14,626
Employee Benefits	461,610	412,921	378,396	34,525
Purchased Prof. and Tech. Services	22,800	34,800	33,533	1,267
Purchased Property Services	3,000	2,000	1,803	197
Other Purchased Services	32,350	28,796	22,182	6,614
Supplies	65,900	51,744	47,394	4,350
Other Objects	<u>19,000</u>	<u>18,000</u>	<u>8,162</u>	<u>9,838</u>
Total Administration	<u>1,332,497</u>	<u>1,221,132</u>	<u>1,149,715</u>	<u>71,417</u>
Pupil Health				
Personal Services				
Salaries	112,410	109,394	97,539	11,855
Employee Benefits	48,984	52,793	47,734	5,059

**Freedom Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Pupil Health (Cont'd)				
Purchased Prof. and Tech. Services	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Supplies	<u>8,500</u>	<u>8,508</u>	<u>7,879</u>	<u>629</u>
Total Pupil Health	<u>177,894</u>	<u>178,695</u>	<u>161,152</u>	<u>17,543</u>
Business				
Personal Services				
Salaries	176,631	183,388	182,121	1,267
Employee Benefits	138,407	133,847	129,953	3,894
Purchased Prof. and Tech. Services	56,000	54,751	42,406	12,345
Other Purchased Services	3,000	2,500	660	1,840
Supplies	5,500	7,410	6,580	830
Property	2,800	1,400	960	440
Other Objects	<u>1,500</u>	<u>890</u>	<u>694</u>	<u>196</u>
Total Business	<u>383,838</u>	<u>384,186</u>	<u>363,374</u>	<u>20,812</u>
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	743,588	698,388	695,371	3,017
Employee Benefits	540,762	497,503	484,876	12,627
Purchased Prof. and Tech. Services	68,300	56,285	51,409	4,876
Purchased Property Services	427,400	448,271	413,003	35,268
Other Purchased Services	105,200	97,800	92,428	5,372
Supplies	<u>265,002</u>	<u>248,979</u>	<u>226,228</u>	<u>22,751</u>
Total Oper. and Maint. of Plant Svcs.	<u>2,150,252</u>	<u>2,047,226</u>	<u>1,963,315</u>	<u>83,911</u>
Student Transportation Services				
Personal Services				
Salaries	10,000	10,000	10,000	-
Employee Benefits	4,092	4,220	4,127	93
Purchased Prof. and Tech. Services	6,600	6,600	4,500	2,100
Other Purchased Services	1,133,500	1,087,300	1,019,050	68,250

**Freedom Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Student Transportation Services (Cont'd)				
Supplies	\$ -	\$ 6,000	\$ 5,033	\$ 967
Property	<u>7,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Student Transportation Services	<u>1,161,192</u>	<u>1,115,120</u>	<u>1,042,710</u>	<u>72,410</u>
Central				
Personal Services				
Salaries	118,000	102,083	102,057	26
Employee Benefits	88,188	73,818	70,571	3,247
Purchased Prof. and Tech. Services	74,300	54,300	51,900	2,400
Purchased Property Services	44,600	44,566	41,511	3,055
Other Purchased Services	5,500	4,000	1,253	2,747
Supplies	39,100	41,360	36,865	4,495
Property	1,000	-	-	-
Other Objects	<u>-</u>	<u>1,000</u>	<u>649</u>	<u>351</u>
Total Central	<u>370,688</u>	<u>321,127</u>	<u>304,806</u>	<u>16,321</u>
Other				
Other Purchased Services	<u>13,000</u>	<u>12,000</u>	<u>11,288</u>	<u>712</u>
Total Support Services	<u>7,236,541</u>	<u>6,843,575</u>	<u>6,495,550</u>	<u>348,025</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	272,980	259,432	253,519	5,913
Employee Benefits	113,707	99,805	64,129	35,676
Purchased Prof. and Tech. Services	58,451	54,212	47,146	7,066
Purchased Property Services	8,000	8,000	7,878	122
Other Purchased Services	70,500	79,206	76,779	2,427
Supplies	91,700	97,965	86,805	11,160
Property	6,000	-	-	-
Other Objects	<u>22,852</u>	<u>27,522</u>	<u>23,856</u>	<u>3,666</u>
Total Student Activities	<u>644,190</u>	<u>626,142</u>	<u>560,112</u>	<u>66,030</u>

