

**Freedom Area School District
Financial Statements
June 30, 2023**



**Freedom Area School District
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION		
Independent Auditor’s Report		1 – 3
Management’s Discussion and Analysis		4 – 16
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	17
Statement of Activities	2	18
Fund Financial Statements		
Balance Sheet – Governmental Funds	3	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	20 – 21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6	23 – 24
Statement of Net Position – Proprietary Funds	7	25
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds	8	26
Statement of Cash Flows – Proprietary Funds	9	27 – 28
Statement of Net Position – Fiduciary Funds	10	29
Statement of Changes in Net Position – Fiduciary Funds	11	30
Notes to Financial Statements		31 – 61
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual		62 – 68
Note to the Required Supplementary Information		69
Schedule of Changes in the Total OPEB Liability and Related Ratios		70
Schedule of School District’s Contributions – PSERS		71
Schedule of School District’s Proportionate Share of the Net Pension Liability – PSERS		72
Schedule of School District’s Contributions – PSERS OPEB Plan		73
Schedule of School District’s Proportionate Share of the Net OPEB Liability – PSERS OPEB Plan		74

**Freedom Area School District
Table of Contents**

SINGLE AUDIT SECTION

Letter of Transmittal		75
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 <i>Government Auditing Standards</i>	A	76 – 77
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	B	78 – 80
Schedule of Findings and Questioned Costs	C	81 – 82
Schedule of Expenditures of Federal Awards	D	83 – 85
List of Report Distribution	E	86

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

Independent Auditor's Report

Members of the Board
Freedom Area School District
Freedom, Pennsylvania

Opinions

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, 2023, 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.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Freedom Area School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Freedom Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of Freedom Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Freedom Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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, 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*, are presented for purposes of additional analysis 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 29, 2023, 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 solely 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 29, 2023

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2023**

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, 2023. 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 \$2,827,812 increase in expenditures during the 2022-23 school year over the 2021-22 school year. This represents approximately 11.5 percent of the prior year expenditures and 10.5 percent of the current year budget. The majority of the increase related to positions and renovations funded by the ESSER grants. The district was able to transfer \$1,865,071 to the capital project fund for current renovations to the high school and middle school roofs and HVAC, an increase of \$1,265,071 from the previous year.

The district also realized an overall increase in revenues of approximately \$3 million. Just over half of this came from an increase in State funding, namely the education subsidies (\$418k) and reimbursement for the elementary school project through PlanCon (\$865k). Almost one-third (\$973k) of the increase came from the ESSER grants and the remaining funds (\$475k) came from interest income and local taxes.

In reviewing the fund statements, you will note that the district had total expenditures and transfers out of \$27,397,833, which includes the \$1,865,071 transfer to the capital projects fund. Revenues, other sources and changes in fund balances together totaled \$28,287,529. Revenues alone totaled \$27,842,681. There was an overall increase to fund balances of \$444,848. This included an increase in the Vehicle fund balance of \$100,000, a reduction in the Band Uniform Replacement fund balance of \$91,120, a reduction in the Athletic Facility Upgrade fund balance of \$100,000, a creation of a Facility Upgrade fund balance of \$100,000 and an increase of \$435,968 in the 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, 2023**

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 custodial 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, 2023**

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

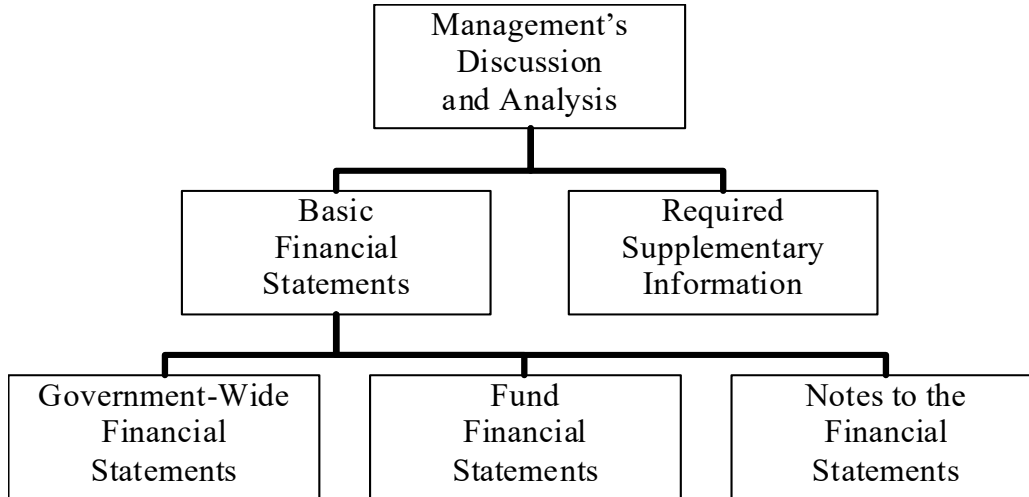


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2023**

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, 2023**

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, 2023**

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 custodial funds. All of the School District's fiduciary activities are reported in separate statement of fiduciary net position on Exhibit 10 and statement of change in net position on Exhibit 11. 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 \$(8,430,370) at June 30, 2023 and a deficit \$(12,490,163) at June 30, 2022.

Table A - 1
Years Ended June 30, 2023 and 2022
Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 17,100,158	\$ 731,526	\$ 17,831,684	\$ 16,373,032	\$ 672,807	\$ 17,045,839
Capital Assets	16,617,565	40,050	16,657,615	15,659,041	49,394	15,708,435
Total Assets	33,717,723	771,576	34,489,299	32,032,073	722,201	32,754,274
Deferred Outflows of Resources	6,058,780	134,228	6,193,008	5,604,637	125,317	5,729,954
Current and Other Liabilities	3,532,592	90,736	3,623,328	3,220,584	114,525	3,335,109
Noncurrent Liabilities						
Due Within One Year	508,112	-	508,112	500,632	-	500,632
Due in More Than One Year	41,379,698	751,195	42,130,893	39,476,080	848,109	40,324,189
Total Liabilities	45,420,402	841,931	46,262,333	43,197,296	962,634	44,159,930

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2023**

Table A - 1
Years Ended June 30, 2023 and 2022
Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	2,789,689	60,655	2,850,344	6,606,337	208,124	6,814,461
Net Position						
Net Investment in Capital Assets	7,671,907	40,050	7,711,957	6,275,244	49,394	6,324,638
Unrestricted	(16,105,495)	(36,832)	(16,142,327)	(18,442,167)	(372,634)	(18,814,801)
Total Net Position	<u>\$ (8,433,588)</u>	<u>\$ 3,218</u>	<u>\$ (8,430,370)</u>	<u>\$ (12,166,923)</u>	<u>\$(323,240)</u>	<u>\$ (12,490,163)</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, 2023 and 2022
Changes in Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 227,204	\$ 227,204	\$ -	\$ 55,395	\$ 55,395
Operating Grants and Contribs.	6,465,604	730,679	7,196,283	5,332,294	1,000,035	6,332,329
Capital Grants and Contribs.	865,071	-	865,071	-	-	-

