

**Freedom Area School District
Financial Statements
June 30, 2019**

**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, 2019, 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 States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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, 2019, 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. 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 3, 2019, 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 the effectiveness of Freedom Area School District's 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 3, 2019

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

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, 2019. 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

The Freedom Area School District had a 2.6%, \$588,901, increase in expenditures during the 2018-19 school year over the 2017-18 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 32.57% to 33.43%, which was an additional \$87,000 in expenditures. This increase was offset by reductions and/or savings in salary and benefits savings from several positions left temporarily unfilled. The School District was able to transfer \$750,000 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 \$651,124. The major increases were real estate taxes of over \$378,000 due to a real estate tax increase, over \$100,000 in interest earnings, and over \$70,000 in Act 511 taxes. Subsidy increase for the Commonwealth's approximately \$76,000 were offset by the \$69,000 decrease in Federal funding.

In reviewing the fund statements, you will note that the School District had total expenditures and transfers out of \$23,759,011 which includes the \$750,000 transfer to the capital projects fund. Revenues, other sources and changes in fund balances together totaled \$23,628,956. Revenues alone totaled \$23,617,416. There was an overall decrease to fund balances of \$130,055. This included a decrease in the PSERS (retirement) fund balance of \$181,000, and an increase of \$24,627 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.

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.

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

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.

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

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

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

Figure A – 1
Required Components of
Freedom Area School District's
Financial Report

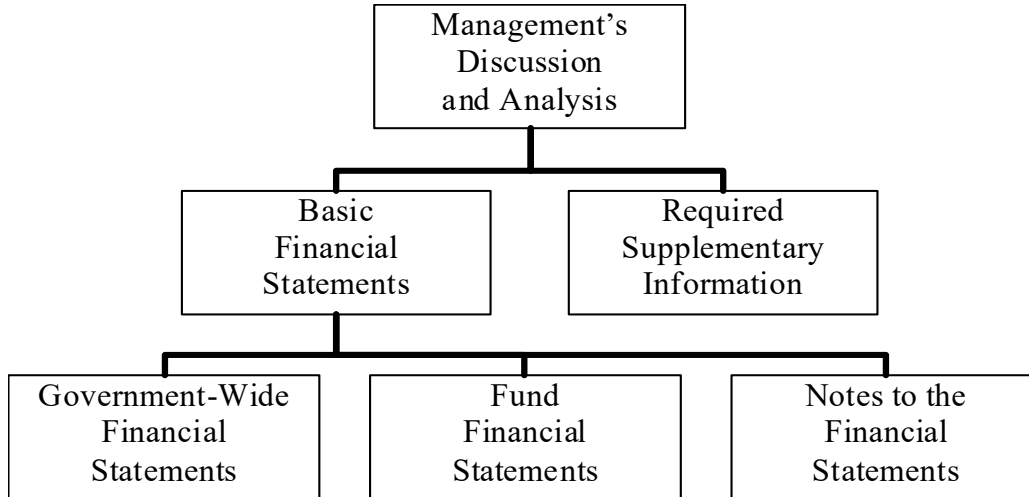


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

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

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

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.

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 taxes and state and federal subsidies and grants finance most of these activities.
- Business-type activities - The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

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.

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

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 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 \$(14,505,993) at June 30, 2019 and a deficit \$(12,756,337) at June 30, 2018.

Table A - 1
Years Ended June 30, 2019 and 2018
Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 13,602,096	\$ 362,744	\$ 13,964,840	\$ 14,289,532	\$ 301,853	\$ 14,591,385
Capital Assets	19,078,423	118,361	19,196,784	18,792,435	147,283	18,939,718
Total Assets	32,680,519	481,105	33,161,624	33,081,967	449,136	33,531,103
Deferred Outflows of Resources	5,707,183	145,715	5,852,898	6,300,146	162,989	6,463,135
Current and Other Liabilities	3,223,095	(4,920)	3,218,175	3,075,329	16,065	3,091,394
Noncurrent Liabilities						
Due Within One Year	452,799	-	452,799	971,573	-	971,573
Due in More Than One Year	48,075,026	1,022,533	49,097,559	47,267,604	1,008,004	48,275,608
Total Liabilities	51,750,920	1,017,613	52,768,533	51,314,506	1,024,069	52,338,575

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

Table A - 1
Years Ended June 30, 2019 and 2018
Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	731,637	20,345	751,982	399,961	12,039	412,000
Net Position						
Net Investment in Capital Assets	8,561,960	118,361	8,680,321	6,872,332	147,283	7,019,615
Unrestricted	(22,656,815)	(529,499)	(23,186,314)	(19,204,686)	(571,266)	(19,775,952)
Total Net Position	<u>\$ (14,094,855)</u>	<u>\$ (411,138)</u>	<u>\$ (14,505,993)</u>	<u>\$ (12,332,354)</u>	<u>\$(423,983)</u>	<u>\$ (12,756,337)</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.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Table A - 2
Years Ended June 30, 2019 and 2018
Changes in Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues and Transfers						
Program Revenues						
Charges for Services	\$ -	\$ 299,633	\$ 299,633	\$ -	\$ 287,860	\$ 287,860
Operating Grants and Contribs.	5,012,476	560,953	5,573,429	4,940,941	543,941	5,484,882
Capital Grants and Contribs.	403,559	-	403,559	407,464	-	407,464

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

Table A - 2
Years Ended June 30, 2019 and 2018
Changes in Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues and Transfers						
General Revenues						
Property Taxes	7,490,203	-	7,490,203	7,591,133	-	7,591,133
Other Taxes	1,911,085	-	1,911,085	1,346,408	-	1,346,408
Grants, Subsidies and Contribs.						
Unrestricted	8,583,124	2,224	8,585,348	8,552,150	3,944	8,556,094
Investment Earnings	241,160	2,471	243,631	119,734	723	120,457
Sale of Capital Assets	368,540	-	368,540	-	-	-
Other	112,040	-	112,040	134,162	-	134,162
Transfers	(6,145)	6,145	-	-	-	-
Total Revenues and Transfers	24,116,042	871,426	24,987,468	23,091,992	836,468	23,928,460
Expenses						
Instruction	15,811,295	-	15,811,295	14,817,047	-	14,817,047
Instructional Student Support	1,565,250	-	1,565,250	2,101,796	-	2,101,796
Admin. and Fin. Support Svcs.	2,205,372	-	2,205,372	2,137,426	-	2,137,426
Operation and Maintenance						
of Plant Services	2,262,188	-	2,262,188	2,266,169	-	2,266,169
Pupil Transportation	1,190,044	-	1,190,044	1,027,498	-	1,027,498
Student Activities	620,690	-	620,690	566,938	-	566,938
Community Services	3,508	-	3,508	5,195	-	5,195
Scholarships and Awards	500	-	500	500	-	500
Interest on Long-Term Debt	341,720	-	341,720	386,173	-	386,173
Unallocated Depreciation	550,811	-	550,811	562,046	-	562,046
Food Service	-	818,588	818,588	-	884,987	884,987
Total Expenses	24,551,378	818,588	25,369,966	23,870,788	884,987	24,755,775
Increase (Decrease) in Net Position	(435,336)	52,838	(382,498)	(778,796)	(48,519)	(827,315)
Beginning Net Position						
(Restated - See Note 2)	(13,659,519)	(463,976)	(14,123,495)	(11,553,558)	(375,464)	(11,929,022)
Ending Net Position	\$ (14,094,855)	\$ (411,138)	\$ (14,505,993)	\$ (12,332,354)	\$ (423,983)	\$ (12,756,337)

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

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, 2019 and 2018
Governmental Activities

