

**MERRILL AREA PUBLIC SCHOOL DISTRICT
MERRILL, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

June 30, 2013

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MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Merrill Area Public School District
Merrill, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Merrill Area Public School District, Wisconsin ("the District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A.4.g to the financial statements, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 32 through 35 be presented to supplement the basic financial statements. Such information, although not 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements.

The supplementary information and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, the schedules of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the District's 2012 financial statements, and our report dated November 15, 2012, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
January 6, 2014

BASIC FINANCIAL STATEMENTS

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Statement of Net Position

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Governmental Activities	Business-type Activities	Totals	
			2013	2012
ASSETS				
Cash and investments	\$ 5,012,887	\$ -	\$ 5,012,887	\$ 4,464,455
Receivables				
Taxes	2,853,951	-	2,853,951	3,044,837
Accounts	841,329	33,841	875,170	559,064
Internal balances	133,948	(133,948)	-	-
Due from other governments	1,623,407	104,050	1,727,457	2,030,978
Prepaid items	713,760	7,277	721,037	74,007
Debt issuance costs	-	-	-	97,156
Capital assets				
Land	1,265,000	-	1,265,000	1,265,000
Land improvements	1,295,383	-	1,295,383	1,295,383
Buildings	45,607,664	-	45,607,664	45,607,664
Machinery and equipment	5,741,897	523,841	6,265,738	6,161,553
Less: Accumulated depreciation	(28,206,003)	(515,304)	(28,721,307)	(27,727,844)
TOTAL ASSETS	36,883,223	19,757	36,902,980	36,872,253
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	117,989	-	117,989	152,933
LIABILITIES				
Short-term notes payable	5,000,000	-	5,000,000	4,250,000
Accounts payable	586,533	210	586,743	695,600
Accrued payroll liabilities	1,022,790	11,010	1,033,800	1,126,447
Accrued interest payable	119,875	-	119,875	116,907
Due to other governments	-	-	-	19,747
Long-term obligations				
Due within one year	1,908,467	-	1,908,467	1,854,027
Due in more than one year	16,311,296	-	16,311,296	17,982,782
TOTAL LIABILITIES	24,948,961	11,220	24,960,181	26,045,510
NET POSITION				
Net investment in capital assets	18,648,941	8,537	18,657,478	17,946,756
Restricted for				
Debt service	464,413	-	464,413	452,970
TEACH program	42,764	-	42,764	93,263
Community services and programs	260,221	-	260,221	156,570
Unrestricted (deficit)	(7,364,088)	-	(7,364,088)	(7,669,883)
TOTAL NET POSITION	\$ 12,052,251	\$ 8,537	\$ 12,060,788	\$ 10,979,676

The notes to the basic financial statements are an integral part of this statement.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Statement of Activities
For the Year Ended June 30, 2013
(With summarized financial information as of June 30, 2012)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 19,915,115	\$ 96,657	\$ 4,985,830
Support services	13,373,440	26,589	493,279
Interest and fiscal charges	424,518	-	-
Community services	125,647	83	-
Non-program	1,272,075	-	393,453
Total Governmental Activities	<u>35,110,795</u>	<u>123,329</u>	<u>5,872,562</u>
Business-type Activities			
School food service program	1,403,975	601,435	745,166
Total School District	<u>\$ 36,514,770</u>	<u>\$ 724,764</u>	<u>\$ 6,617,728</u>

General revenues
Property taxes
Other taxes
State and federal aids not restricted to specific functions
Interest and investment earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in net position

Net position - July 1, restated

Cumulative effect of change in accounting principle

Net position - June 30

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	
		2013	2012
\$ (14,832,628)	\$ -	\$ (14,832,628)	\$ (16,505,543)
(12,853,572)	-	(12,853,572)	(11,937,172)
(424,518)	-	(424,518)	(608,836)
(125,564)	-	(125,564)	(143,389)
(878,622)	-	(878,622)	(861,655)
<u>(29,114,904)</u>	<u>-</u>	<u>(29,114,904)</u>	<u>(30,056,595)</u>
-	(57,374)	(57,374)	(163,743)
<u>(29,114,904)</u>	<u>(57,374)</u>	<u>(29,172,278)</u>	<u>(30,220,338)</u>
10,440,806	-	10,440,806	10,845,321
11,581	-	11,581	23,231
19,110,343	-	19,110,343	19,102,801
18,669	-	18,669	7,689
769,147	-	769,147	826,100
(50,863)	50,863	-	-
<u>30,299,683</u>	<u>50,863</u>	<u>30,350,546</u>	<u>30,805,142</u>
1,184,779	(6,511)	1,178,268	584,804
10,964,628	15,048	10,979,676	10,394,872
<u>(97,156)</u>	<u>-</u>	<u>(97,156)</u>	<u>-</u>
<u>\$ 12,052,251</u>	<u>\$ 8,537</u>	<u>\$ 12,060,788</u>	<u>\$ 10,979,676</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	General	Other Governmental Funds	Total Governmental Funds	
			2013	2012
ASSETS				
Cash and investments	\$ 4,070,028	\$ 942,859	\$ 5,012,887	\$ 4,464,455
Receivables				
Taxes	2,853,951	-	2,853,951	3,044,837
Accounts	836,694	4,635	841,329	534,207
Due from other funds	276,875	-	276,875	136,314
Due from other governments	1,423,807	199,600	1,623,407	1,999,352
Prepaid items	713,760	-	713,760	66,218
TOTAL ASSETS	\$ 10,175,115	\$ 1,147,094	\$ 11,322,209	\$ 10,245,383
LIABILITIES AND FUND BALANCES				
Liabilities				
Short-term notes payable	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 4,250,000
Accounts payable	488,929	97,604	586,533	674,887
Accrued payroll liabilities	1,010,561	12,229	1,022,790	1,112,105
Accrued interest payable	37,089	-	37,089	21,844
Due to other funds	-	142,927	142,927	107,097
Due to other governments	-	-	-	19,747
Total Liabilities	6,536,579	252,760	6,789,339	6,185,680
Fund Balances				
Nonspendable				
Inventories and prepaid items	713,760	-	713,760	66,218
Restricted				
Debt service	-	547,199	547,199	548,033
TEACH program	-	42,764	42,764	93,263
Community services and programs	-	260,221	260,221	156,570
Committed for office remodeling	150,000	-	150,000	150,000
Assigned for equipment and other	-	44,150	44,150	18,208
Unassigned, reported in				
General fund	2,774,776	-	2,774,776	3,027,411
Total Fund Balances	3,638,536	894,334	4,532,870	4,059,703
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,175,115	\$ 1,147,094	\$ 11,322,209	\$ 10,245,383