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2023**

Table A - 2
Years Ended June 30, 2023 and 2022
Changes in Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
General Revenues						
Property Taxes	9,146,774	-	9,146,774	9,031,999	-	9,031,999
Other Taxes	1,605,868	-	1,605,868	1,569,606	-	1,569,606
Grants, Subsidies and Contribs.						
Unrestricted	9,231,720	-	9,231,720	8,749,366	-	8,749,366
Investment Earnings	436,721	3,905	440,626	24,587	470	25,057
Other	245,901	-	245,901	127,123	-	127,123
Total Revenues	27,997,659	961,788	28,959,447	24,834,975	1,055,900	25,890,875
Expenses						
Instruction	15,541,548	-	15,541,548	14,093,814	-	14,093,814
Instructional Student Support	1,585,672	-	1,585,672	1,488,819	-	1,488,819
Admin. and Fin. Support Svcs.	1,978,836	-	1,978,836	1,932,566	-	1,932,566
Operation and Maintenance						
of Plant Services	2,579,329	-	2,579,329	2,212,812	-	2,212,812
Pupil Transportation	1,263,720	-	1,263,720	1,277,822	-	1,277,822
Student Activities	589,158	-	589,158	627,359	-	627,359
Community Services	3,848	-	3,848	2,736	-	2,736
Interest on Long-Term Debt	305,137	-	305,137	312,611	-	312,611
Unallocated Depreciation	417,076	-	417,076	429,065	-	429,065
Food Service	-	635,330	635,330	-	802,382	802,382
Total Expenses	24,264,324	635,330	24,899,654	22,377,604	802,382	23,179,986
Increase (Decrease) in Net Position	3,733,335	326,458	4,059,793	2,457,371	253,518	2,710,889
Beginning Net Position	(12,166,923)	(323,240)	(12,490,163)	(14,624,294)	(576,758)	(15,201,052)
Ending Net Position	<u>\$ (8,433,588)</u>	<u>\$ 3,218</u>	<u>\$ (8,430,370)</u>	<u>\$ (12,166,923)</u>	<u>\$ (323,240)</u>	<u>\$ (12,490,163)</u>

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2023**

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, 2023 and 2022
Governmental Activities

	2023		2022	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 15,541,548	\$ 11,011,798	\$ 14,093,814	\$ 10,277,983
Instructional Student Support	1,585,672	1,031,335	1,488,819	1,150,933
Admin. and Fin. Support Svcs.	1,978,836	1,726,907	1,932,566	1,682,410
Operation and Maintenance of Plant Services	2,579,329	2,101,641	2,212,812	1,995,422
Pupil Transportation	1,263,720	663,885	1,277,822	616,877
Student Activities	589,158	537,252	627,359	577,322
Community Services	3,848	3,689	2,736	2,687
Interest on Long-Term Debt	305,137	(559,934)	312,611	312,611
Unallocated Depreciation	<u>417,076</u>	<u>417,076</u>	<u>429,065</u>	<u>429,065</u>
Total Governmental Activities	<u><u>\$ 24,264,324</u></u>	16,933,649	<u><u>\$ 22,377,604</u></u>	17,045,310
Less:				
Unrestricted Grants, Subsidies		<u>(9,231,720)</u>		<u>(8,749,366)</u>
Total Needs from Local Taxes and Other Revenues		<u><u>\$ 7,701,929</u></u>		<u><u>\$ 8,295,944</u></u>

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2023**

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, 2023 and 2022
Business-Type Activities

	2023		2022	
	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>\$ 635,330</u>	\$ (322,553)	<u>\$ 802,382</u>	\$ (253,048)
Add/Less:				
Investment Earnings		<u>(3,905)</u>		<u>(470)</u>
Total Business-Type Activities		<u>\$ (326,458)</u>		<u>\$ (253,518)</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, 2023, the School District's governmental funds reported a combined fund balance of \$12,460,012, which is an increase of \$407,935. This is an increase of \$444,848 in the general fund and a decrease of \$36,913 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
June 30, 2023**

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, 2023, the School District had \$16,559,472 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 \$979,648 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

	2023		2022	
	Governmental	Business- Type	Governmental	Business- Type
Land and Land Improvements	\$ 131,824	\$ -	\$ 131,824	\$ -
Buildings and Building Improvements	13,347,953	-	14,274,476	-
Furniture and Equipment	1,112,829	40,050	1,173,524	49,394
Construction in Progress	1,966,866	-	-	-

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, 2023, the School District had total outstanding bond principal of \$9,255,000. This balance includes \$9,255,000 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, 2023**

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. During the 2022-2023 school year, we continued focusing on our 3 priority areas: improving student achievement, reviewing, and revising K - 12 curriculum and improving communication within the district and in the community.

Teachers continue to work to review and revise K-12 curricular documents during the summer and on professional development days. In addition, principals have reduced the number of faculty meetings to allow time for teachers to work on curriculum. Teachers of math collaborated throughout the year to research two new resources to pilot prior to adoption. These resources and supporting materials are being piloted during the 2023-2024 school year. Once data on the implementation of the pilot is analyzed, a new resource will be identified and purchased, using the last of the ESSERs funding. The focus for professional development continues to be curriculum design, development of common assessments and working in an inclusive environment.

With the increase of mental illness in young children and teens, additional professional development and coaching was provided to teachers and counselors who were implementing the SEL curriculum. We continued to employ three counselors from the Prevention Network to support students in grades K - 12.

Due to the ESSERs funding coming to an end, teachers may not be provided summer days with pay to collaborate on writing curriculum. The FY25 budget is currently being developed. Student achievement has improved through the support of the extra positions funded through the ESSERs grants. However, maintaining these positions in the FY25 budget is questionable. As in the past, we continue to focus our efforts on helping students to develop an awareness of careers and develop specific, individual plans for transitioning from high school to adult life. The College and Career Readiness teacher has been working with outside stakeholders to set up internships in a variety of fields for our students.

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. This is further supported by the decrease in live births in the District over the last five years.

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%. As of June 30th of this year, the school board has a committed PSERS fund balance of \$3,864,973. While the District did not use any funds this year, the District will maintain this to address future mandated retirement increases.

The budget for 2023-24 is prepared during the 2022-23 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.

**Freedom Area School District
Management's Discussion and Analysis
June 30, 2023**

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, 2023**

	Governmental Activities	Business-type Activities	Exhibit 1 Total
ASSETS			
Cash and Cash Equivalents	\$ 13,749,639	\$ 661,973	\$ 14,411,612
Taxes Receivable, Net	1,409,289	-	1,409,289
Due From Other Governments	1,335,582	33,710	1,369,292
Other Receivables	269,165	-	269,165
Inventories	-	35,443	35,443
Prepaid Items	314,100	400	314,500
Long-Term Prepayments (net of amortization)	22,383	-	22,383
Capital Assets not Being Depreciated			
Land	131,824	-	131,824
Construction in Progress	1,966,866	-	1,966,866
Capital Assets, Net of Accumulated Depreciation			
Building & Building Improvements	13,347,953	-	13,347,953
Furniture & Equipment	1,112,829	40,050	1,152,879
Intangible Right-to-Use Assets, Net of Amortization	58,093	-	58,093
TOTAL ASSETS	33,717,723	771,576	34,489,299
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	267,492	-	267,492
Amounts Related to OPEB - District	634,652	-	634,652
Amounts Related to OPEB - PSERS	260,867	7,932	268,799
Amounts Related to Pension	4,895,769	126,296	5,022,065
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,058,780	134,228	6,193,008
LIABILITIES			
Internal Balances	(64,387)	64,387	-
Accounts Payable	774,522	-	774,522
Accrued Interest	91,233	-	91,233
Accrued Salaries and Benefits	2,573,423	-	2,573,423
Payroll Deductions and Withholdings	20,196	-	20,196
Unearned Revenues	9,901	26,349	36,250
Other Current Liabilities	127,704	-	127,704
Noncurrent Liabilities:			
Due Within One Year	508,112	-	508,112
Due in More Than One Year:			
Compensated Absences	95,574	15,548	111,122
Bonds Payable	8,692,987	-	8,692,987
Lease Payable	38,628	-	38,628
Other Post-Employment Benefits - District	3,745,156	-	3,745,156
Other Post-Employment Benefits - PSERS	1,141,329	36,671	1,178,000
Net Pension Liability	27,666,024	698,976	28,365,000
TOTAL LIABILITIES	45,420,402	841,931	46,262,333
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - District	490,282	-	490,282
Amounts Related to OPEB - PSERS	373,075	11,987	385,062
Amounts Related to Pension	1,926,332	48,668	1,975,000
TOTAL DEFERRED INFLOWS OF RESOURCES	2,789,689	60,655	2,850,344
NET POSITION			
Net Investment in Capital Assets	7,671,907	40,050	7,711,957
Unrestricted	(16,105,495)	(36,832)	(16,142,327)
TOTAL NET POSITION	\$ (8,433,588)	\$ 3,218	\$ (8,430,370)