	2019		2018	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 15,811,295	\$ 12,290,059	\$ 14,817,047	\$ 11,364,090
Instructional Student Support	1,565,250	1,239,310	2,101,796	1,724,689
Admin. and Fin. Support Svcs.	2,205,372	1,967,075	2,137,426	1,878,141
Operation and Maintenance of Plant Services	2,262,188	2,052,331	2,266,169	2,084,540
Pupil Transportation	1,190,044	518,530	1,027,498	397,834
Student Activities	620,690	575,848	566,938	526,693
Community Services	3,508	2,718	5,195	5,141
Scholarships and Awards	500	500	500	500
Interest on Long-Term Debt	341,720	(61,839)	386,173	(21,291)
Unallocated Depreciation	<u>550,811</u>	<u>550,811</u>	<u>562,046</u>	<u>562,046</u>
Total Governmental Activities	<u>\$ 24,551,378</u>	19,135,343	<u>\$ 23,870,788</u>	18,522,383
Less:				
Unrestricted Grants, Subsidies		<u>(8,583,124)</u>		<u>(8,552,150)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 10,552,219</u>		<u>\$ 9,970,233</u>

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

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, 2019 and 2018
Business-Type Activities

	2019		2018	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$ 818,588</u>	\$ (41,998)	<u>\$ 884,987</u>	\$ 53,186
Add/Less:				
Investment Earnings		(2,224)		(723)
Other		(2,471)		(3,944)
Transfers		<u>(6,145)</u>		<u>-</u>
Total Business-Type Activities		<u>\$ (52,838)</u>		<u>\$ 48,519</u>

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, 2019, the School District's governmental funds reported a combined fund balance of \$9,130,498, which is a decrease of \$1,258,479. This is a decrease of \$130,055 in the general fund and a decrease of \$1,128,424 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.

**Freedom Area School District
Management's Discussion and Analysis
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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, 2019, the School District had \$19,078,423 invested in a broad range of capital assets, including land, buildings, furniture and equipment and construction in progress. This amount represents a net increase (including additions, deletions and depreciation) of \$285,988 from last year.

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

Table A - 5
Governmental Activities
Capital Assets - Net of Depreciation

	2019		2018	
	Governmental	Business- Type	Governmental	Business- Type
Land and Land Improvements	\$ 131,824	\$ -	\$ 131,824	\$ -
Buildings and Building Improvements	15,430,294	-	16,697,321	-
Furniture and Equipment	1,236,536	118,361	1,352,172	147,283
Construction in Progress	2,279,769	-	611,118	-

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

Debt Administration

As of June 30, 2019, the School District had total outstanding bond principal of \$10,980,000. This balance includes \$1,085,000 principal on the 2014 issue and \$9,895,000 principal on the 2017 issue. More detailed information of the School District's long-term liabilities is shown in the notes to the financial statements.

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

Major Financial and Program Issues

Education Programs

The 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 and middle school levels. Although our middle school has been identified as an A-TSI support school by the state due to the academic performance of one subgroup of students, our student achievement as measured by the PSSA has been moving in a positive direction in each of the assessed content areas in all tested grade levels.

Our focus for the 2019-2020 school year will include the implementation of the improvement plan that has been developed for the middle school. This plan was constructed by the staff, administration, and parents of the middle school to specifically address the needs of our lowest performing students. The plan was approved by our Board of School Directors and has the total support of our middle school staff. Although the high school has not been identified as being in need of additional support, we are using the same process used to develop the middle school improvement plan to guide a comprehensive review of the programs and systems at the high school. This process will be used to determine the need for systemic change and guide the process of implementing that change to bring improvement. This is a very exciting process that has received the support of students and staff at the high school.

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.

An area of continued district-wide focus will be the implementation of our Profile of a Bulldog. The Profile was developed by a committee that met through the fall of 2017 and included representatives from all areas of our community – students, teachers, administrators, parents, and members of the Board of School Directors. Profile of a Bulldog identifies the five characteristics that the committee feels are vital to student success in the 21st Century. The identified skills are: Communication, Collaboration, Innovation, Perseverance, and Responsibility. Throughout this school year, our focus will be on developing rubrics that describe what each of these characteristics look like and how they apply at each grade level.

The School District will also continue to focus our efforts on helping students to develop an awareness of careers and develop specific, individual plans for transitioning from high school into adult life.

Facilities

The School District has reached the conclusion of the first phase of renovations to our high school facility. This project included the replacement of all exterior doors and windows. During this work, we also identified the need to shore up the exterior brick fascia in one area of the building. This led to the renovation of a senior high English classroom, which brought significant improvement. We have also completed the renovation of our stadium facilities to better meet the long-term needs of our students and programs.

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2019**

As we move through the remainder of 2019-2020 and moving into 2020-2021, we are taking on the demolition of our facility at Big Knob. This school facility was closed in 2015 and has been vacant since that time. As a result, we are experiencing the normal degradation of the building. We are investigating and taking steps necessary to further secure the facility and begin the process of asbestos abatement and demolition.

Economic Factors and Next Year's Budget and Rates

The School District has continued to see a decrease in enrollment from 2010-11, 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.

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 36%, and as of June 30th of this year the school board has a committed PSERS fund balance of \$3,874,973 (anticipating using over \$200,000 in 2019-20) to address future mandated retirement increases.

The budget for 2019-20 is prepared during the 2018-19 fiscal year. All 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 Financial Management

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. 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, 2019**

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,276,740	\$ 309,916	\$ 10,586,656
Taxes Receivable, Net	1,356,615	-	1,356,615
Due From Other Governments	1,300,078	26,891	1,326,969
Other Receivables	371,746	-	371,746
Inventories	-	25,537	25,537
Prepaid Items	269,370	400	269,770
Long-Term Prepayments (net of amortization)	27,547	-	27,547
Capital Assets not Being Depreciated			
Land	131,824	-	131,824
Construction in Progress	2,279,769	-	2,279,769
Capital Assets, Net of Accumulated Depreciation			
Building & Building Improvements	15,430,294	-	15,430,294
Furniture & Equipment	1,236,536	118,361	1,354,897
TOTAL ASSETS	32,680,519	481,105	33,161,624
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	331,688	-	331,688
Amounts Related to OPEB - District	453,761	-	453,761
Amounts Related to OPEB - PSERS	137,974	4,083	142,057
Amounts Related to Pension	4,783,760	141,632	4,925,392
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,707,183	145,715	5,852,898
LIABILITIES			
Internal Balances	15,835	(15,835)	-
Accounts Payable	593,085	-	593,085
Accrued Interest	103,487	-	103,487
Contracts Payable	74,815	-	74,815
Accrued Salaries and Benefits	2,388,231	-	2,388,231
Payroll Deductions and Withholdings	34,491	-	34,491
Unearned Revenues	7,053	10,915	17,968
Other Current Liabilities	6,098	-	6,098
Noncurrent Liabilities:			
Due Within One Year	452,799	-	452,799
Due in More Than One Year:			
Compensated Absences	98,397	25,144	123,541
Bonds Payable	10,428,151	-	10,428,151
Other Post-Employment Benefits - District	3,733,867	-	3,733,867
Other Post-Employment Benefits - PSERS	1,407,486	41,514	1,449,000
Net Pension Liability	32,407,125	955,875	33,363,000
TOTAL LIABILITIES	51,750,920	1,017,613	52,768,533
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - District	41,854	-	41,854
Amounts Related to OPEB - PSERS	53,549	1,579	55,128
Amounts Related to Pension	636,234	18,766	655,000
TOTAL DEFERRED INFLOWS OF RESOURCES	731,637	20,345	751,982
NET POSITION			
Net Investment in Capital Assets	8,561,960	118,361	8,680,321
Unrestricted	(22,656,815)	(529,499)	(23,186,314)
TOTAL NET POSITION	\$ (14,094,855)	\$ (411,138)	\$ (14,505,993)