(Continued)

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Balance Sheet (Continued)

Governmental Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	2013	2012
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances as shown above	\$ 4,532,870	\$ 4,059,703
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,703,941	26,586,708
Deferred outflow of resources is reported in the statement of net position for the loss on advance refunding.	117,989	152,933
Cost of issuing new debt is treated as an expenditure on fund statements but are amortized over the life of the borrowing issue on the Statement of Net Position.	-	97,156
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(9,800,000)	(11,600,000)
Debt premium	(75,784)	(95,993)
Compensated absences	(773,058)	(726,871)
Other post-employment benefits	(7,570,921)	(7,413,945)
Accrued interest on long-term obligations	(82,786)	(95,063)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 12,052,251</u>	<u>\$ 10,964,628</u>

The notes to the basic financial statements are an integral part of this statement.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013
(With summarized financial information as of June 30, 2012)

	General	Other Governmental Funds	Total Governmental Funds	
			2013	2012
Revenues				
Property taxes	\$ 8,019,575	\$ 2,421,231	\$ 10,440,806	\$ 10,845,321
Other local sources	234,126	68,876	303,002	195,135
Interdistrict sources	2,889,117	40,507	2,929,624	349,640
Intermediate sources	272,508	-	272,508	542,798
State sources	21,358,141	-	21,358,141	21,530,651
Federal sources	1,736,588	660,788	2,397,376	2,722,333
Other sources	318,051	-	318,051	276,901
Total Revenues	34,828,106	3,191,402	38,019,508	36,462,779
Expenditures				
Instruction				
Regular instruction	14,323,409	386,514	14,709,923	13,710,686
Vocational instruction	935,310	-	935,310	877,356
Special education instruction	3,821,701	-	3,821,701	3,940,649
Other instruction	1,466,421	12,134	1,478,555	1,467,276
Total Instruction	20,546,841	398,648	20,945,489	19,995,967
Support Services				
Pupil services	1,346,416	11,858	1,358,274	1,308,232
Instructional staff services	1,126,174	95,215	1,221,389	1,363,256
General administration services	981,678	117,838	1,099,516	1,256,103
School administration services	1,677,374	108	1,677,482	1,780,610
Business services	419,522	-	419,522	315,463
Operation and maintenance of plant	3,491,850	164,735	3,656,585	3,185,704
Pupil transportation services	1,999,022	64,995	2,064,017	2,013,248
Central services	1,005,156	51,804	1,056,960	1,053,426
Insurance	456,633	650	457,283	240,245
Other support services	70,828	-	70,828	102,344
Total Support Services	12,574,653	507,203	13,081,856	12,618,631
Debt Service				
Principal	-	1,800,000	1,800,000	1,765,000
Interest	44,995	377,065	422,060	643,949
Total Debt Service	44,995	2,177,065	2,222,060	2,408,949
Community Service				
Non-program	-	60,676	60,676	65,933
General tuition payments	865,627	-	865,627	755,723
Special education tuition payments	456,378	-	456,378	127,074
Revenue transits to others	515	-	515	749
Adjustments and refunds	6,751	-	6,751	-
Total Non-program	1,329,271	-	1,329,271	883,546
Total Expenditures	34,495,760	3,143,592	37,639,352	35,973,026
Excess of Revenues Over (Under) Expenditures	332,346	47,810	380,156	489,753
Other Financing Sources (Uses)				
Long-term debt issued	-	-	-	3,765,000
Debt premium	-	-	-	106,098
Payment to current noteholder	-	-	-	(3,820,000)
Sale of capital assets	143,874	-	143,874	-
Transfers in	-	30,450	30,450	-
Transfers out	(81,313)	-	(81,313)	(12,823)
Total Other Financing Sources (Uses)	62,561	30,450	93,011	38,275
Net Change in Fund Balances	394,907	78,260	473,167	528,028
Fund Balances - July 1, restated	3,243,629	816,074	4,059,703	3,531,675
Fund Balances - June 30	\$ 3,638,536	\$ 894,334	\$ 4,532,870	\$ 4,059,703