See Accompanying Notes

**Freedom Area School District
Statement of Activities
Year Ended June 30, 2023**

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	\$ 15,541,548	\$ -	\$ 4,529,750	\$ -	\$ (11,011,798)	\$ -	\$ (11,011,798)
Instructional Student Support	1,585,672	-	554,337	-	(1,031,335)	-	(1,031,335)
Administrative and Financial Support Services	1,978,836	-	251,929	-	(1,726,907)	-	(1,726,907)
Operation and Maintenance of Plant Services	2,579,329	-	477,688	-	(2,101,641)	-	(2,101,641)
Pupil Transportation	1,263,720	-	599,835	-	(663,885)	-	(663,885)
Student Activities	589,158	-	51,906	-	(537,252)	-	(537,252)
Community Services	3,848	-	159	-	(3,689)	-	(3,689)
Interest on Long-Term Debt	305,137	-	-	865,071	559,934	-	559,934
Unallocated Depreciation Expense	417,076	-	-	-	(417,076)	-	(417,076)
Total Governmental Activities	24,264,324	-	6,465,604	865,071	(16,933,649)	-	(16,933,649)
Business-type Activities:							
Food Service	635,330	227,204	730,679	-	-	322,553	322,553
Total Primary Government	\$ 24,899,654	\$ 227,204	\$ 7,196,283	\$ 865,071	(16,933,649)	322,553	(16,611,096)
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					9,146,774	-	9,146,774
Earned Income Taxes					1,444,552	-	1,444,552
Real Estate Transfer Taxes					138,653	-	138,653
Other Taxes Levied for General Purposes, Net					22,663	-	22,663
Grants, Subsidies and Contributions not Restricted					9,231,720	-	9,231,720
Investment Earnings					436,721	3,905	440,626
Miscellaneous Income					245,901	-	245,901
Total General Revenues					20,666,984	3,905	20,670,889
Change in Net Position					3,733,335	326,458	4,059,793
Net Position - July 1, 2022					(12,166,923)	(323,240)	(12,490,163)
Net Position - June 30, 2023					\$ (8,433,588)	\$ 3,218	\$ (8,430,370)

See Accompanying Notes

**Freedom Area School District
Balance Sheet
Governmental Funds
June 30, 2023**

	General Fund	Capital Projects Fund	Exhibit 3 Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 11,376,538	\$ 2,373,101	\$ 13,749,639
Taxes Receivable, Net	1,409,289	-	1,409,289
Due from Other Funds	92,971	2,579,920	2,672,891
Due from Other Governments	1,335,582	-	1,335,582
Other Receivables	11,081	229,500	240,581
Prepaid Items	314,100	-	314,100
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 14,539,561	\$ 5,182,521	\$ 19,722,082
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ 2,579,920	\$ -	\$ 2,579,920
Accounts Payable	428,002	325,136	753,138
Contracts Payable	-	21,384	21,384
Accrued Salaries and Benefits	2,573,423	-	2,573,423
Payroll Deductions and Withholdings	20,196	-	20,196
Unearned Revenues	9,901	-	9,901
Other Current Liabilities	127,704	-	127,704
	<hr/>	<hr/>	<hr/>
Total Liabilities	5,739,146	346,520	6,085,666
	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	946,904	-	946,904
Unavailable Revenues - Sale of Property	-	229,500	229,500
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	946,904	229,500	1,176,404
	<hr/>	<hr/>	<hr/>
Fund Balances			
Nonspendable	314,100	-	314,100
Committed	5,172,020	4,606,501	9,778,521
Unassigned	2,367,391	-	2,367,391
	<hr/>	<hr/>	<hr/>
Total Fund Balances	7,853,511	4,606,501	12,460,012
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,539,561	\$ 5,182,521	\$ 19,722,082
	<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, 2023**

Exhibit 4

Total Fund Balances - Governmental Funds \$ 12,460,012

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 \$50,692,307, and the accumulated depreciation is \$34,132,835. 16,559,472

Intangible right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The value of these assets is \$105,622 and the accumulated amortization is \$47,529. 58,093

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. 946,904

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. 229,500

Discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. 107,013

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. 267,492

Long-term prepaid insurance on bonds are expenditures in the funds but are recorded as assets and expensed over the policy period. 22,383

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	\$ (9,255,000)	
Accrued Interest on the Bonds	(91,233)	
Lease Payable	(59,882)	
Compensated Absences	<u>(127,432)</u>	(9,533,547)

**Freedom Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023**

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	(3,745,156)	
OPEB Liability - PSERS	(1,141,329)	
Net Pension Liability	(27,666,024)	(32,552,509)

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	4,895,769	
Deferred Inflows of Resources Related to Pensions	(1,926,332)	
Deferred Outflows of Resources Related to OPEB - District	634,652	
Deferred Outflows of Resources Related to OPEB - PSERS	260,867	
Deferred Inflows of Resources Related to OPEB - District	(490,282)	
Deferred Inflows of Resources Related to OPEB - PSERS	(373,075)	3,001,599

Total Net Position - Governmental Activities		\$ (8,433,588)
--	--	----------------

See Accompanying Notes

**Freedom Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023**

Exhibit 5

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 11,514,513	\$ 123,970	\$ 11,638,483
State Sources	14,646,273	-	14,646,273
Federal Sources	1,681,895	-	1,681,895
	<u>27,842,681</u>	<u>123,970</u>	<u>27,966,651</u>
Total Revenues			
Expenditures			
Instruction	16,359,684	-	16,359,684
Support Services	7,473,041	-	7,473,041
Noninstructional Services	635,547	-	635,547
Capital Outlay	297,499	2,051,454	2,348,953
Debt Service (Principal & Interest)	750,232	-	750,232
Refunds of Prior Year's Receipts	16,759	-	16,759
	<u>25,532,762</u>	<u>2,051,454</u>	<u>27,584,216</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>2,309,919</u>	<u>(1,927,484)</u>	<u>382,435</u>
Other Financing Sources (Uses)			
Transfers In	-	1,865,071	1,865,071
Sale/Compensation for Fixed Assets	-	25,500	25,500
Transfers Out	<u>(1,865,071)</u>	<u>-</u>	<u>(1,865,071)</u>
Total Other Financing Sources (Uses)			
	<u>(1,865,071)</u>	<u>1,890,571</u>	<u>25,500</u>
Net Changes in Fund Balances	444,848	(36,913)	407,935
Fund Balances - July 1, 2022	<u>7,408,663</u>	<u>4,643,414</u>	<u>12,052,077</u>
Fund Balances - June 30, 2023	<u>\$ 7,853,511</u>	<u>\$ 4,606,501</u>	<u>\$ 12,460,012</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, 2023**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds	\$	407,935
--	----	---------

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 difference between depreciation and capital outlays in the period.

Depreciation Expense	\$ (1,063,973)		
Capital Outlays	2,043,621		
Intangible Right-to-Use Asset Amortization	<u>(21,124)</u>		958,524

Payments for the intangible right-to-use assets are reported as principal and interest in governmental funds, but in the statement of activities, the asset is amortized and the repayment reduces the long-term liabilities in the statement of net position. 20,678

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 increased by this amount this year. 5,508

Repayment of bond payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities liabilities in the statement of net position. 445,000

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	12,382		
Other Post-Employment Benefits - PSERS	50,129		
Other Post-Employment Benefits - District	<u>(50,292)</u>		12,219

**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, 2023**

Exhibit 6

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		2,966
---	--	-------

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		(23,549)
---	--	----------

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	3,379,575		
Cost of Benefits Earned	<u>(1,475,521)</u>	<u>1,904,054</u>	

Change in Net Position of Governmental Activities		<u>\$ 3,733,335</u>
---	--	---------------------

See Accompanying Notes

**Freedom Area School District
Statement of Net Position
Proprietary Funds
June 30, 2023**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 661,973
Due From Other Governments	33,710
Inventories	35,443
Prepaid Items	<u>400</u>
Total Current Assets	<u>731,526</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>40,050</u>
TOTAL ASSETS	<u><u>771,576</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	126,296
Amounts Related to OPEB - PSERS	<u>7,932</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>134,228</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	64,387
Unearned Revenues	<u>26,349</u>
Total Current Liabilities	<u>90,736</u>
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	15,548
Net OPEB Liability - PSERS	36,671
Net Pension Liability	<u>698,976</u>
Total Noncurrent Liabilities	<u>751,195</u>
TOTAL LIABILITIES	<u>841,931</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	48,668
Amounts Related to OPEB - PSERS	<u>11,987</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>60,655</u>
NET POSITION	
Invested in Capital Assets	40,050
Unrestricted	<u>(36,832)</u>
TOTAL NET POSITION	<u><u>\$ 3,218</u></u>