See Accompanying Notes

**Freedom Area School District
Statement of Activities
Year Ended June 30, 2019**

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	Total
Governmental activities:							
Instruction	\$ 15,811,295	\$ -	\$ 3,521,236	\$ -	\$ (12,290,059)	\$ -	\$ (12,290,059)
Instructional Student Support	1,565,250	-	325,940	-	(1,239,310)	-	(1,239,310)
Administrative and Financial Support Services	2,205,372	-	238,297	-	(1,967,075)	-	(1,967,075)
Operation and Maintenance of Plant Services	2,262,188	-	209,857	-	(2,052,331)	-	(2,052,331)
Pupil Transportation	1,190,044	-	671,514	-	(518,530)	-	(518,530)
Student Activities	620,690	-	44,842	-	(575,848)	-	(575,848)
Community Services	3,508	-	790	-	(2,718)	-	(2,718)
Scholarships and Awards	500	-	-	-	(500)	-	(500)
Interest on Long-Term Debt	341,720	-	-	403,559	61,839	-	61,839
Unallocated Depreciation Expense	550,811	-	-	-	(550,811)	-	(550,811)
Total Governmental Activities	24,551,378	-	5,012,476	403,559	(19,135,343)	-	(19,135,343)
Business-type activities:							
Food Service	818,588	299,633	560,953	-	-	41,998	41,998
Total Primary Government	\$ 25,369,966	\$ 299,633	\$ 5,573,429	\$ 403,559	(19,135,343)	41,998	(19,093,345)
General Revenues and Transfers							
Taxes							
Property Taxes Levied for General Purposes, Net					7,989,777	-	7,989,777
Earned Income Taxes					1,253,117	-	1,253,117
Real Estate Transfer Taxes					132,796	-	132,796
Other Taxes Levied for General Purposes, Net					25,598	-	25,598
Grants, Subsidies and Contributions not Restricted					8,583,124	2,224	8,585,348
Investment Earnings					241,160	2,471	243,631
Miscellaneous Income					112,040	-	112,040
Sale of Capital Assets					368,540	-	368,540
Transfers					(6,145)	6,145	-
Total General Revenues and Transfers					18,700,007	10,840	18,710,847
Change in Net Position					(435,336)	52,838	(382,498)
Net Position - July 1, 2018 (Restated - See Note 2)					(13,659,519)	(463,976)	(14,123,495)
Net Position - June 30, 2019					\$ (14,094,855)	\$ (411,138)	\$ (14,505,993)

See Accompanying Notes

**Freedom Area School District
Balance Sheet
Governmental Funds
June 30, 2019**

	General Fund	Capital Projects Fund	Exhibit 3 Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,961,486	\$ 2,315,254	\$ 10,276,740
Taxes Receivable, Net	1,356,615	-	1,356,615
Due from Other Funds	10,000	666,930	676,930
Due from Other Governments	1,300,078	-	1,300,078
Other Receivables	27,175	334,571	361,746
Prepaid Items	269,370	-	269,370
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 10,924,724	\$ 3,316,755	\$ 14,241,479
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ 682,765	\$ -	\$ 682,765
Accounts Payable	497,523	95,562	593,085
Contracts Payable	-	74,815	74,815
Accrued Salaries and Benefits	2,388,231	-	2,388,231
Payroll Deductions and Withholdings	34,491	-	34,491
Unearned Revenues	7,053	-	7,053
Other Current Liabilities	6,098	-	6,098
	<hr/>	<hr/>	<hr/>
Total Liabilities	3,616,161	170,377	3,786,538
	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	992,943	-	992,943
Unavailable Revenues - Sale of Property	-	331,500	331,500
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	992,943	331,500	1,324,443
	<hr/>	<hr/>	<hr/>
Fund Balances			
Nonspendable	269,370	-	269,370
Restricted	-	2,814,878	2,814,878
Committed	4,286,737	-	4,286,737
Unassigned	1,759,513	-	1,759,513
	<hr/>	<hr/>	<hr/>
Total Fund Balances	6,315,620	2,814,878	9,130,498
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,924,724	\$ 3,316,755	\$ 14,241,479
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes

**Freedom Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019**

Exhibit 4

Total Fund Balances - Governmental Funds \$ 9,130,498

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$48,352,519, and the accumulated depreciation is \$29,274,096. 19,078,423

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported as assets in governmental funds. 992,943

Receivables related to the sale of property will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported as assets in governmental funds. 331,500

Discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. 131,849

Deferred charges on refunding bonds issued are amortized over the life of the bonds as deferred outflows of resources in the statement of net position. 331,688

Long-term prepaid insurance on bonds are expenditures in the funds but are recorded as assets and expensed over the policy period. 27,547

Long-term liabilities, including bonds payable, 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	\$ (10,980,000)	
Accrued Interest on the Bonds	(103,487)	
Compensated Absences	<u>(131,196)</u>	(11,214,683)

**Freedom Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019**

Exhibit 4

Some liabilities including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

OPEB Liability - District	(3,733,867)	
OPEB Liability - PSERS	(1,407,486)	
Net Pension Liability	<u>(32,407,125)</u>	(37,548,478)

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

Deferred Outflows of Resources Related to Pensions	4,783,760	
Deferred Inflows of Resources Related to Pensions	(636,234)	
Deferred Outflows of Resources Related to OPEB - District	453,761	
Deferred Outflows of Resources Related to OPEB - PSERS	137,974	
Deferred Inflows of Resources Related to OPEB - District	(41,854)	
Deferred Inflows of Resources Related to OPEB - PSERS	<u>(53,549)</u>	<u>4,643,858</u>

Total Net Position - Governmental Activities		<u>\$ (14,094,855)</u>
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See Accompanying Notes

**Freedom Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019**

Exhibit 5

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 9,876,162	\$ 55,706	\$ 9,931,868
State Sources	13,232,770	-	13,232,770
Federal Sources	508,484	-	508,484
	<u>23,617,416</u>	<u>55,706</u>	<u>23,673,122</u>
Total Revenues	<u>23,617,416</u>	<u>55,706</u>	<u>23,673,122</u>
Expenditures			
Instruction	14,187,465	-	14,187,465
Support Services	6,788,853	-	6,788,853
Noninstructional Services	605,994	-	605,994
Capital Outlay	149,739	1,959,630	2,109,369
Debt Service (Principal & Interest)	1,270,815	-	1,270,815
	<u>23,002,866</u>	<u>1,959,630</u>	<u>24,962,496</u>
Total Expenditures	<u>23,002,866</u>	<u>1,959,630</u>	<u>24,962,496</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>614,550</u>	<u>(1,903,924)</u>	<u>(1,289,374)</u>
Other Financing Sources (Uses)			
Transfers In	-	750,000	750,000
Sale/Compensation for Fixed Assets	11,540	25,500	37,040
Transfers Out	(756,145)	-	(756,145)
	<u>(744,605)</u>	<u>775,500</u>	<u>30,895</u>
Total Other Financing Sources (Uses)	<u>(744,605)</u>	<u>775,500</u>	<u>30,895</u>
Net Changes in Fund Balances	<u>(130,055)</u>	<u>(1,128,424)</u>	<u>(1,258,479)</u>
Fund Balances - July 1, 2018	<u>6,445,675</u>	<u>3,943,302</u>	<u>10,388,977</u>
Fund Balances - June 30, 2019	<u>\$ 6,315,620</u>	<u>\$ 2,814,878</u>	<u>\$ 9,130,498</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, 2019**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ (1,258,479)

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	\$ (1,405,130)	
Capital Outlays	1,724,632	
Net Book Value of Assets Retired	(33,514)	285,988

Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year.