**Freedom Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Noninstructional Services (Cont'd)				
Community Services				
Salaries	\$ 1,150	\$ 1,150	\$ 1,150	\$ -
Employee Benefits	97	96	95	1
Purchased Prof. and Tech. Services	3,000	1,695	-	1,695
Supplies	2,000	2,059	2,058	1
Property	1,500	-	-	-
Other Objects	<u>-</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total Community Services	<u>7,747</u>	<u>6,500</u>	<u>4,803</u>	<u>1,697</u>
Scholarships and Awards				
Other Objects	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total Noninstructional Services	<u>651,937</u>	<u>633,642</u>	<u>565,915</u>	<u>67,727</u>
Facilities Acquisition, Construction and Improvement Services				
Purchased Property Services	58,000	58,000	57,623	377
Supplies	-	39,000	38,132	868
Property	<u>88,500</u>	<u>44,500</u>	<u>16,601</u>	<u>27,899</u>
Total Facilities Acquisition, Construction and Improvement Services	<u>146,500</u>	<u>141,500</u>	<u>112,356</u>	<u>29,144</u>
Debt Service				
Interest	418,100	418,100	449,749	(31,649)
Refunds of Prior Year's Receipts	-	25,947	6,721	19,226
Redemption of Principal	<u>740,000</u>	<u>720,000</u>	<u>817,450</u>	<u>(97,450)</u>
Total Debt Service	<u>1,158,100</u>	<u>1,164,047</u>	<u>1,273,920</u>	<u>(109,873)</u>
Total Expenditures	<u>23,254,381</u>	<u>22,635,779</u>	<u>21,645,943</u>	<u>989,836</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>(1,500,000)</u>
Total Expenditures and Other Financing Uses	<u>23,254,381</u>	<u>22,635,779</u>	<u>23,145,943</u>	<u>(510,164)</u>

**Freedom Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Net Change in Fund Balance	\$ (483,122)	\$ (387,337)	\$ (791,102)	\$ (403,765)
Fund Balance - July 1, 2016	<u>6,106,487</u>	<u>6,106,487</u>	<u>7,539,268</u>	<u>1,432,781</u>
Fund Balance - June 30, 2017	<u>\$ 5,623,365</u>	<u>\$ 5,719,150</u>	<u>\$ 6,748,166</u>	<u>\$1,029,016</u>

**Freedom Area School District**  
**Note to the Required Supplementary Information**  
**Budget Comparison**  
**June 30, 2017**

**Note 1 - Budgetary Information**

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).



**Freedom Area School District  
Required Supplementary Information  
Other Post-Employment Benefits  
June 30, 2017**

Schedule of Funding Progress for Retiree Health Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/08	\$ -	\$3,882,000	\$3,882,000	0.0%	\$7,644,707	50.8%
07/01/11	-	3,586,300	3,586,300	0.0%	7,604,893	47.2%
07/01/14	-	3,695,000	3,695,000	0.0%	8,683,267	42.6%
07/01/16	-	3,344,221	3,344,221	0.0%	9,100,499	36.7%

**Freedom Area School District  
 Required Supplementary Information  
 Schedule of School District's Contributions  
 PSERS  
 Last Three Years**

	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$2,589,964	\$2,152,760	\$1,760,523
Contributions in Relation to the Contractually Required Contribution	<u>2,589,964</u>	<u>2,152,760</u>	<u>1,760,523</u>
Contribution Deficiency (Excess)	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -
School District's Covered-Employee Payroll	\$9,070,157	\$8,728,967	\$8,683,267
Contributions as a Percentage of Covered Employee Payroll	28.60%	24.70%	20.30%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Freedom Area School District  
Required Supplementary Information  
Schedule of School District's Proportionate Share  
of the Net Pension Liability  
PSERS  
Last Four Years  
(Dollar Amount in Thousands)**

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0678%	0.0686%	0.0668%	0.0653%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$33,600	\$29,714	\$26,440	\$26,732
School District's Covered Employee Payroll	\$ 8,729	\$ 8,824	\$ 8,529	\$ 8,374
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	384.92%	336.74%	310.00%	319.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.14%	54.36%	57.24%	54.49%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**SINGLE AUDIT SECTION**

**HOSACK, SPECHT, MUETZEL & WOOD LLP**  
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Members of the Board  
Freedom Area School District  
Freedom, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Freedom Area School District for the period ended June 30, 2017 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

- A. 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*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 4, 2017

**CERTIFIED PUBLIC ACCOUNTANTS**

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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***

Members of the Board  
Freedom Area School District  
Freedom, Pennsylvania

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, the business-type activities, each major fund, and the aggregate remaining fund information of Freedom Area School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Freedom Area School District's basic financial statements, and have issued our report thereon dated December 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Freedom Area School 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 Freedom Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Freedom Area School 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Freedom Area School 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*.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hosack Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 4, 2017

**HOSACK, SPECHT, MUETZEL & WOOD LLP**

**Exhibit B**

**CERTIFIED PUBLIC ACCOUNTANTS**

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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**

Members of the Board  
Freedom Area School District  
Freedom, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Freedom Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Freedom Area School District's major federal programs for the year ended June 30, 2017. Freedom Area School District's major federal 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Freedom Area School District's major federal 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, and the 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). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about Freedom Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



## **Report on Compliance for Each Major Federal Program (Cont'd)**

### ***Auditor's Responsibility (Cont'd)***

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Freedom Area School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Freedom Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

Management of Freedom Area School 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 Freedom Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Freedom Area School 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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 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.