See Accompanying Notes

Freedom Area School District
Statement of Revenues, Expenditures and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2023

Exhibit 8

	Food Service Fund
Operating Revenues	
Charges for Services	<u>\$ 227,204</u>
Operating Expenses	
Salaries	269,940
Employee Benefits	173,716
Purchased Prof. and Tech. Services	3,328
Purchased Property Services	6,943
Other Purchased Services	1,465
Supplies	413,919
Depreciation	17,563
Dues and Fees	<u>4,610</u>
Total Operating Expenses	<u>891,484</u>
Operating Income (Loss)	<u>(664,280)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	3,905
State Sources	126,350
Federal Sources	604,329
Change in Pension/OPEB	<u>256,154</u>
Total Nonoperating Revenues (Expenses)	<u>990,738</u>
Change in Net Position	326,458
Net Position - July 1, 2022	<u>(323,240)</u>
Net Position - June 30, 2023	<u><u>\$ 3,218</u></u>

See Accompanying Notes

**Freedom Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023**

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 215,933
Cash Payments to Employees for Services	(440,796)
Cash Payments to Suppliers for Goods and Services	(348,253)
Cash Payments for Other Operating Expenses	<u>(4,610)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(577,726)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	126,350
Federal Sources	523,420
Operating Transfers In (Out) Primary Government	<u>(17,365)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>632,405</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(8,219)</u>
Cash Flows From Investing Activities	
Earnings on Investments	<u>3,905</u>
Net Increase (Decrease) in Cash and Cash Flows	50,365
Cash and Cash Equivalents - July 1, 2022	<u>611,608</u>
Cash and Cash Equivalents - June 30, 2023	<u>\$ 661,973</u>

**Freedom Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023**

Exhibit 9

		Food Service Fund
Operating Income (Loss)	\$	(664,280)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation and Net Amortization		17,563
Donated Commodities		80,909
(Increase) Decrease in Accounts Receivable		(1,731)
(Increase) Decrease in Inventories		(3,507)
Increase (Decrease) in Accrued Salaries Benefits		2,860
Increase (Decrease) in Deferred Revenue		<u>(9,540)</u>
 Total Adjustments		 <u>86,554</u>
 Cash Provided by (Used for) Operating Activities	 \$	 <u><u>(577,726)</u></u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2023, the School District received \$83,727 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, 2023**

Exhibit 10

	Private Purpose Trust	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 205,840	\$ 86,740
LIABILITIES		
Due to Other Funds	28,584	-
NET POSITION		
Restricted for:		
Scholarships	177,256	-
Student Groups	-	86,740
TOTAL NET POSITION	\$ 177,256	\$ 86,740

See Accompanying Notes

**Freedom Area School District
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2023**

Exhibit 11

	Private Purpose Trust Fund	Custodial Fund
Additions		
Interest	\$ 4,880	\$ 507
Contributions	2,016	-
Revenue from Student Activities	-	117,117
Total Additions	6,896	117,624
Deductions		
Scholarships Awarded	10,000	-
Student Activities Program Expenses	-	105,194
Total Deductions	10,000	105,194
Change in Net Position	(3,104)	12,430
Net Position - July 1, 2022	180,360	74,310
Net Position - June 30, 2023	\$ 177,256	\$ 86,740

See Accompanying Notes

Freedom Area School District
Notes to Financial Statements
June 30, 2023

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
Notes to Financial Statements
June 30, 2023

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 custodial 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 trust funds, investment trust funds, private purpose trust funds, or custodial trust funds). 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 *custodial 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
Notes to Financial Statements
June 30, 2023

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, proprietary fund and fiduciary 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 and the custodial fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Freedom Area School District
Notes to Financial Statements
June 30, 2023

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, 2023 was \$330,295, which has been reported in the School District's general fund.

The School District has no equity interest in CTC as of June 30, 2023. 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, 2023. 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.

Freedom Area School District
Notes to Financial Statements
June 30, 2023

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, 2023.

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, 2023 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, 2023**

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. Intangible Right-to-Use Assets

The School District has recorded intangible right-to-use assets as a result of implementing Governmental Accounting Standards Board (GASB) Statements No. 87 and 96. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease/subscription liability plus any payment made prior to the term, less any incentives, and plus any ancillary charges necessary to place the lease/subscription into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease/subscription. Per review of the information technology arrangements identified by the School District as potential SBITAs, the arrangements were determined to either not meet the definition of a SBITA or were immaterial to the financial statements.

Freedom Area School District
Notes to Financial Statements
June 30, 2023

M. 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.

N. 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.

O. 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.

P. 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 assets that applies to future periods 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 assets that applies to future periods 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.

Freedom Area School District
Notes to Financial Statements
June 30, 2023

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.

Q. 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.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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

Note 2 - Fund Balance Classifications

The purposes of committed and nonspendable fund balance as of June 30, 2023, are as follows:

1. The committed fund balance of \$4,606,501 in the capital projects fund is committed for future capital improvements.
2. The nonspendable and committed fund balances in the general fund of \$314,100 and \$5,172,020, respectively are:

	Nonspendable	Committed
a. Prepaid Items	\$ 314,100	\$ -
b. Retirement Expenditures	-	3,864,973
c. 1-to-1 Computer Program	-	357,607
d. Curriculum/Professional Development	-	150,000
e. Physical Plant Project	-	400,000
f. Band Uniform Replacements	-	54,440
g. Vehicles	-	245,000
h. Facility Upgrades	-	100,000
	<u>\$ 314,100</u>	<u>\$ 5,172,020</u>

Note 3 - Deposits and Investments

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

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, 2023, \$11,690,892 of the School District's bank balance of \$11,944,218 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>\$11,690,892</u>
---	---------------------

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

As of June 30, 2023, the School District had the following investments:

Investments	Fair Value
PSDLAF	\$ 1,868,551
PA Invest	<u>1,292,957</u>
	<u>\$ 3,161,508</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.

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, 2023 under this hierarchy.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

Note 4 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2022/2023 was 70.90 mills (\$70.90 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2022/2023 is as follows:

Tax Levy Date	July 1, 2022
2% Discount Period	Through August 31, 2022
Face Payment Period	September 1 – October 31, 2022
10% Penalty Period	November 1 Until December 31, 2022
Lien Filing Date	January 15, 2023

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 \$946,904 along with other taxes receivable of \$462,385.

Note 5 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2023, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Activities	Totals
Federal (through the state)	\$ 408,914	\$ -	\$ 408,914
State	926,668	-	926,668
Local	-	33,710	33,710
	<u>\$ 1,335,582</u>	<u>\$ 33,710</u>	<u>\$ 1,369,292</u>

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance 07/01/22	Additions	Transfers	Balance 06/30/23
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 131,824	\$ -	\$ -	\$ 131,824
Construction in Progress	-	1,966,866	-	1,966,866
	<u>131,824</u>	<u>1,966,866</u>	<u>-</u>	<u>2,098,690</u>
Total Capital Assets not Being Depreciated				