412,025

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

940,103

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 governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	(5,317)	
Other Post-Employment Benefits - PSERS	4,104	
Other Post-Employment Benefits - District	(121,437)	(122,650)

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 12,543

**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, 2019**

Exhibit 6

Bond discount, premium and deferred charges on bonds 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, Premium and Deferred Loss on Refunding	(23,551)
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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

District Pension Contributions to PSERS	2,977,508	
Cost of Benefits Earned	<u>(3,658,823)</u>	<u>(681,315)</u>

Change in Net Position of Governmental Activities	<u>\$ (435,336)</u>
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See Accompanying Notes

**Freedom Area School District
Statement of Net Position
Proprietary Funds
June 30, 2019**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 309,916
Due From Other Funds	15,835
Due From Other Governments	26,891
Inventories	25,537
Prepaid Items	<u>400</u>
Total Current Assets	<u>378,579</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>118,361</u>
TOTAL ASSETS	<u>496,940</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	141,632
Amounts Related to OPEB - PSERS	<u>4,083</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>145,715</u>
LIABILITIES	
Current Liabilities	
Unearned Revenues	<u>10,915</u>
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	25,144
Net OPEB Liability - PSERS	41,514
Net Pension Liability	<u>955,875</u>
Total Noncurrent Liabilities	<u>1,022,533</u>
TOTAL LIABILITIES	<u>1,033,448</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	18,766
Amounts Related to OPEB - PSERS	<u>1,579</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>20,345</u>
NET POSITION	
Invested in Capital Assets	118,361
Unrestricted	<u>(529,499)</u>
TOTAL NET POSITION	<u><u>\$ (411,138)</u></u>

See Accompanying Notes

Freedom Area School District
Statement of Revenues, Expenditures and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2019

Exhibit 8

	Food Service Fund
Operating Revenues	
Charges for Services	\$ 299,633
<hr/>	
Operating Expenses	
Salaries	257,175
Employee Benefits	164,219
Purchased Property Services	8,317
Other Purchased Services	1,025
Supplies	351,798
Depreciation	35,797
Dues and Fees	257
<hr/>	
Total Operating Expenses	818,588
<hr/>	
Operating Income (Loss)	(518,955)
<hr/>	
Nonoperating Revenues (Expenses)	
Earnings on Investments	2,471
Contributions and Donations	2,224
State Sources	82,755
Federal Sources	478,198
<hr/>	
Total Nonoperating Revenues (Expenses)	565,648
<hr/>	
Income Before Transfers	46,693
<hr/>	
Transfers In (Out)	6,145
<hr/>	
Change in Net Position	52,838
<hr/>	
Net Position - July 1, 2018 (Restated - See Note 2)	(463,976)
<hr/>	
Net Position - June 30, 2019	\$ (411,138)
<hr/>	

See Accompanying Notes

**Freedom Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019**

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 296,493
Cash Payments to Employees for Services	(421,278)
Cash Payments to Suppliers for Goods and Services	(303,708)
Cash Payments for Other Operating Expenses	<u>(257)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(428,750)</u>
Cash Flows From Non-Capital Financing Activities	
Local Sources	2,224
State Sources	82,755
Federal Sources	415,314
Operating Transfers In (Out) Primary Government	<u>(14,565)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>485,728</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(6,875)</u>
Cash Flows From Investing Activities	
Earnings on Investments	<u>2,471</u>
Net Increase (Decrease) in Cash and Cash Flows	52,574
Cash and Cash Equivalents - July 1, 2018	<u>257,342</u>
Cash and Cash Equivalents - June 30, 2019	<u><u>\$ 309,916</u></u>

**Freedom Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019**

Exhibit 9

		Food Service Fund
Operating Income (Loss)	\$	(518,955)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation and Net Amortization		35,797
Change in Pensions and OPEB Liability		135
Donated Commodities		62,884
(Increase) Decrease in Accounts Receivable		(1,806)
(Increase) Decrease in Inventories		(1,236)
(Increase) Decrease in Prepaid Items		(400)
Increase (Decrease) in Accounts Payable		(3,816)
Increase (Decrease) in Accrued Salaries Benefits		(19)
Increase (Decrease) in Deferred Revenue		(10)
Increase (Decrease) in Other Current Liabilities		<u>(1,324)</u>
 Total Adjustments		 <u>90,205</u>
 Cash Provided by (Used for) Operating Activities	 \$	 <u><u>(428,750)</u></u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2019, the School District received \$62,884 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, 2019**

Exhibit 10

	Private Purpose Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 206,410	\$ 59,586
Other Receivables	<u>1,023</u>	<u>-</u>
TOTAL ASSETS	<u>207,433</u>	<u>59,586</u>
LIABILITIES		
Due to Other Funds	10,000	-
Other Current Liabilities	<u>-</u>	<u>59,586</u>
TOTAL LIABILITIES	<u>10,000</u>	<u>59,586</u>
NET POSITION		
Restricted	<u>\$ 197,433</u>	<u>\$ -</u>

See Accompanying Notes

**Freedom Area School District
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2019**

Exhibit 11

	Private Purpose Trust Fund
Additions	
Interest	\$ 4,550
Deductions	
Scholarships Awarded	-
	10,000
Change in Net Position	(5,450)
Net Position - July 1, 2018	202,883
Net Position - June 30, 2019	\$ 197,433

See Accompanying Notes

Freedom Area School District
Notes to Financial Statements
June 30, 2019

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.

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 the following major governmental funds and fund types:

Freedom Area School District
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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 financial resources accumulated and payments made for the acquisition and improvement of sites, construction and remodeling of facilities, and procurement 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:

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.

Freedom Area School District
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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.

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.

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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, 2019 was \$455,926, which has been reported in the School District's general fund.

The School District has no equity interest in CTC as of June 30, 2019. Complete financial statements for CTC can be obtained from the administrative offices at 145 Poplar Drive, Monaca, Pennsylvania 15061.

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, 2019. 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.

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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. There were no supplemental budgetary appropriations made during the year ended June 30, 2019.

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, 2019 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 Items

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, 2019**

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 5-12 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.

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.

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Notes to Financial Statements
June 30, 2019

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. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

O. 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 four 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. In addition, in the government-wide statement of net position, the School District reports deferred outflows of resources as they relate to the cost-sharing defined benefit plan and other post-employment benefits. The School District reports no deferred outflows of resources in the fund financial statements.

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 two items reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan and other post-employment benefits. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

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Notes to Financial Statements
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P. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three 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, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

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.

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Notes to Financial Statements
June 30, 2019**

Note 2 - Restatement of Beginning Net Position

Freedom Area School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of July 1, 2017 for the District-Wide OPEB Plan. As of July 1, 2018, the beginning net position was restated to properly correct the liability and related deferred outflows and inflows in relation to the PSERS Other Post-Employment Benefit portion. The results of the restatements are summarized below.

	Governmental Activities	Business- Type Activities
Net Position, July 1, 2018 (Previously Reported)	\$ (12,332,354)	\$ (423,983)
Adjustment to properly state the liability of employers for defined benefit other post-employment benefit plans, measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the OPEB Plan's fiduciary net position.	(1,327,165)	(39,993)
Restated Net Position, July 1, 2018	\$ (13,659,519)	\$ (463,976)

Note 3 – Fund Balance Classifications

The purposes of restricted, committed and assigned fund balance as of June 30, 2019, are as follows:

1. The restricted fund balance of \$2,814,878 in the capital projects fund is restricted for building renovations.
2. The nonspendable and committed fund balances in the general fund of \$269,370 and \$4,286,737, respectively are:

	Nonspendable	Committed
a. Prepaid Items	\$ 269,370	\$ -
b. Retirement Expenditures	-	3,864,973
c. 1-to-1 Computer Program	-	99,095
d. Curriculum/Professional Development	-	150,000
e. Physical Plant Project	-	172,669
	\$ 269,370	\$4,286,737

**Freedom Area School District
Notes to Financial Statements
June 30, 2019**

Note 4 - 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.

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, 2019, \$4,831,338 of the School District's bank balance of \$5,816,338 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>\$4,831,338</u>
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As of June 30, 2019, the School District had the following investments:

Investments	Fair Value
PSDLAF	\$ 4,694,142
PA Invest	<u>432,605</u>
	<u>\$ 5,126,747</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 Risks - 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.

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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, 2019 under this hierarchy.

Note 5 - 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 2018/2019 was 61.30 mills (\$61.30 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2018/2019 is as follows:

Tax Levy Date	July 1, 2018
2% Discount Period	Through August 31, 2018
Face Payment Period	September 1 – October 31, 2018
10% Penalty Period	November 1 Until December 31, 2018
Lien Filing Date	January 15, 2019

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 \$992,943 along with other taxes receivable of \$363,672.