(Continued)

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2013
(With summarized financial information as of June 30, 2012)

<u>Reconciliation to the Statement of Activities</u>	2013	2012
Net Change in Fund Balances from previous page	\$ 473,167	\$ 528,028
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 104,185	
Depreciation expense reported in the statement of activities	<u>(986,952)</u>	
Amount in which depreciation is greater than capital outlays	(882,767)	(1,082,320)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits decreased (increased) by:	(203,163)	(448,319)
Some capital assets acquired and debt retired during the year were financed with debt. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is:	-	(3,765,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments is:	1,800,000	5,585,000
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.	12,277	10,915
The loss on debt refunding is reported in the governmental fund as an expenditure. In the statement of activities, this loss is capitalized and amortized over the life of the refunded bonds	(34,944)	(34,945)
Premiums on long-term debt issued are reported in governmental funds as an other financing source. In the statement of activities, premiums are recorded as a liability and amortized over the life of the bonds.	20,209	(95,993)
Bond issue costs are reported in the governmental fund as an expenditure. In the statement of activities, these costs are capitalized and amortized over the life of the bonds.	-	<u>38,358</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 5 - 6)	<u>\$ 1,184,779</u>	<u>\$ 735,724</u>

The notes to the basic financial statements are an integral part of this statement.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Statement of Net Position

Nonmajor Proprietary Fund

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Food Service	
	2013	2012
ASSETS		
Current Assets		
Accounts receivable	\$ 33,841	\$ 24,857
Due from other governments	104,050	31,626
Prepaid Items	7,277	7,789
Total Current Assets	<u>145,168</u>	<u>64,272</u>
Capital Assets		
Machinery and equipment	523,841	523,841
Less accumulated depreciation	(515,304)	(508,793)
Total Capital Assets	<u>8,537</u>	<u>15,048</u>
TOTAL ASSETS	<u>153,705</u>	<u>79,320</u>
LIABILITIES		
Current Liabilities		
Accounts payable	210	20,713
Accrued payroll liabilities	11,010	14,342
Due to other funds	133,948	29,217
TOTAL LIABILITIES	<u>145,168</u>	<u>64,272</u>
NET POSITION		
Net investment in capital assets	<u>8,537</u>	<u>15,048</u>
TOTAL NET POSITION	<u>\$ 8,537</u>	<u>\$ 15,048</u>

The notes to the basic financial statements are an integral part of this statement.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Fund
For the Year Ended June 30, 2013
(With summarized financial information as of June 30, 2012)

	Food Service	
	2013	2012
Operating Revenues		
Food sales	\$ 601,435	\$ 596,999
State sources	21,456	24,917
Federal sources	723,710	753,773
Total Operating Revenues	<u>1,346,601</u>	<u>1,375,689</u>
Operating Expenses		
Salaries, wages and benefits	583,055	627,392
Supplies and materials	804,981	890,909
Equipment rental/maintenance	9,428	4,450
Depreciation	6,511	16,681
Total Operating Expenses	<u>1,403,975</u>	<u>1,539,432</u>
Loss Before Transfers	(57,374)	(163,743)
Transfers In	<u>50,863</u>	<u>12,823</u>
Change in Net Position	(6,511)	(150,920)
Net Position - July 1	<u>15,048</u>	<u>165,968</u>
Net Position - June 30	<u>\$ 8,537</u>	<u>\$ 15,048</u>

The notes to the basic financial statements are an integral part of this statement.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Statement of Cash Flows
Nonmajor Proprietary Fund
For the Year Ended June 30, 2013
(With summarized financial information as of June 30, 2012)

	Food Service	
	2013	2012
Cash Flows from Operating Activities		
Cash received from user charges	\$ 592,451	\$ 583,831
Cash received from other government payments	586,313	685,021
Cash payments to employees	(586,387)	(623,363)
Cash payments to suppliers	(747,971)	(819,445)
Net Cash Used by Operating Activities	<u>(155,594)</u>	<u>(173,956)</u>
Cash Flows from Noncapital and Related Financing Activities		
Temporary cash advance	104,731	29,217
Transfers in	50,863	12,823
Net Cash Provided by Noncapital and Related Financing Activities	<u>155,594</u>	<u>42,040</u>
Change in Cash and Cash Equivalents	-	(131,916)
Cash and Cash Equivalents - July 1	-	131,916
Cash and Cash Equivalents - June 30	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (57,374)	\$ (163,743)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	6,511	16,681
Changes in assets and liabilities		
Accounts receivable	(8,984)	(13,168)
Due from other governments	(72,424)	(14,177)
Prepaid expenses	512	(7,789)
Accounts payable	(20,503)	4,211
Accrued payroll liabilities	(3,332)	4,029
Net Cash Used by Operating Activities	<u>\$ (155,594)</u>	<u>\$ (173,956)</u>
Noncash Noncapital Financing Activities:		
Commodities Received From U.S. Department of Agriculture	<u>\$ 86,429</u>	<u>\$ 79,492</u>