Freedom Area School District
Notes to Financial Statements
June 30, 2023

	Balance 07/01/22	Additions	Transfers	Balance 06/30/23
Capital Assets Being Depreciated				
Buildings and Building Improv.	43,114,388	69,106	-	43,183,494
Furniture and Equipment	<u>5,402,474</u>	<u>7,649</u>	<u>-</u>	<u>5,410,123</u>
Total Capital Assets Being Depreciated	<u>48,516,862</u>	<u>76,755</u>	<u>-</u>	<u>48,593,617</u>
Less Accumulated Depreciation				
Buildings and Building Improv.	28,839,912	995,629	-	29,835,541
Furniture and Equipment	<u>4,228,950</u>	<u>68,344</u>	<u>-</u>	<u>4,297,294</u>
Total Accumulated Depreciation	<u>33,068,862</u>	<u>1,063,973</u>	<u>-</u>	<u>34,132,835</u>
Total Capital Assets Being Depreciated, Net	<u>15,448,000</u>	<u>(987,218)</u>	<u>-</u>	<u>14,460,782</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,579,824</u>	<u>\$ 979,648</u>	<u>\$ -</u>	<u>\$ 16,559,472</u>
Governmental Activities				
Intangible Right-to-Use Assets				
Leased Equipment	\$ 105,622	\$ -	\$ -	\$ 105,622
Less Accumulated Amortization	<u>26,405</u>	<u>21,124</u>	<u>-</u>	<u>47,529</u>
Net Intangible Right-to-Use Assets	<u>\$ 79,217</u>	<u>\$ (21,124)</u>	<u>\$ -</u>	<u>\$ 58,093</u>
Business-Type Activities				
Furniture and Equipment	\$ 392,945	\$ 8,219	\$ -	\$ 401,164
Less Accumulated Depreciation and Equipment	<u>343,551</u>	<u>17,563</u>	<u>-</u>	<u>361,114</u>
Business-Type Activities Capital Assets, Net	<u>\$ 49,394</u>	<u>\$ (9,344)</u>	<u>\$ -</u>	<u>\$ 40,050</u>

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 484,108
Instructional Student Support	52,135
Administration and Financial Support Services	51,071
Operation and Maintenance of Plant Services	57,455
Student Activities	2,128
Unallocated Depreciation Expense	<u>417,076</u>
 Total Depreciation Expense	 <u><u>\$ 1,063,973</u></u>
 Intangible Right-to-Use Assets	
Instructional Student Support	<u><u>\$ 21,124</u></u>
 Business-Type Activities - Food Service	 <u><u>\$ 17,563</u></u>

Note 7 - Interfund Balances/Transfers

At June 30, 2023, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 92,971	\$2,579,920
Capital Projects Fund	2,579,920	-
Proprietary Fund		
Food Service	-	64,387
Fiduciary Fund		
Private Purpose Trust	<u>-</u>	<u>28,584</u>
	<u><u>\$2,672,891</u></u>	<u><u>\$2,672,891</u></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.

The general fund transferred \$1,865,071 to the capital projects fund for current and future capital projects.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

Note 8 - Long-Term Liabilities

Long-term liability for the year ended June 30, 2023 was as follows:

	Balance 07/01/22	Additions	Reductions	Balance 06/30/23	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 9,700,000	\$ -	\$ 445,000	\$ 9,255,000	\$ 455,000
Less: Bond Discount	<u>(113,222)</u>	<u>-</u>	<u>(6,209)</u>	<u>(107,013)</u>	<u>-</u>
Total Bonds Payable	<u>9,586,778</u>	<u>-</u>	<u>438,791</u>	<u>9,147,987</u>	<u>455,000</u>
Compensated Absences	<u>139,814</u>	<u>-</u>	<u>12,382</u>	<u>127,432</u>	<u>31,858</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 9,726,592</u>	<u>\$ -</u>	<u>\$ 451,173</u>	<u>\$ 9,275,419</u>	<u>\$ 486,858</u>
Lease Liabilities	<u>\$ 80,560</u>	<u>\$ -</u>	<u>\$ 20,678</u>	<u>\$ 59,882</u>	<u>\$ 21,254</u>
Total long term obligations as reported in the statement of net position				<u>\$ 9,335,301</u>	<u>\$ 508,112</u>
Business-Type Activities					
Compensated Absences	<u>\$ 12,688</u>	<u>\$ 2,860</u>	<u>\$ -</u>	<u>\$ 15,548</u>	<u>\$ -</u>

General Obligation Bonds

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%

\$ 9,255,000

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

Freedom Area School District
Notes to Financial Statements
June 30, 2023

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2023, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds		Totals
	Principal (On Issuance Amount)	Interest	
2024	\$ 455,000	\$ 273,698	\$ 728,698
2025	465,000	264,598	729,598
2026	470,000	255,298	725,298
2027	485,000	245,310	730,310
2028	500,000	230,518	730,518
2029-2033	2,720,000	915,168	3,635,168
2034-2038	3,160,000	474,726	3,634,726
2039-2040	1,000,000	44,044	1,044,044
	<u>\$ 9,255,000</u>	<u>\$ 2,703,360</u>	<u>\$ 11,958,360</u>

Note 9 – Lease Liabilities

On March 1, 2021, the School District entered into an agreement to lease copiers. The term of the lease is for five years requiring monthly payments of \$1,886. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of its inception. For purposes of discounting future payments, the School District determined an interest rate of 2.9% to be an appropriate discount rate.

As of June 30, 2023, the value of the lease liability recorded for the above lease was \$59,882. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$58,093 as of June 30, 2023. Future minimum lease payments under this lease are as follows:

Year Ended June 30,	Lease Payables		Totals
	Principal	Interest	
2024	\$ 21,254	\$ 1,380	\$ 22,634
2025	21,846	788	22,634
2026	16,782	193	16,975
	<u>\$ 59,882</u>	<u>\$ 2,361</u>	<u>\$ 62,243</u>

Freedom Area School District
Notes to Financial Statements
June 30, 2023

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

A. Summary of Significant Accounting Policies

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% and 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.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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. Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

3. Contributions

Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%/6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.5% After 7/1/21: 8.0%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.3% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% 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 \$3,467,564 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a liability of \$28,365,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the School District's proportion was 0.0638%, which was an increase of 0.0020% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School District recognized pension expense of \$1,309,016. At June 30, 2023, 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	\$ 13,000	\$ 245,000
Net difference between projected and actual investment earnings	-	481,000
Change in assumptions	847,000	-
Changes in proportions	692,000	1,249,000
Difference between employer contributions and proportionate share of total contributions	2,501	-
Contributions subsequent to the measurement date	<u>3,467,564</u>	<u>-</u>
	<u>\$ 5,022,065</u>	<u>\$ 1,975,000</u>

\$3,467,564 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, 2024.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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,		
2024	\$	(458,378)
2025		(123,951)
2026		(508,161)
2027		<u>669,991</u>
	<u>\$</u>	<u>(420,499)</u>

1. Changes in Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

Freedom Area School District
Notes to Financial Statements
June 30, 2023

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	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed Income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	<u>-11.0%</u>	0.5%
	<u>100%</u>	

The above table 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, 2022.

2. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.00%	7.00%	8.00%
School District's proportionate share of the net pension liability	\$ 36,688	\$ 28,365	\$ 21,347

4. Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at www.psers.pa.gov.

Note 11 - Contingent Liabilities

Freedom Area School District participates in a number of federally assisted grant programs, principal of which are Education Stabilization Fund 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, 2023 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 12 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2023 were \$2,503,927.

This includes \$2,084,764 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 \$419,163 to the federal government for social security and Medicare taxes for the year ended June 30, 2023. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 13 - Risk Management

The School District is a member district to the Beaver County School Health Care Insurance Consortium (the Consortium) which was formed on July 1, 2003. The Consortium is a cooperative joint venture to provide hospitalization, medical and surgical services, professional services and drug benefits to its member districts on a pooled risk basis. The School District pays an annual premium to the Consortium for its health and medical insurance coverage and this rate is adjusted annually based on amounts required to fund anticipated benefits and claims as well as other administrative costs.

Freedom Area School District
Notes to Financial Statements
June 30, 2023

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. Per most recent information available, contributions to the Consortium totaled \$2,606,834 for the year ended June 30, 2023.

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, 2023 the net position of the Consortium was (\$2,270,156), of which (\$152,100) is attributable to the School District.

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

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

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

Note 14 - 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.

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.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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.

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.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	<u>116</u>
	<u>131</u>

B. Total OPEB Liability

The School District's total OPEB liability of \$3,745,156 was measured as of July 1, 2022 and was determined by an actuarial valuation performed as of July 1, 2021.

C. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2021 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	3.54%
Healthcare Cost Trend Rates	7.00% for 2022/2023, 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 PriH-2012 Total Dataset Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation roll-forward were selected using input from the School District based upon actual experience.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$ 4,166,981
Changes for the year:	
Service Cost	214,597
Interest	90,007
Changes of Assumptions or other inputs	(396,543)
Benefit Payments	<u>(329,886)</u>
Net Changes	<u>(421,825)</u>
Balance at June 30, 2023	<u>\$ 3,745,156</u>

E. Changes of Assumptions and Other Inputs

- Changed the discount rate from 2.16% to 3.54%.
- Updated the trend rates and mortality improvement scale.

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 (2.54%) or one percentage point higher (4.54%) than the current discount rate:

	1.00% Decrease 2.54%	Current Discount Rate 3.54%	1.00% Increase 4.54%
Total OPEB Liability	\$ 4,022,443	\$ 3,745,156	\$ 3,483,828

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	\$ 3,410,647	\$ 3,745,156	\$ 4,126,432

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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

For the year ended June 30, 2023, the School District recognized OPEB expense of \$303,875. At June 30, 2023, 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	\$ 60,234	\$ 87,829
Change in assumptions	320,835	402,453
Benefit payments subsequent to the measurement date	<u>253,583</u>	<u>-</u>
	<u>\$ 634,652</u>	<u>\$ 490,282</u>

The \$253,583 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,	
2024	\$ (729)
2025	(729)
2026	(729)
2027	(729)
2028	(729)
Thereafter	<u>(105,568)</u>
	<u>\$ (109,213)</u>

Note 15 - 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' 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.

Freedom Area School District
Notes to Financial Statements
June 30, 2023

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, 2022, there were no assumed future benefit increases to participating eligible retirees.

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

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2023 was 0.75% 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 \$75,799 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a liability of \$1,178,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the School District's proportion was 0.0640%, which was an increase of 0.0022% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School District recognized OPEB expense of \$24,009. At June 30, 2023, 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	\$ 11,000	\$ 6,000
Changes in assumptions	131,000	278,000
Net difference between projected and actual investment earnings	3,000	-
Changes in proportions	48,000	101,000
Difference between employer contributions and proportionate share of total contributions	-	62
Contributions subsequent to the measurement date	<u>75,799</u>	<u>-</u>
	<u>\$ 268,799</u>	<u>\$ 385,062</u>

\$75,799 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 OPEB liability in the year ended June 30, 2024.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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,	
2024	\$ (39,952)
2025	(30,963)
2026	(40,060)
2027	(42,087)
2028	(39,000)
Thereafter	-
	<u>\$ (192,062)</u>

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.09%, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Table for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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: The actual data for retirees benefitting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

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	<u>100%</u>	0.50%

The above table 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, 2022.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. 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 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, 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, 2022, 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, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 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.

**Freedom Area School District
Notes to Financial Statements
June 30, 2023**

The following presents the System net OPEB liability for June 30, 2022, 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 Trend Rate	1.00% Increase
System net OPEB Liability	\$ 1,178	\$ 1,178	\$ 1,178

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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

	(In Thousands)		
	1.00% Decrease 3.09%	Current Discount Rate 4.09%	1.00% Increase 5.09%
School District's proportionate share of the net OPEB liability	\$ 1,332	\$ 1,178	\$ 1,049

5. OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at www.psers.pa.gov.

Note 16 – Construction Commitments

As of June 30, 2023, the School District had construction commitments in the amount of approximately \$2,488,202 for various capital projects. It is anticipated these projects will be completed in the 2023/2024 fiscal year.

**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, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 8,551,333	\$ 8,551,333	\$ 8,621,977	\$ 70,644
Public Utility Realty Taxes	9,500	9,500	10,156	656
Payments in Lieu of Current Taxes	2,500	2,500	-	(2,500)
Local Services Taxes	12,500	12,500	12,507	7
Earned Income Taxes	1,150,000	1,150,000	1,444,252	294,252
Real Estate Transfer Taxes	95,000	95,000	138,653	43,653
Delinquencies on Taxes	466,000	466,000	494,089	28,089
Earnings on Investments	62,000	62,000	312,751	250,751
Other Local Revenues				
Revenue from Student Activities	35,000	35,000	38,530	3,530
Federal Revenues from IU	225,000	225,000	223,542	(1,458)
Contributions & Donations from Private Sources	-	-	7,972	7,972
Rentals	27,000	27,000	54,017	27,017
Admissions	18,000	18,000	26,458	8,458
Tuition from other LEAs	-	3,007	2,713	(294)
Refund of Prior Year's Expenditures	-	-	102,155	102,155
Miscellaneous Revenue	10,000	10,000	24,741	14,741
Total Revenues from Local Sources	10,663,833	10,666,840	11,514,513	847,673
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	8,100,000	8,100,000	8,593,339	493,339
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,100,000	1,100,000	1,211,559	111,559
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	652,000	652,000	599,835	(52,165)
Rentals & Sinking Fund Payments	-	-	865,071	865,071
Ready to Learn Block Grant	270,000	270,000	268,806	(1,194)
Health Services	22,000	22,000	23,701	1,701
State Property Tax Reduction	630,409	630,409	630,409	-
Safe Schools	-	-	10,510	10,510
Social Security Payments	385,000	385,000	407,454	22,454
State Retirement Revenue	1,800,000	1,800,000	2,035,589	235,589
Total Revenues from State Sources	12,959,409	12,959,409	14,646,273	1,686,864

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Federal Sources				
Restricted Grants-In-Aid from the Fed.				
Gov't. through the Commonwealth				
Title I	290,000	281,855	284,961	3,106
Title II	40,000	38,951	39,406	455
Title IV	22,000	22,999	23,012	13
Title XIX	10,000	10,000	5,134	(4,866)
ESSER II - Elementary & Secondary				
School Emergency Relief Fund	402,155	402,155	572,980	170,825
ARP ESSER - Elementary & Secondary				
School Emergency Relief Fund	1,500,797	1,500,797	602,497	(898,300)
Governor's Emergency Education Relief Fund (GEER)				
Relief Fund (GEER)	-	-	18,426	18,426
ARP ESSER 7%- Elementary & Secondary				
School Emergency Relief Fund	49,175	49,175	64,391	15,216
ARP ESSER 2.5%- Elementary & Secondary				
School Emergency Relief Fund	-	-	27,348	27,348
Medical Assistance	-	-	43,740	43,740
Total Revenues from Federal Sources	2,314,127	2,305,932	1,681,895	(624,037)
Total Revenues	25,937,369	25,932,181	27,842,681	1,910,500
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	5,804,482	5,804,481	5,647,564	156,917
Employee Benefits	4,370,781	4,343,795	4,207,314	136,481
Purchased Prof. and Tech. Services	399,800	399,800	286,441	113,359
Purchased Property Services	36,573	17,781	11,437	6,344
Other Purchased Services	1,055,100	1,054,190	958,422	95,768
Supplies	654,504	702,392	584,340	118,052
Property	7,000	6,800	-	6,800
Other Objects	4,000	6,910	3,492	3,418
Total Regular Programs	12,332,240	12,336,149	11,699,010	637,139