Freedom Area School District
Notes to Financial Statements
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Note 6 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2019, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Activities	Totals
Federal (through the state)	\$ 183,116	\$ -	\$ 183,116
State	1,040,800	-	1,040,800
Local	<u>76,162</u>	<u>26,891</u>	<u>103,053</u>
	<u>\$ 1,300,078</u>	<u>\$ 26,891</u>	<u>\$ 1,326,969</u>

Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 07/01/18	Additions	Disposals	Balance 06/30/19
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 131,824	\$ -	\$ -	\$ 131,824
Construction in Progress	<u>611,118</u>	<u>1,668,651</u>	<u>-</u>	<u>2,279,769</u>
Total Capital Assets not Being Depreciated	<u>742,942</u>	<u>1,668,651</u>	<u>-</u>	<u>2,411,593</u>
Capital Assets Being Depreciated				
Buildings and Building Improv.	40,755,201	-	-	40,755,201
Furniture and Equipment	<u>5,163,258</u>	<u>55,981</u>	<u>33,514</u>	<u>5,185,725</u>
Total Capital Assets Being Depreciated	<u>45,918,459</u>	<u>55,981</u>	<u>33,514</u>	<u>45,940,926</u>
Less Accumulated Depreciation				
Buildings and Building Improv.	24,057,880	1,267,027	-	25,324,907
Furniture and Equipment	<u>3,811,086</u>	<u>138,103</u>	<u>-</u>	<u>3,949,189</u>
Total Accumulated Depreciation	<u>27,868,966</u>	<u>1,405,130</u>	<u>-</u>	<u>29,274,096</u>
Total Capital Assets Being Depreciated, Net	<u>18,049,493</u>	<u>(1,349,149)</u>	<u>33,514</u>	<u>16,666,830</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,792,435</u>	<u>\$ 319,502</u>	<u>\$ 33,514</u>	<u>\$ 19,078,423</u>

**Freedom Area School District
Notes to Financial Statements
June 30, 2019**

	Balance 07/01/18	Additions	Disposals	Balance 06/30/19
Business-Type Activities				
Furniture and Equipment	\$ 377,626	\$ 6,875	\$ -	\$ 384,501
Less Accumulated Depreciation and Equipment	<u>230,343</u>	<u>35,797</u>	<u>-</u>	<u>266,140</u>
Business-Type Activities Capital Assets, Net	<u>\$ 147,283</u>	<u>\$ (28,922)</u>	<u>\$ -</u>	<u>\$ 118,361</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 639,334
Instructional Student Support	68,851
Administration and Financial Support Services	67,446
Operation and Maintenance of Plant Services	75,877
Student Activities	2,811
Unallocated Depreciation Expense	<u>550,811</u>
Total Depreciation Expense	<u>\$ 1,405,130</u>
Business-Type Activities - Food Service	<u>\$ 35,797</u>

Note 8 - Interfund Balances

At June 30, 2019, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 10,000	\$ 682,765
Capital Project Fund	666,930	-
Proprietary Fund		
Food Service	15,835	-
Fiduciary Fund		
Private Purpose Trust	<u>-</u>	<u>10,000</u>
	<u>\$ 692,765</u>	<u>\$ 692,765</u>

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.

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Notes to Financial Statements
June 30, 2019**

Note 9 - Interfund Transfers

For the year ended June 30, 2019, interfund transfers consisted of the following:

<u>Transfers To</u>	<u>Transfer From General Fund</u>
Capital Projects Fund	\$ 750,000
Proprietary Fund	
Food Service Fund	6,145
	\$ 756,145

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

Note 10 - Long-Term Liabilities

Long-term liability for the year ended June 30, 2019 was as follows:

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 11,815,000	\$ -	\$ 835,000	\$ 10,980,000	\$ 420,000
Less: Bond Discount	(138,060)	-	(6,211)	(131,849)	-
Total Bonds Payable	11,676,940	-	828,789	10,848,151	420,000
Capital Leases Payable	105,103	-	105,103	-	-
Compensated Absences	125,879	5,317	-	131,196	32,799
Governmental Activities					
Long-Term Liabilities	\$ 11,907,922	\$ 5,317	\$ 933,892	\$ 10,979,347	\$ 452,799
Business-Type Activities					
Compensated Absences	\$ 25,163	\$ 219	\$ -	\$ 25,382	\$ -

**Freedom Area School District
Notes to Financial Statements
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General Obligation Bonds

2014 General Obligation Bonds in the amount of \$10,000,000, partially refunded on September 12, 2017, due in annual installments of \$5,000 to \$370,000, beginning March 1, 2018 through March 1, 2020; interest from 2.0% to 2.5%	\$ 1,085,000
2017 General Obligation Bonds in the amount of \$10,000,000, due in annual installments of \$40,000 to \$695,000, beginning March 1, 2018 through March 1, 2040; interest from 1.0% to 3.375%	<u>9,895,000</u>
	<u><u>\$ 10,980,000</u></u>

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

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2019, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds		Totals
	Principal	Interest	
	(On Issuance Amount)		
2020	\$ 420,000	\$ 310,460	\$ 730,460
2021	425,000	302,546	727,546
2022	435,000	293,148	728,148
2023	445,000	282,596	727,596
2024	455,000	273,698	728,698
2025-2029	2,435,000	1,211,012	3,646,012
2030-2034	2,795,000	832,188	3,627,188
2035-2039	3,265,000	376,168	3,641,168
2040	305,000	10,294	315,294
	<u>\$10,980,000</u>	<u>\$ 3,892,110</u>	<u>\$ 14,872,110</u>

The School District was obligated for the purchase of computer equipment through capital leasing arrangements. During the year ended June 30, 2019, in accordance with the leasing agreement, the capital lease was paid in full.

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Note 11 - 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.

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.psers.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.

Freedom Area School District
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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.

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, 2019 was 32.60% 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 \$3,065,864 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$33,363,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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.

**Freedom Area School District
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At June 30, 2019, the School District's proportion was 0.0695%, which was an increase of 0.0014% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$3,748,297. At June 30, 2019, 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
Difference between expected and actual experience	\$ 269,000	\$ 516,000
Net difference between projected and actual investment earnings	164,000	-
Change in assumptions	622,000	-
Changes in proportions	743,000	139,000
Difference between employer contributions and proportionate share of total contributions	61,528	-
Contributions subsequent to the measurement date	<u>3,065,864</u>	<u>-</u>
	<u>\$ 4,925,392</u>	<u>\$ 655,000</u>

\$3,065,864 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, 2020. 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,	
2020	\$ 990,420
2021	498,545
2022	(164,691)
2023	<u>(119,746)</u>
	<u>\$ 1,204,528</u>

**Freedom Area School District
Notes to Financial Statements
June 30, 2019**

1. Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability at June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - 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 based on 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, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>-20.0%</u>	0.9%
	<u>100%</u>	

**Freedom Area School District
Notes to Financial Statements
June 30, 2019**

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, 2018.

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%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 41,356	\$ 33,363	\$ 26,605

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.pa.gov.

Note 12 - 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, 2019 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.

Freedom Area School District
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Note 13 – On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2019 was \$2,275,656.

This includes \$1,867,138 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 \$408,518 to the federal government for social security and Medicare taxes for the year ended June 30, 2019. 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 14 – 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 \$2,140,441 and \$2,139,594 for the years ended June 30, 2019 and 2018, respectively.

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, 2019, the net position of the Consortium was \$2,364,019, of which \$178,720 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 15 - Other Post-Employment Benefit 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 staff. 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.

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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.

Medical Benefits

In accordance with Pennsylvania law, the School District is required to allow all employees to retire at any time and elect to remain in the School District plan provided they pay 102% of the premium rate. Medical, dental and vision coverages are all available up to the age of 65 only.

Teachers

A retirement incentive for teachers became effective September 1, 2015. Through this incentive, an eligible teacher can continue coverage in the medical plan as follows: Teachers with either single or husband/wife coverage will be able to “spend down” an account that is established at retirement in the amount of \$30,000.