The notes to the basic financial statements are an integral part of this statement.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Statement of Net Position

Fiduciary Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
				2013	2012
ASSETS					
Cash and cash equivalents	\$ 608,022	\$ 809,504	\$ 160,476	\$ 1,578,002	\$ 1,587,577
Accounts receivable	-	133,831	-	133,831	-
TOTAL ASSETS	608,022	943,335	160,476	1,711,833	1,587,577
LIABILITIES					
Accounts payable	-	112,152	-	112,152	381,800
Due to student organizations	-	-	160,476	160,476	177,661
TOTAL LIABILITIES	-	112,152	160,476	272,628	559,461
NET POSITION					
Restricted for					
Scholarships	608,022	-	-	608,022	599,413
Other postemployment benefits	-	831,183	-	831,183	428,703
TOTAL NET POSITION	\$ 608,022	\$ 831,183	\$ -	\$ 1,439,205	\$ 1,028,116

The notes to the basic financial statements are an integral part of this statement.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2013
(With summarized financial information as of June 30, 2012)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Totals	
			2013	2012
ADDITIONS				
Private donations	\$ 40,700	\$ -	\$ 40,700	\$ 28,700
Investment income	4,471	20,680	25,151	11,111
Other local sources	-	1,752,974	1,752,974	1,327,041
Total Additions	45,171	1,773,654	1,818,825	1,366,852
DEDUCTIONS				
Trust fund disbursements	36,562	-	36,562	34,650
Benefit payments	-	1,371,174	1,371,174	1,391,415
Total Deductions	36,562	1,371,174	1,407,736	1,426,065
Change in Net Position	8,609	402,480	411,089	(59,213)
Net Position - July 1, restated	599,413	428,703	1,028,116	1,087,329
Net Position - June 30	\$ 608,022	\$ 831,183	\$ 1,439,205	\$ 1,028,116

The notes to the basic financial statements are an integral part of this statement.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Merrill Area Public School District ("the District") Merrill, Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

1. Reporting Entity

The Merrill Area Public School District is organized as a common school district. The District, governed by a nine member elected school board, operates grades K through 12 and is comprised of all or parts of fourteen taxing districts.

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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 or segment. *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 or segment 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The District has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The District reports no major proprietary funds. The District uses an enterprise fund to account for transactions of the food service fund.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the government reports the following fund types:

The *private-purpose trust fund* is used to account for resources legally held in trust for scholarship awards.

The *employee benefit trust fund* is used to account for financial resources legally held in trust for post-employment health, dental and life insurance benefits.

The District accounts for assets held as an agent for various student organizations in an *agency fund*.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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 District 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.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

d. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. 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.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental	Business-type
	Activities	Activities
	Years	
Land improvements	20	-
Buildings	20 - 50	-
Machinery and equipment	5 - 20	5 - 15

f. Compensated Absences

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. Upon retirement or termination of employment, the employees are entitled to the unused portion which is used to pay their group health insurance. The District's employees also are granted vacation in varying amounts based on length of service. All vacation and sick leave is accrued when incurred in the district-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

District policy allows employees to continue in the District's health insurance program after retirement as discussed below.

Support Staff: Unused accumulated sick leave (up to 90 days) is determined at retirement and a dollar amount is calculated based on ending pay rate. The amount determined is used to purchase insurance for the employee (and/or surviving spouse) until the employee becomes Medicare eligible or reaches age 65 whichever comes first.

Licensed Staff/Administration: The benefits are paid in the same manner as for support staff with the exception that unused sick leave accumulations are not required. Although administration agreements have language requiring unused sick leave factors, there is also language extending the benefits in the event the accumulations are used up before Medicare eligible or age 65 occurs.

g. Deferred Outflows/Inflows of Resources

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District only has one item that qualifies for reporting in this category. It 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 to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently does not have any items that qualify for reporting in this category.

h. Long-term Obligations

In the district-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, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts 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.

i. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the District Administrator and the Accounting Manager to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

DISTRICT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed 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 - Net position that is neither classified as restricted nor as net investment in capital assets.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The debt service and capital project funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund and trust funds uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin statute 881.01, "*Uniform Prudent Investor Act*".

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the District's cash and investments totaled \$6,590,889 on June 30, 2013 as summarized below:

Deposits with financial institutions	\$ 5,781,384
Investments	
Fixed interest annuities	809,505
	<u>\$ 6,590,889</u>

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 5,012,887
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	608,022
Employee benefit trust fund	809,504
Agency fund	160,476
Total Cash and Investments	<u>\$ 6,590,889</u>

Deposits of the District are subject to custodial credit risk. Presented below is a discussion of the District's deposits and the related risk.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of June 30, 2013, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized or collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

Investments

The District has established an employee benefit trust fund to pay retiree's post-retirement benefits. The trust has \$809,505 invested in the fixed interest annuities with American United Life Insurance Company® (AUL), a OneAmerica® company. These fixed interest annuities are backed by AUL's general account assets. AUL bears the investment risk for the AUL Fixed Interest Account values and for paying interest.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Currently, all of the District's investments within the employee benefit trust fund are invested in fixed interest annuities with AUL.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