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Special Programs				
Personal Services				
Salaries	1,455,838	1,455,838	1,350,405	105,433
Employee Benefits	984,834	984,834	856,746	128,088
Purchased Prof. and Tech. Services	740,850	739,850	942,767	(202,917)
Purchased Property Services	1,000	-	-	-
Other Purchased Services	1,006,000	1,006,400	1,108,956	(102,556)
Supplies	36,900	37,900	46,084	(8,184)
Other Objects	2,600	2,200	972	1,228
Total Special Programs	<u>4,228,022</u>	<u>4,227,022</u>	<u>4,305,930</u>	<u>(78,908)</u>
Vocational Education Programs				
Other Purchased Services	<u>381,000</u>	<u>381,000</u>	<u>330,295</u>	<u>50,705</u>
Other Instructional Programs				
Personal Services				
Salaries	4,000	7,600	4,235	3,365
Employee Benefits	1,734	2,532	1,064	1,468
Purchased Prof. and Tech. Services	-	-	9,000	(9,000)
Other Purchased Services	<u>15,000</u>	<u>15,000</u>	<u>1,514</u>	<u>13,486</u>
Total Other Instructional Programs	<u>20,734</u>	<u>25,132</u>	<u>15,813</u>	<u>9,319</u>
Nonpublic School Programs				
Personal Services				
Salaries	<u>8,000</u>	<u>8,430</u>	<u>8,636</u>	<u>(206)</u>
Total Instruction	<u>16,969,996</u>	<u>16,977,733</u>	<u>16,359,684</u>	<u>618,049</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	611,235	572,704	536,754	35,950
Employee Benefits	446,227	445,757	370,613	75,144
Purchased Prof. and Tech. Services	183,600	183,600	99,433	84,167
Purchased Property Services	1,436	1,436		1,436
Other Purchased Services	-	1,300	484	816
Supplies	36,164	22,625	25,636	(3,011)
Other Objects	-	200	200	-
Total Pupil Personnel	<u>1,278,662</u>	<u>1,227,622</u>	<u>1,033,120</u>	<u>194,502</u>

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Instructional Staff				
Personal Services				
Salaries	174,199	176,899	181,723	(4,824)
Employee Benefits	175,143	175,741	216,266	(40,525)
Purchased Prof. and Tech. Services	122,795	146,910	70,810	76,100
Other Purchased Services	-	5,295	4,659	636
Supplies	36,680	35,937	18,813	17,124
Total Instructional Staff	508,817	540,782	492,271	48,511
Administration				
Personal Services				
Salaries	738,609	738,609	721,865	16,744
Employee Benefits	532,883	532,883	482,239	50,644
Purchased Prof. and Tech. Services	27,000	27,000	79,324	(52,324)
Purchased Property Services	3,000	3,000	3,000	-
Other Purchased Services	23,000	23,000	13,391	9,609
Supplies	57,000	57,000	48,227	8,773
Other Objects	11,500	11,500	15,743	(4,243)
Total Administration	1,392,992	1,392,992	1,363,789	29,203
Pupil Health				
Personal Services				
Salaries	86,339	86,339	137,377	(51,038)
Employee Benefits	64,047	64,047	42,343	21,704
Purchased Prof. and Tech. Services	8,000	8,000	8,000	-
Supplies	9,500	9,500	6,424	3,076
Other Objects	-	-	2,573	(2,573)
Total Pupil Health	167,886	167,886	196,717	(28,831)
Business				
Personal Services				
Salaries	184,927	184,927	185,861	(934)
Employee Benefits	160,022	160,022	151,455	8,567
Purchased Prof. and Tech. Services	47,000	47,000	36,575	10,425
Other Purchased Services	3,000	3,000	3,703	(703)
Supplies	19,700	19,700	24,806	(5,106)
Other Objects	3,000	3,000	3,661	(661)
Total Business	417,649	417,649	406,061	11,588

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	820,893	820,893	828,746	(7,853)
Employee Benefits	579,884	579,884	569,574	10,310
Purchased Prof. and Tech. Services	115,000	115,000	113,454	1,546
Purchased Property Services	170,292	170,292	153,888	16,404
Other Purchased Services	100,400	100,400	94,714	5,686
Supplies	627,500	627,500	603,914	23,586
Total Oper. and Maint. of Plant Svcs.	<u>2,413,969</u>	<u>2,413,969</u>	<u>2,364,290</u>	<u>49,679</u>
Student Transportation Services				
Other Purchased Services	1,686,160	1,686,160	1,258,320	427,840
Supplies	9,000	9,000	5,400	3,600
Property	10,000	10,000	-	10,000
Total Student Transportation Services	<u>1,705,160</u>	<u>1,705,160</u>	<u>1,263,720</u>	<u>441,440</u>
Central				
Personal Services				
Salaries	136,322	136,322	140,043	(3,721)
Employee Benefits	112,735	112,735	107,755	4,980
Purchased Prof. and Tech. Services	5,000	5,000	144	4,856
Purchased Property Services	98,337	98,337	46,942	51,395
Other Purchased Services	19,399	19,399	11,347	8,052
Supplies	40,765	40,765	34,907	5,858
Other Objects	1,000	1,000	-	1,000
Total Central	<u>413,558</u>	<u>413,558</u>	<u>341,138</u>	<u>72,420</u>
Other				
Other Purchased Services	13,000	13,000	11,935	1,065
Total Support Services	<u>8,311,693</u>	<u>8,292,618</u>	<u>7,473,041</u>	<u>819,577</u>

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	295,772	295,772	287,294	8,478
Employee Benefits	130,230	130,230	91,179	39,051
Purchased Prof. and Tech. Services	60,240	60,240	63,440	(3,200)
Purchased Property Services	8,000	8,000	8,857	(857)
Other Purchased Services	73,375	73,375	65,344	8,031
Supplies	84,400	84,400	75,022	9,378
Property	10,000	10,000	24,664	(14,664)
Other Objects	23,350	23,350	15,904	7,446
Total Student Activities	<u>685,367</u>	<u>685,367</u>	<u>631,704</u>	<u>53,663</u>
Community Services				
Personal Services				
Salaries	1,150	1,150	1,150	-
Employee Benefits	499	499	94	405
Purchased Prof. and Tech. Services	3,000	3,000	1,737	1,263
Supplies	2,000	150	112	38
Other Objects	1,500	1,500	-	1,500
Total Community Services	<u>8,149</u>	<u>6,299</u>	<u>3,093</u>	<u>3,206</u>
Scholarships and Awards				
Other Objects	-	-	750	(750)
Total Noninstructional Services	<u>693,516</u>	<u>691,666</u>	<u>635,547</u>	<u>56,119</u>
Facilities Acquisition, Construction and Improvement Services				
Purchased Property Services	100,000	100,000	192,260	(92,260)
Supplies	6,000	14,000	24,659	(10,659)
Property	70,000	70,000	80,580	(10,580)
Total Facilities Acquisition, Construction and Improvement Services	<u>176,000</u>	<u>184,000</u>	<u>297,499</u>	<u>(113,499)</u>

**Freedom Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt Service				
Interest	289,598	289,598	284,554	5,044
Refunds of Prior Year's Receipts	-	-	16,759	(16,759)
Redemption of Principal	445,000	445,000	465,678	(20,678)
Total Debt Service	<u>734,598</u>	<u>734,598</u>	<u>766,991</u>	<u>(32,393)</u>
Total Expenditures	<u>26,885,803</u>	<u>26,880,615</u>	<u>25,532,762</u>	<u>1,347,853</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	-	-	1,865,071	(1,865,071)
Total Expenditures and Other Financing Uses	<u>26,885,803</u>	<u>26,880,615</u>	<u>27,397,833</u>	<u>(517,218)</u>
Net Change in Fund Balance	(948,434)	(948,434)	444,848	1,393,282
Fund Balance - July 1, 2022	<u>7,132,587</u>	<u>7,132,587</u>	<u>7,408,663</u>	<u>276,076</u>
Fund Balance - June 30, 2023	<u>\$ 6,184,153</u>	<u>\$ 6,184,153</u>	<u>\$ 7,853,511</u>	<u>\$ 1,669,358</u>

Freedom Area School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2023

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 Seven Years

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service Cost	\$ 214,597	\$ 143,036	\$ 134,405	\$ 147,707	\$ 144,012	\$ 207,797	\$ -
Interest	90,007	91,089	134,992	144,501	131,747	108,687	-
Changes of Benefit Terms	-	-	-	67,818	-	-	-
Differences between Expected Actual Experience	-	(16,474)	-	(97,887)	-	96,378	-
Change of Assumptions and Other Inputs	(396,543)	26,260	162,654	32,599	(44,644)	226,000	-
Benefit Payments	<u>(329,886)</u>	<u>(198,585)</u>	<u>(167,320)</u>	<u>(171,681)</u>	<u>(177,344)</u>	<u>(302,987)</u>	<u>-</u>
Net Change in Total OPEB Liability	(421,825)	45,326	264,731	123,057	53,771	335,875	-
Total OPEB Liability - Beginning	<u>4,166,981</u>	<u>4,121,655</u>	<u>3,856,924</u>	<u>3,733,867</u>	<u>3,680,096</u>	<u>3,344,221</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$3,745,156</u>	<u>\$4,166,981</u>	<u>\$4,121,655</u>	<u>\$3,856,924</u>	<u>\$3,733,867</u>	<u>\$3,680,096</u>	<u>\$3,344,221</u>
Covered-Employee Payroll	\$7,396,763	\$7,216,354	\$7,900,340	\$7,707,649	\$7,999,104	\$7,804,004	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	50.63%	57.74%	52.17%	50.04%	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:

2023	3.54%
2022	2.16%

For the June 30, 2023 valuation, changes were made to the mortality improvement scale and medical trend rates.