A retiree has two options regarding their \$30,000 account: they can either choose to have the School District pay the full premium or they can choose to have \$500 per month deducted from their account and the retiree contributes the difference between the \$500 and the current premium. In either case, the applicable amount is deducted from the retirees’ account until the \$30,000 has been exhausted.

For retirees with dependent children, the benefit is the same as above except that the retiree must contribute the difference; between parent/child(ren) coverage if the retiree is single; and the difference between family coverage and husband/wife coverage if the tier is family.

There was an incentive in place prior to September 1, 2015. Under this incentive, benefits were the same as the current incentive except that the initial amounts were \$30,000 for single coverage and \$45,000 for husband/wife coverage.

Teachers must attain at least age 50 in order to be eligible for post-retirement medical benefits. Teachers are provided with post-retirement medical benefits for a maximum of five years. Retiree coverage ends at age 65, death or qualification for Medicare, whichever occurs first. Spousal coverage ends at age 65, death, coverage for Medicare or retiree’s age 65, if earlier.

Administrators

Under the current administrator contract, which expires in 2022, administrators who were hired prior to July 1, 2007 have the same benefits as under the teachers’ contract that was in effect prior to September 1, 2015. Administrators who were hired on or after July 1, 2007 have the same benefits as under the current teachers’ contract.

Administrators who were hired prior to July 1, 2007 must attain at least age 50 in order to be eligible for post-retirement medical benefits. Administrators who were hired on or after July 1, 2007 must attain at least age 60 and attain PSERS superannuation in order to be eligible for post-retirement medical benefits.

Administrators who were hired before July 1, 2007 are provided with post-retirement medical benefits for a maximum of five years. Retiree coverage ends at age 65, death or qualification for Medicare, whichever occurs first. Spousal coverage ends at age 65, death, coverage for Medicare or retiree’s age 65, if earlier.

**Freedom Area School District
Notes to Financial Statements
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Administrators who were hired on or after July 1, 2007 are provided with one year of post-retirement medical coverage for each five years of service. Retiree coverage ends at age 65, death, or qualification for Medicare, whichever occurs first. Spousal coverage ends at age 65, death, coverage for Medicare or retiree's age 65, if earlier.

Support Staff

Benefits for support staff mirror those of the teachers. The only difference is that the retiree must have also had 15 years of service with the School District and has to have been enrolled in the medical plan for 10 years prior to retirement.

Special Contracts

The superintendent and the business manager have individual contracts. Details relating to their post-retirement medical benefits can be found in the contracts.

Dental/Vision

Retirees are also eligible for dental and/or vision benefits.

Retirees must pay the entire cost of dental and/or vision benefits. Since retirees are required to pay for the cost of these benefits, the School District has no long-term liability for providing this benefit.

Life Insurance

Retirees are also eligible for life insurance benefits. Since retirees are required to pay for the cost of these benefits, the School District has no long-term liability for providing this benefit.

Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Active employees	<u>130</u>
	<u>142</u>

B. Total OPEB Liability

The School District's total OPEB liability of \$3,733,867 was measured as of July 1, 2018 and was determined by an actuarial valuation as of July 1, 2017. Standard roll-forward techniques were used to roll-forward the liability from the valuation date to the measurement date using updated assumptions.

**Freedom Area School District
Notes to Financial Statements
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C. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation roll-forward was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	2.50%
Discount Rate	3.87%
Healthcare Cost Trend Rates	7.00% for 2018/2019, decreasing 0.25% per year to an ultimate rate of 4.50%

The discount rate was based on the Bond Buyers 20-Bond Index.

Mortality rates were based on the RPH-2014 Total Dataset Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation roll-forward were selected using input from the School District based upon actual experience.

D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 3,680,096
Changes for the year:	
Service Cost	144,012
Interest	131,747
Changes of assumptions or other inputs	(44,644)
Benefit Payments	<u>(177,344)</u>
Net Changes	<u>53,771</u>
Balance at June 30, 2019	<u><u>\$ 3,733,867</u></u>

E. Changes of Assumptions and Other Inputs

- Changed the discount rate from 3.58% to 3.87%

Freedom Area School District
Notes to Financial Statements
June 30, 2019

F. Sensitivity of the Total Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1.00% Decrease 2.87%	Current Discount Rate 3.87%	1.00% Increase 4.87%
Total OPEB Liability	\$ 3,806,667	\$ 3,733,867	\$ 3,554,068

G. Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 3,354,719	\$ 3,733,867	\$ 4,170,744

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the School District recognized OPEB Expense of \$293,118.

At June 30, 2019, the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,330	\$ -
Change in assumptions	197,750	41,854
Benefit payments subsequent to the measurement date	171,681	-
	\$ 453,761	\$ 41,854

**Freedom Area School District
Notes to Financial Statements
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The \$171,681 amount reported as deferred outflows of resources resulting from the School District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ 17,359
2021	17,359
2022	17,359
2023	17,359
2024	17,359
Thereafter	<u>153,431</u>
	<u>\$ 240,226</u>

Note 16 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

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2. Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program

3. Pension Plan Description

PSERS is a governmental cost-sharing multiple-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.psers.pa.gov.

4. Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 0.83% 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 OPEB plan from the School District were \$78,057 for the year ended June 30, 2019.

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the School District reported a liability of \$1,449,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The School District's proportion of the net OPEB 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, 2019, the School District's proportion was 0.0695%, which was an increase of 0.0014% from its proportion measured as of June 30, 2018.

**Freedom Area School District
Notes to Financial Statements
June 30, 2019**

For the year ended June 30, 2019, the School District recognized OPEB expense of \$72,970. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,000	\$ -
Changes in assumptions	23,000	55,000
Net difference between projected and actual investment earnings	2,000	-
Changes in proportions	30,000	-
Difference between employer contributions and proportionate share of total contributions	-	128
Contributions subsequent to the measurement date	<u>78,057</u>	<u>-</u>
	<u>\$ 142,057</u>	<u>\$ 55,128</u>

\$78,057 reported as deferred outflows of resources related to OPEB 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ (30)
2021	(30)
2022	(30)
2023	(38)
2024	-
Thereafter	<u>9,000</u>
	<u>\$ 8,872</u>

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability at June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98%, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.

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- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on 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.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.20%
Non-US Developed Fixed	<u>1.3%</u>	0.04%
	<u>100%</u>	

**Freedom Area School District
Notes to Financial Statements
June 30, 2019**

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, 2018.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

3. Sensitivity of System Net OPEB Liability to Change in the Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00% Decrease	Current	1.00% Increase
System net OPEB Liability	\$ 1,449	\$ 1,449	\$ 1,449

**Freedom Area School District
Notes to Financial Statements
June 30, 2019**

4. Sensitivity of School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98%) or 1 percentage point higher (3.98%) than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	1.98%	2.98%	3.98%
School District's proportionate share of the net OPEB liability	\$ 1,648	\$ 1,449	\$ 1,284

5. OPEB 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.pa.gov.

**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, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 7,391,795	\$ 7,391,795	\$ 7,408,594	\$ 16,799
Public Utility Realty Taxes	8,000	8,000	8,710	710
Payments in Lieu of Current Taxes	3,000	3,000	1,084	(1,916)
Local Services Taxes	11,000	11,000	15,489	4,489
Earned Income Taxes	1,160,000	1,160,000	1,225,920	65,920
Real Estate Transfer Taxes	93,000	93,000	132,796	39,796
Delinquencies on Taxes	460,100	460,100	528,170	68,070
Earnings on Investments	55,000	121,564	185,454	63,890
Other Local Revenues				
Revenue from Student Activities	22,000	22,000	23,700	1,700
Federal Revenues from IU	209,000	211,025	226,115	15,090
Contributions & Donations from Private Sources	-	18,364	8,242	(10,122)
Rentals	55,200	55,200	51,669	(3,531)
Admissions	24,000	24,000	27,336	3,336
Tuition from other LEAS	-	-	10,948	10,948
Transportation Fees	-	-	12,600	12,600
Miscellaneous Revenue	13,000	13,000	9,335	(3,665)
Total Revenues from Local Sources	<u>9,505,095</u>	<u>9,592,048</u>	<u>9,876,162</u>	<u>284,114</u>
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	8,083,284	8,074,057	8,073,997	(60)
Tuition	600	600	10,565	9,965
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,060,156	1,049,819	1,049,993	174
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	620,000	600,000	656,505	56,505
Rentals & Sinking Fund Payments	430,000	403,000	403,559	559
Ready to Learn Block Grant	268,806	268,806	268,806	-
Health Services	29,000	29,000	24,855	(4,145)
State Property Tax Reduction	500,885	500,885	500,885	-
Safe Schools	-	25,000	24,005	(995)
Social Security Payments	421,000	421,000	397,378	(23,622)
State Retirement Revenue	1,839,000	1,839,000	1,822,222	(16,778)
Total Revenues from State Sources	<u>13,252,731</u>	<u>13,211,167</u>	<u>13,232,770</u>	<u>21,603</u>