2. Property Taxes

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

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

3. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,265,000	\$ -	\$ -	\$ 1,265,000
Capital assets, being depreciated:				
Land improvements	1,295,383	-	-	1,295,383
Buildings	45,607,664	-	-	45,607,664
Machinery and equipment	5,637,712	104,185	-	5,741,897
Subtotals	52,540,759	104,185	-	52,644,944
Less accumulated depreciation for:				
Land improvements	993,040	41,192	-	1,034,232
Buildings	21,117,258	817,690	-	21,934,948
Machinery and equipment	5,108,753	128,070	-	5,236,823
Subtotals	27,219,051	986,952	-	28,206,003
Total capital assets, being depreciated, net	25,321,708	(882,767)	-	24,438,941
Governmental activities capital assets, net	\$ 26,586,708	\$ (882,767)	\$ -	25,703,941
Less related long-term debt outstanding				7,055,000
Net investment in capital assets				\$ 18,648,941
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 523,841	\$ -	\$ -	\$ 523,841
Less accumulated depreciation for:				
Machinery and equipment	508,793	6,511	-	515,304
Business-type activities capital assets, net	\$ 15,048	\$ (6,511)	\$ -	\$ 8,537

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to functions of the District as follows:

Governmental activities	
Instruction	\$ 96,965
Support services	889,987
Total depreciation expense - governmental activities	<u>\$ 986,952</u>
Business-type activities	
Food service	<u>\$ 6,511</u>

4. Interfund Transfers and Due To/Due From

Interfund transfers for the year ended June 30, 2013 were as follows:

	Transfer to:	
	Package & Co-op Program	Food Service
Transfers from:		
General fund	<u>\$ 30,450</u>	<u>\$ 50,863</u>

The transfer was to cover deficit fund balance at the end of the fiscal year.

The General Fund provided temporary cash advances to the following funds for the year ended June 30, 2013.

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 276,875	\$ -
Head Start Project Fund	-	142,927
Food Service Fund	-	133,948
Totals	<u>\$ 276,875</u>	<u>\$ 276,875</u>

5. Short-term Obligations

The District issued a tax anticipation note in advance of property tax collections. The note is needed because District expenses for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2013 was as follows:

	Outstanding 7/1/2012	Issued	Redeemed	Outstanding 6/30/2013
Tax Anticipation Notes	<u>\$ 4,250,000</u>	<u>\$ 5,000,000</u>	<u>\$ 4,250,000</u>	<u>\$ 5,000,000</u>

Total interest paid during the year on short-term debt totaled \$29,750.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2013:

	Outstanding 7/1/2012	Issued	Retired	Outstanding 6/30/2013	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 11,600,000	\$ -	\$ 1,800,000	\$ 9,800,000	\$ 1,775,000
Premium on long-term debt	95,993	-	20,209	75,784	20,209
Compensated absences	726,871	46,187	-	773,058	113,258
Other postemployment benefits	7,413,945	1,870,256	1,713,280	7,570,921	-
Governmental activities					
Long-term obligations	<u>\$ 19,836,809</u>	<u>\$ 1,916,443</u>	<u>\$ 3,533,489</u>	<u>\$ 18,219,763</u>	<u>\$ 1,908,467</u>

Total interest paid during the year on long-term debt totaled \$376,231.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$5,250,000 issued 2/15/04; \$315,000 to \$790,000 due annually through 2017; interest 3.75% to 3.90%	\$ 2,655,000
\$2,980,000 issued 3/15/05; \$5,000 to \$995,000 due annually through 2018; interest 3.85% to 3.95%	1,460,000
\$3,390,000 issued 2/3/11; \$205,000 to \$310,000 due annually through 2024; interest 2.25% to 5.20%	2,745,000
\$3,765,000 issued 1/5/12; \$690,000 to \$795,000 due annually through 2017; interest 2.00%	<u>2,940,000</u>
Total Outstanding General Obligation Debt	<u>\$ 9,800,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$9,800,000 on June 30, 2013 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2014	\$ 1,775,000	\$ 327,138	\$ 2,102,138
2015	1,745,000	277,208	2,022,208
2016	1,720,000	228,160	1,948,160
2017	1,680,000	177,058	1,857,058
2018	1,230,000	125,998	1,355,998
2019-2023	1,340,000	277,163	1,617,163
2024	310,000	16,120	326,120
	<u>\$ 9,800,000</u>	<u>\$ 1,428,845</u>	<u>\$ 11,228,845</u>

For the governmental activities, the other long-term liabilities are generally liquidated by the general fund.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2013 was \$110,122,507 as follows:

Equalized valuation of the District		\$ 1,195,388,770
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		119,538,877
Total outstanding general obligation debt applicable to debt limitation	\$ 9,800,000	
Less: Amounts available in debt service funds *1	<u>383,630</u>	
		<u>9,416,370</u>
Legal Margin for New Debt		<u><u>\$ 110,122,507</u></u>

*1: Debt service funds, less \$163,569 of interest payments due in 2013-14.