Members of the Board  
Freedom Area School District  
Exhibit B  
Page 3

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. Accordingly, this report is not suitable for any other purpose.

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 4, 2017

Freedom Area School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

Exhibit C

Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued was unmodified.

Internal control over financial reporting:

- Material weakness(es) identified?                    \_\_\_ yes                     no
- Significant deficiency(ies) identified?                \_\_\_ yes                     none reported

Noncompliance material to financial statements noted?                    \_\_\_ yes                     no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?                    \_\_\_ yes                     no
- Significant deficiency(ies) identified?                \_\_\_ yes                     none reported

Type of auditor's report issued on compliance for major programs was unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)                    \_\_\_ yes                     no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.367	Title II
84.027 and 84.173	IDEA Cluster

Dollar threshold used to distinguish between type A and type B programs:                    \$750,000

Auditee qualified as low-risk auditee?                     yes                    \_\_\_ no

Freedom Area School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

Exhibit C

**Section II - Financial Statement Findings**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.

**Section IV - Status of Prior Year's Findings**

Not applicable.

**Freedom Area School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/16	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/17
U. S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-170158	07/19/16-09/30/17	\$349,661	\$ 282,273	\$ -	\$ 349,661	\$ 349,661	\$ 67,388
Title I Improving Basic Programs	I	84.010	013-160158	07/01/15-09/30/16	253,500	<u>17,496</u>	<u>17,496</u>	-	-	-
						<u>299,769</u>	<u>17,496</u>	<u>349,661</u>	<u>349,661</u>	<u>67,388</u>
Title II Improving Teacher Quality	I	84.367	020-170158	07/19/16-09/30/17	75,743	<u>70,728</u>	-	<u>75,743</u>	<u>75,743</u>	<u>5,015</u>
Passed through Intermediate Unit 1										
IDEA-B - Section 619	I	84.173	N/A	07/01/16-06/30/17	2,744	-	-	2,744	2,744	2,744
IDEA Renew Grant	I	84.027	N/A	07/01/15-06/30/16	4,500	4,500	4,500	-	-	-
IDEA-B	I	84.027	N/A	07/01/16-06/30/17	220,875	65,397	-	220,875	220,875	155,478
IDEA-B	I	84.027	N/A	07/01/15-06/30/16	207,269	<u>126,971</u>	<u>126,971</u>	-	-	-
Total Special Education Cluster						<u>196,868</u>	<u>131,471</u>	<u>223,619</u>	<u>223,619</u>	<u>158,222</u>
Total U. S. Dept. of Education						<u>567,365</u>	<u>148,967</u>	<u>649,023</u>	<u>649,023</u>	<u>230,625</u>
U. S. Department of Health & Human Svcs.										
Passed through the Pennsylvania										
Department of Public Welfare										
Medical Assistance - Access	I	93.778	N/A	07/01/16-06/30/17	N/A	6,772	3,727	6,448	6,448	3,403
U. S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
Nat'l. School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	313,897	10,572	303,325	303,325	-
Nati'l School Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	94,513	3,545	90,968	90,968	-
						<u>408,410</u>	<u>14,117</u>	<u>394,293</u>	<u>394,293</u>	-
Passed through the Pennsylvania										
Department of Agriculture										
Donated Commodities Noncash Assistance	I	10.555	N/A	07/01/16-06/30/17	N/A	69,384	-	69,384	69,384	-
Total Nutrition Cluster						<u>477,794</u>	<u>14,117</u>	<u>463,677</u>	<u>463,677</u>	-
Passed through the Pennsylvania										
Department of Education										
Child Nutrition Discretionary Grants	I	10.579	N/A	04/10/17-06/02/17	16,427	-	-	16,427	16,427	16,427
Total U. S. Dept. of Agriculture						<u>477,794</u>	<u>14,117</u>	<u>480,104</u>	<u>480,104</u>	<u>16,427</u>
Total Federal Financial Assistance						<u>\$1,051,931</u>	<u>\$166,811</u>	<u>\$1,135,575</u>	<u>\$1,135,575</u>	<u>\$250,455</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Freedom Area School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Freedom Area School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of Freedom Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Freedom Area School District.

**Note B - Summary of Significant Accounting Policies**

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Freedom Area School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note C - Source Code**

The Source Code (I) indicates funds received indirectly.

**Note D - Reconciliation with Subsidy Confirmation**

Total Received Per Schedule	\$1,051,931
Add Medical Assistance	53,000
Add State Food Nutrition Service	27,502
Less Funds Passed Through BVIU	(196,868)
Less Donated Commodities	(69,384)
Less Title XIX	<u>(6,772)</u>
Per Subsidy Confirmation	<u>\$ 859,409</u>

**Note E - Subrecipients**

The School District did not pass through any federal expenditures to subrecipients.

**Freedom Area School District  
List of Report Distribution  
June 30, 2017**

**Exhibit E**

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census