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Federal Sources				
Gov't. through the Commonwealth				
Title I	340,000	340,000	327,459	(12,541)
Title II	50,000	50,000	44,897	(5,103)
Title IV	10,000	25,672	25,672	-
Title XIX	4,000	4,000	8,634	4,634
Medical Assistance	70,000	70,000	101,822	31,822
Total Revenues from Federal Sources	<u>474,000</u>	<u>489,672</u>	<u>508,484</u>	<u>18,812</u>
Total Revenues	<u>23,231,826</u>	<u>23,292,887</u>	<u>23,617,416</u>	<u>324,529</u>
Other Financing Sources				
Proceeds from Extended-Term Financing	20,000	20,000	-	(20,000)
Sale of Capital Assets	-	11,539	11,540	1
Total Other Financing Sources	<u>20,000</u>	<u>31,539</u>	<u>11,540</u>	<u>(19,999)</u>
Total Revenues and Other Financing Sources	<u>23,251,826</u>	<u>23,324,426</u>	<u>23,628,956</u>	<u>304,530</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	5,341,681	5,259,956	5,259,559	397
Employee Benefits	3,810,954	3,746,101	3,677,568	68,533
Purchased Prof. and Tech. Services	144,500	184,500	169,536	14,964
Purchased Property Services	8,715	7,440	7,344	96
Other Purchased Services	658,200	717,575	712,761	4,814
Supplies	504,110	431,265	303,240	128,025
Property	143,300	152,755	150,829	1,926
Other Objects	4,500	4,500	2,820	1,680
Total Regular Programs	<u>10,615,960</u>	<u>10,504,092</u>	<u>10,283,657</u>	<u>220,435</u>
Special Programs				
Personal Services				
Salaries	1,207,455	1,189,948	1,144,141	45,807
Employee Benefits	785,121	800,665	750,429	50,236
Purchased Prof. and Tech. Services	424,100	518,395	501,000	17,395
Purchased Property Services	500	500	83	417

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Purchased Services	953,000	1,028,812	1,013,336	15,476
Supplies	39,400	32,925	29,862	3,063
Other Objects	2,600	2,600	1,250	1,350
Total Special Programs	3,412,176	3,573,845	3,440,101	133,744
Vocational Education Programs				
Other Purchased Services	450,000	456,310	455,926	384
Other Instructional Programs				
Personal Services				
Salaries	8,000	8,000	1,673	6,327
Employee Benefits	3,334	3,334	696	2,638
Other Purchased Services	15,000	12,690	36	12,654
Total Other Instructional Programs	26,334	24,024	2,405	21,619
Nonpublic School Programs				
Purchased Prof. and Tech. Services	1,000	3,376	3,376	-
Pre-Kindergarten				
Personal Services				
Salaries	-	2,000	2,000	-
Total Instruction	14,505,470	14,563,647	14,187,465	376,182
Support Services				
Pupil Personnel				
Personal Services				
Salaries	487,314	488,669	488,565	104
Employee Benefits	326,849	325,996	313,114	12,882
Purchased Prof. and Tech. Services	69,780	69,780	66,234	3,546
Other Purchased Services	-	448	344	104
Supplies	25,000	21,850	14,679	7,171
Total Pupil Personnel	908,943	906,743	882,936	23,807

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Instructional Staff				
Personal Services				
Salaries	215,942	215,942	205,930	10,012
Employee Benefits	143,439	165,439	131,327	34,112
Purchased Prof. and Tech. Services	58,000	46,750	18,930	27,820
Other Purchased Services	-	5,500	4,724	776
Supplies	23,100	22,545	16,829	5,716
Total Instructional Staff	440,481	456,176	377,740	78,436
Administration				
Personal Services				
Salaries	748,409	737,409	712,654	24,755
Employee Benefits	491,649	491,649	456,933	34,716
Purchased Prof. and Tech. Services	22,800	42,800	41,872	928
Purchased Property Services	3,000	1,800	1,800	-
Other Purchased Services	31,850	26,850	16,504	10,346
Supplies	66,400	67,000	62,309	4,691
Other Objects	19,000	17,800	15,558	2,242
Total Administration	1,383,108	1,385,308	1,307,630	77,678
Pupil Health				
Personal Services				
Salaries	115,768	110,768	95,917	14,851
Employee Benefits	51,243	56,243	55,632	611
Purchased Prof. and Tech. Services	8,000	8,000	8,000	-
Supplies	8,500	8,500	7,734	766
Total Pupil Health	183,511	183,511	167,283	16,228
Business				
Personal Services				
Salaries	182,436	184,236	184,182	54
Employee Benefits	144,411	144,411	144,359	52
Purchased Prof. and Tech. Services	57,000	44,300	44,070	230
Other Purchased Services	3,000	1,100	1,019	81

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Supplies	5,500	5,100	3,952	1,148
Property	2,800	-	-	-
Other Objects	1,500	1,500	1,208	292
Total Business	396,647	380,647	378,790	1,857
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	772,031	772,631	772,582	49
Employee Benefits	581,551	561,156	525,300	35,856
Purchased Prof. and Tech. Services	68,300	81,000	78,492	2,508
Purchased Property Services	427,400	139,800	120,533	19,267
Other Purchased Services	105,000	97,600	97,585	15
Supplies	267,002	561,002	525,289	35,713
Total Oper. and Maint. of Plant Svcs.	2,221,284	2,213,189	2,119,781	93,408
Student Transportation Services				
Personal Services				
Salaries	10,000	10,000	10,000	-
Employee Benefits	4,168	4,168	4,132	36
Purchased Prof. and Tech. Services	6,600	4,600	4,500	100
Other Purchased Services	1,162,300	1,164,160	1,163,707	453
Property	7,000	6,840	6,832	8
Total Student Transportation Services	1,190,068	1,189,768	1,189,171	597
Central				
Personal Services				
Salaries	121,660	126,660	126,561	99
Employee Benefits	92,983	92,983	92,513	470
Purchased Prof. and Tech. Services	74,300	69,300	60,020	9,280
Purchased Property Services	44,600	45,000	44,984	16
Other Purchased Services	5,500	5,100	2,904	2,196
Supplies	39,100	29,700	26,512	3,188
Other Objects	1,000	1,000	-	1,000
Total Central	379,143	369,743	353,494	16,249

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other				
Other Purchased Services	13,000	13,000	12,028	972
Total Support Services	7,116,185	7,098,085	6,788,853	309,232
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	277,578	274,708	267,910	6,798
Employee Benefits	117,700	107,625	77,909	29,716
Purchased Prof. and Tech. Services	57,750	55,280	51,235	4,045
Purchased Property Services	8,000	8,787	8,786	1
Other Purchased Services	71,500	79,621	75,999	3,622
Supplies	89,700	98,398	93,344	5,054
Property	6,000	6,000	6,000	-
Other Objects	23,552	22,887	20,818	2,069
Total Student Activities	651,780	653,306	602,001	51,305
Community Services				
Personal Services				
Salaries	1,150	1,150	1,150	-
Employee Benefits	479	479	95	384
Purchased Prof. and Tech. Services	3,000	3,000	8	2,992
Supplies	2,000	1,100	740	360
Other Objects	1,500	1,700	1,500	200
Total Community Services	8,129	7,429	3,493	3,936
Scholarships and Awards				
Other Objects	-	500	500	-
Total Noninstructional Services	659,909	661,235	605,994	55,241