NOTE C - OTHER INFORMATION

1. Retirement Commitments

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2012		2013	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%	6.65%	6.65%
Executives & Elected Officials	7.05%	7.05%	7.0%	7.0%
Protective with Social Security	5.9%	9.0%	6.65%	9.75%
Protective without Social Security	5.9%	11.3%	6.65%	12.35%

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

The payroll for District employees covered by the WRS for the year ended June 30, 2013 was \$15,621,582; the employer's total payroll was \$16,146,498. The total required contribution for the year ended June 30, 2013 was \$1,981,521, which consisted of \$990,761 or 5.9% of covered payroll from the employer for July 1, 2012 through December 31, 2012 and 6.65% of payroll from the employer for January 1, 2013 through June 30, 2013, and \$990,760, or 5.9% of payroll from employees for July 1, 2012 through December 31, 2012 and 6.65% of payroll from the employees for January 1, 2013 through June 30, 2013. Total contributions for the years ended June 30, 2012 and 2011 were \$1,897,337 and \$1,935,611, respectively, equal to the required contributions for each year.

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

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

2. Post Employment Benefits Other Than Pension Benefits

The District has established the Merrill Area Public Schools Trust Fund for Post-Employment Benefits (the "Plan") which provides eligible employees and former employees of the District (the "Participants") health and dental benefits. The Plan is reported as a fiduciary fund of the District and the significant accounting policies of the Plan are consistent with the District's significant accounting policies discussed in Note A. The Plan financial statements are prepared on the accrual basis of accounting.

A. Plan Description and Contribution Information

Membership of the Plan at July 1, 2011, the date of the latest actuarial valuation:

	Retirees Receiving Benefits	Other Active Employees	Total
Teachers	54	208	262
Administrators	8	17	25
Supervisors	-	5	5
Support staff	-	100	100
Custodial	-	25	25
Total	62	355	417

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

Plan Description. The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plan. District paid medical benefits are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

Teachers	Age 55 and 15 years of service
Administrators	Age 55 and 10 years of service
Support and Custodian Staff	Age 55 and 10 years of service

Contributions. Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums based on the employee group and their retirement date.

Teachers	12.6% single or family coverage until eligible for Medicare
Administrators	10% single or family coverage until eligible for Medicare 25% single or family coverage until eligible for Medicare
Support and Custodian Staff	Amount accrued in accumulated sick leave converted to HRA to be used for eligible expenses such as continued coverage in the District's group medical plan

B. Annual OPEB Cost and Net OPEB Obligation

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

Component	Amount
Annual required contribution	\$ 1,981,924
Interest on net OPEB	370,697
Adjustment to annual required contribution	(482,365)
Annual OPEB cost (expense)	<u>1,870,256</u>
Contributions made	<u>1,713,280</u>
Change in net OPEB obligation	156,976
OPEB obligation - beginning of year	<u>7,413,945</u>
OPEB obligation - end of year	<u><u>\$ 7,570,921</u></u>

Projections of benefits for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and plan members) at the time of the valuation and on the historical pattern of sharing of costs between the employer and plan members to that point.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

Actuarial calculations reflect a long-term perspective and consistent with that perspective, actuarial methods and assumptions used may include techniques that are designed to reduce short-term volatility in Actuarial Accrued Liability and Actuarial Value of Assets. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2011
Actuarial cost method	Unprojected Unit Credit
Amortization method	Open level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	5%
Healthcare cost trend rate	10% initial 5% ultimate

Trend Information - The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Percentage of Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2011	\$ 1,889,206	\$ 2,015,883	75%	70%	\$ 6,807,468
June 30, 2012	1,906,774	2,042,980	67%	64%	7,413,945
June 30, 2013	1,870,256	1,981,924	92%	86%	7,570,921

C. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
July 1						
2006	\$ -	\$ 21,195,512	0%	\$ 21,195,512	\$ 15,948,164	133%
2008	87,706	25,985,262	0%	25,897,556	N/A	N/A
2010	276,450	18,480,128	1%	18,203,678	N/A	N/A
2011	487,257	17,959,192	3%	17,471,935	N/A	N/A

Actuarial valuations on ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts, such as the funded status of the Plan and the Annual Required Contributions (ARC) of the employer, are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

The Schedule of Funding Progress, presented as Required Supplementary Information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

4. Contingencies

a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the 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 District expects such amounts, if any, to be immaterial.

b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

5. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

b. A referendum on or after August 12, 1993.

6. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended June 30, 2012, have not been restated. The cumulative effect of this change was to decrease the June 30, 2013 net position of the governmental activities by \$97,156.

7. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2013

NOTE C - OTHER INFORMATION (Continued)

8. Prior Period Adjustment

The District's financial statements for the year ended June 30, 2012 were restated to reflect a reimbursement of general fund expenditures by the District's employee benefit trust fund after the District's financial statements were issued. This reimbursement was done to classify the District's implicit rate subsidy as an expense of the employee benefit trust fund. As a result, the prior year financial statements were restated as follows:

	Originally Reported	Amount Reclassified	Adjusted Balance
Government-wide Financial Statements			
Governmental activities			
Instruction	\$ 19,131,792	\$ 18,700,422	\$ (431,370)
Support services	12,184,195	12,233,765	49,570
Net position - June 30, 2013	10,582,828	10,964,628	381,800
Fund Financial Statements			
General Fund			
Regular instruction	13,629,933	13,265,487	(364,446)
Special education instruction	4,007,573	3,940,649	(66,924)
Other support services	52,774	102,344	49,570
Total expenditures	33,095,958	32,714,158	(381,800)
Fund balance - June 30, 2012	2,861,829	3,243,629	381,800
Fiduciary Fund Financial Statements			
Employee Benefit Trust Fund			
Benefit payments	1,009,615	1,391,415	381,800
Net position - June 30, 2012	810,503	428,703	(381,800)

REQUIRED SUPPLEMENTARY INFORMATION

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 8,955,056	\$ 8,019,575	\$ 8,019,575	\$ -
Other local sources	174,800	223,989	234,126	10,137
Interdistrict sources	2,122,400	2,858,995	2,883,509	24,514
Intermediate sources	15,680	16,060	16,060	-
State sources	19,832,985	20,253,108	20,260,669	7,561
Federal sources	906,574	1,079,270	905,306	(173,964)
Other sources	146,000	244,137	318,051	73,914
Total Revenues	32,153,495	32,695,134	32,637,296	(57,838)
Expenditures				
Instruction				
Regular instruction	14,148,063	14,797,361	14,323,409	473,952
Vocational instruction	866,791	860,413	911,343	(50,930)
Other instruction	1,369,244	1,493,001	1,457,444	35,557
Total Instruction	16,384,098	17,150,775	16,692,196	458,579
Support Services				
Pupil services	937,241	890,531	942,362	(51,831)
Instructional staff services	892,017	980,382	838,842	141,540
General administration services	1,007,472	1,020,197	981,678	38,519
School administration services	1,444,494	1,647,264	1,677,374	(30,110)
Business services	337,173	428,887	419,522	9,365
Operation and maintenance of plant	3,359,998	3,502,743	3,483,989	18,754
Pupil transportation services	1,856,139	1,929,835	1,937,135	(7,300)
Central services	1,083,342	1,034,919	1,003,381	31,538
Insurance	245,151	462,140	456,633	5,507
Other support services	7,000	-	70,828	(70,828)
Total Support Services	11,170,027	11,896,898	11,811,744	85,154
Debt Service				
Interest	50,000	47,000	44,995	2,005
Non-program				
General tuition payments	642,858	844,575	865,627	(21,052)
Revenue transits to others	3,000	515	515	-
Adjustments and refunds	-	6,751	6,751	-
Total Non-program	645,858	851,841	872,893	(21,052)
Total Expenditures	28,249,983	29,946,514	29,421,828	524,686
Excess of Revenues Over Expenditures	3,903,512	2,748,620	3,215,468	466,848
Other Financing Sources (Uses)				
Sale of capital assets	-	143,874	143,874	-
Transfers out	(3,059,504)	(3,194,677)	(2,964,435)	230,242
Total Other Financing Sources (Uses)	(3,059,504)	(3,050,803)	(2,820,561)	230,242
Net Change in Fund Balance	844,008	(302,183)	394,907	697,090
Fund Balance - July 1, restated	3,243,629	3,243,629	3,243,629	-
Fund Balance - June 30	\$ 4,087,637	\$ 2,941,446	\$ 3,638,536	\$ 697,090

The notes to the required supplementary information are an integral part of this schedule.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Education Special Revenue Fund - Budgetary Basis
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 5,000	\$ 5,169	\$ 5,608	\$ 439
Intermediate sources	60,000	98,000	256,448	158,448
State sources	1,153,028	1,097,472	1,097,472	-
Federal sources	667,090	847,987	831,282	(16,705)
Total Revenues	1,885,118	2,048,628	2,190,810	142,182
Expenditures				
Instruction				
Vocational instruction	44,265	28,500	23,967	4,533
Special education instruction	3,815,033	3,733,449	3,821,701	(88,252)
Other instruction	22,865	10,585	8,977	1,608
Total Instruction	3,882,163	3,772,534	3,854,645	(82,111)
Support Services				
Pupil services	414,648	449,576	404,054	45,522
Instructional staff services	486,311	280,690	287,332	(6,642)
Operation and maintenance of plant	-	7,861	7,861	-
Pupil transportation services	100,000	58,868	61,887	(3,019)
Central services	-	1,775	1,775	-
Insurance	8,000	-	-	-
Other support services	-	226,925	-	226,925
Total Support Services	1,008,959	1,025,695	762,909	262,786
Non-program				
Special education tuition payments	53,500	445,076	456,378	(11,302)
Total Expenditures	4,944,622	5,243,305	5,073,932	169,373
Excess of Revenues Over (Under) Expenditures	(3,059,504)	(3,194,677)	(2,883,122)	311,555
Other Financing Sources				
Transfers in	3,059,504	3,194,677	2,883,122	(311,555)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

The notes to the required supplementary information are an integral part of this schedule.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Schedule of Funding Progress