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 Nine Years**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$3,421,426	\$3,177,984	\$2,929,729	\$3,079,647	\$3,063,543	\$2,944,434	\$2,589,964	\$2,152,760	\$1,760,523
Contributions in Relation to the Contractually Required Contribution	<u>3,421,426</u>	<u>3,177,984</u>	<u>2,929,729</u>	<u>3,079,647</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$9,934,992	\$9,404,145	\$8,763,081	\$9,201,329	\$9,427,621	\$9,364,008	\$9,070,453	\$8,728,967	\$8,683,267
Contributions as a Percentage of Covered Payroll	34.44%	33.79%	33.43%	33.47%	32.50%	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, 2022 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2023.

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	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)	0.0638%	0.0618%	0.0656%	0.0684%	0.0695%	0.0681%	0.0678%	0.0686%	0.0668%	0.6530%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 28,365	\$ 25,373	\$ 32,301	\$ 31,999	\$ 33,363	\$ 33,634	\$ 33,600	\$ 29,714	\$ 26,440	\$ 26,732
School District's Covered Payroll	\$ 9,404	\$ 8,763	\$ 9,201	\$ 9,428	\$ 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	301.63%	289.55%	351.06%	339.40%	356.29%	370.83%	384.92%	342.21%	310.00%	319.23%
Plan Fiduciary Net Position as a Percentage of The Total Pension Liability	61.34%	63.37%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 75,799	\$ 74,566	\$ 72,136	\$ 77,481	\$ 78,057	\$ 77,803
Contributions in Relation to the Contractually Required Contribution	<u>75,799</u>	<u>74,566</u>	<u>72,136</u>	<u>77,481</u>	<u>78,057</u>	<u>77,803</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$9,934,992	\$9,404,145	\$8,763,081	\$9,201,329	\$9,427,621	\$9,364,008
Contributions as a Percentage of Covered Payroll	0.76%	0.79%	0.82%	0.84%	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, 2022 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2023.

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.0640%	0.0618%	0.0656%	0.0684%	0.0695%	0.0681%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,178	\$ 1,465	\$ 1,417	\$ 1,455	\$ 1,449	\$ 1,387
School District's Covered Payroll	\$ 9,404	\$ 8,763	\$ 9,201	\$ 9,428	\$ 9,364	\$ 9,070
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	12.53%	16.72%	15.40%	15.43%	15.47%	15.29%
Plan Fiduciary Net Position as a Percentage of The Total OPEB Liability	6.86%	5.30%	5.69%	5.56%	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

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

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, 2023 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports is 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 29, 2023

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

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, 2023, 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 29, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 29, 2023

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

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

Opinion on Each Major Federal Program

We have audited Freedom Area School District's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Freedom Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Freedom Area School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Freedom Area School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Freedom Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Freedom Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Freedom Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Freedom Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Freedom Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 29, 2023

**Freedom Area School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

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:

ALN Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

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, 2023**

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, 2023**

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
U.S. Department of Education Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	013-230158	09/09/22-09/30/23	\$ 281,855	\$ 258,308	\$ -	\$ 281,855	\$ 281,855	\$ 23,547
Title I Improving Basic Programs	I	84.010	013-220158	09/02/21-09/30/22	293,244	25,664	22,558	3,106	3,106	-
						283,972	22,558	284,961	284,961	23,547
Title II Improving Teacher Quality	I	84.367	020-230158	09/09/22-09/30/23	38,951	11,809	-	38,951	38,951	27,142
Title II Improving Teacher Quality	I	84.367	020-220158	09/02/21-09/30/22	41,530	13,233	12,778	455	455	-
						25,042	12,778	39,406	39,406	27,142
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-220158	09/02/21-09/30/22	22,341	3,450	3,437	13	13	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-230158	09/09/22-09/30/23	22,999	21,909	-	22,999	22,999	1,090
						25,359	3,437	23,012	23,012	1,090
COVID-19 Governor's Emergency Education Relief Fund										
COVID-19 aTSI Governor's Emergency Education Relief Fund	I	84.425C	253-200158	03/13/20-09/30/22	46,900	-	(840)	840	840	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP 2.5%)										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP 2.5%)	I	84.425C	224-210158	03/13/20-09/30/24	29,468	29,468	2,120	27,348	27,348	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210158	03/13/20-09/30/23	1,097,649	433,954	42,233	572,980	572,980	181,259
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	I	84.425U	223-210158	03/13/20-09/30/24	2,220,225	403,677	(58,272)	602,497	602,497	140,548
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP 7%)										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP 7%)	I	84.425U	225-210158	03/13/20-09/30/24	123,258	42,580	11,805	64,391	64,391	33,616
						921,567	(8,652)	1,285,642	1,285,642	355,423

Freedom Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
Special Education Cluster										
Passed through the Beaver IU										
IDEA ESY	I	84.027	N/A	07/01/22-06/30/23	4,095	4,095	-	4,095	4,095	-
IDEA B	I	84.027	N/A	07/01/22-06/30/23	215,303	215,303	-	215,303	215,303	-
IDEA B	I	84.027	N/A	07/01/21-06/30/22	256,643	130,492	130,492	-	-	-
IDEA B Section 619	I	84.173	N/A	07/01/22-06/30/23	4,144	4,144	-	4,144	4,144	-
IDEA B Section 619	I	84.173	N/A	07/01/21-06/30/22	1,074	1,074	1,074	-	-	-
Subtotal Beaver IU						<u>355,108</u>	<u>131,566</u>	<u>223,542</u>	<u>223,542</u>	<u>-</u>
Subtotal Special Education Cluster						<u>355,108</u>	<u>131,566</u>	<u>223,542</u>	<u>223,542</u>	<u>-</u>
Subtotal U.S. Department of Education						<u>1,611,048</u>	<u>161,687</u>	<u>1,856,563</u>	<u>1,856,563</u>	<u>407,202</u>
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	07/01/22-06/30/23	N/A	4,980	1,558	5,134	5,134	1,712
U.S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
Pandemic EBT Administrative Costs	I	10.649	N/A	07/01/22-06/30/23	N/A	628	-	628	628	-
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	416,731	-	416,731	416,731	-
National School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	106,061	-	106,061	106,061	-
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/22-06/30/23	N/A	83,727	(20,767)	80,909	80,909	(23,585)
Total Child Nutrition Cluster						<u>606,519</u>	<u>(20,767)</u>	<u>603,701</u>	<u>603,701</u>	<u>(23,585)</u>
Total U.S. Department of Agriculture						<u>607,147</u>	<u>(20,767)</u>	<u>604,329</u>	<u>604,329</u>	<u>(23,585)</u>
Total Federal Financial Assistance						<u>\$ 2,223,175</u>	<u>\$ 142,478</u>	<u>\$ 2,466,026</u>	<u>\$ 2,466,026</u>	<u>\$ 385,329</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Freedom Area School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

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, 2023. 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	\$2,223,175
Less: Commodities Received	(83,727)
Less: Passage Through IUs	(355,108)
Less: Title 19	(4,980)
Add: Medical Assistance - Access	43,740
Add: State Funding on Confirmation	<u>65,465</u>
 Per Subsidy Confirmation	 <u><u>\$1,888,565</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, 2023**

EXHIBIT E

1 Copy – Bureau of Audits
1 Copy – General Services Administration