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Facilities Acquisition, Construction and Improvement Services				
Purchased Property Services	-	66,634	59,147	7,487
Supplies	58,000	21,363	21,328	35
Property	88,500	83,500	69,264	14,236
	<u>146,500</u>	<u>171,497</u>	<u>149,739</u>	<u>21,758</u>
Total Facilities Acquisition, Construction and Improvement Services				
Debt Service				
Interest	332,500	332,500	330,712	1,788
Redemption of Principal	835,000	835,000	940,103	(105,103)
	<u>1,167,500</u>	<u>1,167,500</u>	<u>1,270,815</u>	<u>(103,315)</u>
Total Debt Service				
Total Expenditures	<u>23,595,564</u>	<u>23,661,964</u>	<u>23,002,866</u>	<u>659,098</u>
Other Financing Uses				
Fund Transfers				
Food Service Fund	-	6,200	6,145	55
Capital Projects Fund	-	-	750,000	(750,000)
	<u>-</u>	<u>6,200</u>	<u>756,145</u>	<u>(749,945)</u>
Total Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>23,595,564</u>	<u>23,668,164</u>	<u>23,759,011</u>	<u>(90,847)</u>
Net Change in Fund Balance	(343,738)	(343,738)	(130,055)	213,683
Fund Balance - July 1, 2018	<u>6,038,364</u>	<u>6,038,364</u>	<u>6,445,675</u>	<u>407,311</u>
Fund Balance - June 30, 2019	<u>\$ 5,694,626</u>	<u>\$ 5,694,626</u>	<u>\$ 6,315,620</u>	<u>\$ 620,994</u>

Freedom Area School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2019

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
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Three Years**

	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability			
Service cost	\$ 144,012	\$ 207,797	\$ -
Interest	131,747	108,687	-
Differences between expected Actual Experience	-	96,378	-
Change of assumptions and other inputs	(44,644)	226,000	-
Benefit payments	<u>(177,344)</u>	<u>(302,987)</u>	<u>-</u>
Net Change in Total OPEB Liability	53,771	335,875	-
Total OPEB Liability - Beginning	<u>3,680,096</u>	<u>3,344,221</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 3,733,867</u>	<u>\$ 3,680,096</u>	<u>\$ 3,344,221</u>
Covered-Employee Payroll	\$ 7,999,104	\$ 7,804,004	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	46.68%	47.16%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2019	3.87%
2018	3.58%

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 Contributions
PSERS
Last Five Years**

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 3,063,543	\$ 2,944,434	\$ 2,589,964	\$ 2,152,760	\$ 1,760,523
Contributions in Relation to the Contractually Required Contribution	<u>3,063,543</u>	<u>2,944,434</u>	<u>2,589,964</u>	<u>2,152,760</u>	<u>1,760,523</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 9,399,580	\$ 9,364,008	\$ 9,070,453	\$ 8,728,967	\$ 8,683,267
Contributions as a Percentage of Covered Payroll	32.59%	31.44%	28.55%	24.66%	20.27%

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.

The covered-payroll amount reported for June 30, 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2019.

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0695%	0.0681%	0.0678%	0.0686%	0.0668%	0.6530%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 33,363	\$ 33,634	\$ 33,600	\$ 29,714	\$ 26,440	\$ 26,732
School District's Covered Payroll	\$ 9,364	\$ 9,070	\$ 8,729	\$ 8,683	\$ 8,529	\$ 8,374
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	356.29%	370.83%	384.92%	342.21%	310.00%	319.23%
Plan Fiduciary Net Position as a Percentage of The Total Pension Liability	54.00%	51.84%	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.

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

	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 78,057	\$ 77,803
Contributions in Relation to the Contractually Required Contribution	78,057	77,803
Contribution Deficiency (Excess)	\$ -	\$ -
School District's Covered Payroll	\$ 9,399,580	\$ 9,364,008
Contributions as a Percentage of Covered Payroll	0.83%	0.83%

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.

The covered-payroll amount reported for June 30, 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2019.

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

	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.0695%	0.0681%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,449	\$ 1,387
School District's Covered Payroll	\$ 9,364	\$ 9,070
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.47%	15.29%
Plan Fiduciary Net Position as a Percentage of The Total OPEB Liability	5.56%	5.73%

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

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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, 2019 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 3, 2019

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EXHIBIT 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***

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, 2019, 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 3, 2019.

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 3, 2019

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EXHIBIT B

**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, 2019. 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. 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 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, 2019.

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.

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 3, 2019

**Freedom Area School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report 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 2 CFR Section 200.516(a)? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

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, 2019**

EXHIBIT C

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – Status of Prior Year’s Findings

No prior year’s findings.

**Freedom Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

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 07/01/18	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/19
U.S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-190158	08/16/18-09/30/19	\$ 327,459	\$ 257,551	\$ -	\$ 327,459	\$ 327,459	\$ 69,908
Title I Improving Basic Programs	I	84.010	013-180158	08/14/17-09/30/18	355,321	25,052	25,052	-	-	-
						282,603	25,052	327,459	327,459	69,908
Title II Improving Teacher Quality	I	84.367	020-190158	08/16/18-09/30/19	44,897	38,501	-	44,897	44,897	6,396
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-190158	08/16/18-09/30/19	25,672	25,672	-	25,672	25,672	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-180158	08/14/17-09/30/18	10,000	4,286	4,286	-	-	-
						29,958	4,286	25,672	25,672	-
Special Education Cluster										
Passed through Lancaster-Lebanon IU #13										
PaTTan	I	84.027	062-190033	07/01/18-06/30/19	10,000	10,000	-	10,000	10,000	-
Passed through the Beaver IU										
IDEA B	I	84.027	N/A	07/01/18-06/30/19	207,493	173,736	-	207,493	207,493	33,757
IDEA B	I	84.027	N/A	07/01/17-06/30/18	206,287	78,196	78,196	-	-	-
IDEA B Section 619	I	84.173	N/A	07/01/18-06/30/19	2,025	-	-	2,025	2,025	2,025
IDEA B Section 619	I	84.173	N/A	07/01/17-06/30/18	2,140	2,140	2,140	-	-	-
IDEA 611 ESY	I	84.027	N/A	07/01/18-06/30/19	6,597	6,597	-	6,597	6,597	-
Subtotal Beaver IU						260,669	80,336	216,115	216,115	35,782
Subtotal Special Education Cluster						270,669	80,336	226,115	226,115	35,782
Subtotal U.S. Department of Education						621,731	109,674	624,143	624,143	112,086
U.S. Department of Health and Human Services										
Passed through the Pennsylvania										
Department of Public Welfare										
Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	N/A	N/A	5,945	2,301	8,634	8,634	4,990
U.S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	315,970	-	315,970	315,970	-
National School Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	99,344	-	99,344	99,344	-
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/18-06/30/19	N/A	62,884	-	62,884	62,884	-
Total U.S. Department of Agriculture and Nutrition Cluster						478,198	-	478,198	478,198	-
Total Federal Financial Assistance						\$ 1,105,874	\$ 111,975	\$ 1,110,975	\$ 1,110,975	\$ 117,076

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, 2019**

EXHIBIT D

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, 2019. 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

Amounts Received Per Schedule	\$ 1,105,874
Less: Commodities Received	(62,884)
Less: Passage Through AIU	(270,669)
Less: Title 19	(5,945)
Add: Medical Assistance - Access	139,251
Add: State Funding on Confirmation	<u>26,698</u>
 Per Subsidy Confirmation	 <u><u>\$ 932,325</u></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, 2019**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census