Other Post-Employment Benefit Plan

For the Year Ended June 30, 2013

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
7/1/2006	\$ -	\$ 21,195,512	0.0%	\$ 21,195,512	\$ 15,948,164	132.9%
7/1/2008	87,706	25,985,262	0.3%	25,897,556	N/A	N/A
7/1/2010	276,450	18,480,128	1.5%	18,203,678	N/A	N/A
7/1/2011	487,257	17,959,192	2.7%	17,471,935	N/A	N/A

The notes to the required supplementary information are an integral part of this schedule.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Schedule of Employer Contributions

Other Post-Employment Benefit Plan

For the Year Ended June 30, 2013

Year Ended June 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2007	\$ 940,775	\$ 2,514,220	37.4%
2008	1,106,550	2,580,738	42.9%
2009	1,478,297	2,899,188	51.0%
2010	1,082,835	2,904,986	37.3%
2011	1,411,501	2,015,883	70.0%
2012	1,300,267	2,042,980	63.6%
2013	1,713,280	1,981,924	86.4%

The notes to the required supplementary information are an integral part of this schedule.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2013

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 45

The District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" for the fiscal year ended June 30, 2007. Information for prior years is not available.

NOTE B - SCHEDULE OF FUNDING PROGRESS

There have been no changes in actuarial assumptions that have a significant effect on the amounts presented in the schedule of funding progress for one year compared to the information presented for prior years.

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- Encumbrance accounting is used by the District.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2013.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2013

NOTE D - BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note C; however, the District adopts a budget for the special education special revenue fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 32,637,296	\$ 2,190,810
Reclassification of special education	2,190,810	(2,190,810)
Total Revenues	<u>34,828,106</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	29,421,828	5,073,932
Reclassification of special education	5,073,932	(5,073,932)
Total Expenditures	<u>34,495,760</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	3,215,468	(2,883,122)
Reclassification of special education	(2,883,122)	2,883,122
Excess of Revenues Over (Under) Expenditures	<u>332,346</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,820,561)	2,883,122
Reclassification of special education	2,883,122	(2,883,122)
Total Other Financing Sources (Uses)	<u>62,561</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>394,907</u>	<u>-</u>
Fund Balance - January 1		
Actual amounts (budgetary basis)	<u>3,243,629</u>	<u>-</u>
Fund Balance - December 31		
Actual amounts (budgetary basis)	<u>\$ 3,638,536</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds				
	TEACH	Special Revenue Trust	Head Start Project	Community Service	Package & Co-op Program
ASSETS					
Cash and investments	\$ 48,380	\$ 55,730	\$ -	\$ 288,554	\$ 2,996
Receivables					
Accounts	-	-	4,331	-	304
Due from other governments	-	-	199,600	-	-
TOTAL ASSETS	<u>\$ 48,380</u>	<u>\$ 55,730</u>	<u>\$ 203,931</u>	<u>\$ 288,554</u>	<u>\$ 3,300</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 5,616	\$ 11,580	\$ 51,203	\$ 27,655	\$ 1,550
Accrued payroll liabilities	-	-	9,801	678	1,750
Due to other funds	-	-	142,927	-	-
Total Liabilities	<u>5,616</u>	<u>11,580</u>	<u>203,931</u>	<u>28,333</u>	<u>3,300</u>
Fund Balances					
Restricted					
Debt service	-	-	-	-	-
TEACH program	42,764	-	-	-	-
Community service programs	-	-	-	260,221	-
Assigned for equipment and other	-	44,150	-	-	-
Total Fund Balances	<u>42,764</u>	<u>44,150</u>	<u>-</u>	<u>260,221</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,380</u>	<u>\$ 55,730</u>	<u>\$ 203,931</u>	<u>\$ 288,554</u>	<u>\$ 3,300</u>

Debt Service Funds		Total Nonmajor Governmental Funds
Non- Referendum Debt Service	Referendum Debt Service	

\$	73,525	\$	473,674	\$	942,859
	-		-		4,635
	-		-		199,600
<hr/>					
\$	73,525	\$	473,674	\$	1,147,094

\$	-	\$	-	\$	97,604
	-		-		12,229
	-		-		142,927
<hr/>					
	-		-		252,760

	73,525		473,674		547,199
	-		-		42,764
	-		-		260,221
	-		-		44,150
<hr/>					
	73,525		473,674		894,334

\$	73,525	\$	473,674	\$	1,147,094
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MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue Funds				
	TEACH	Special Revenue Trust	Head Start Project	Community Service	Package & Co-op Program
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 245,000	\$ -
Other local sources	-	63,793	-	83	5,000
Interdistrict sources	-	1,837	-	-	38,670
Federal sources	-	-	660,788	-	-
Total Revenues	-	65,630	660,788	245,083	43,670
Expenditures					
Instruction					
Regular instruction	-	386	384,113	-	2,015
Other Instruction	-	2,848	8,184	1,102	-
Total Instruction	-	3,234	392,297	1,102	2,015
Support Services					
Pupil services	-	-	11,858	-	-
Instructional staff services	-	-	23,196	-	72,019
General administration services	-	-	117,838	-	-
School administration services	-	-	108	-	-
Operation and maintenance of plant	-	27,649	67,092	69,994	-
Pupil transportation services	-	8,805	46,530	9,660	-
Central services	50,499	-	1,219	-	86
Insurance	-	-	650	-	-
Total Support Services	50,499	36,454	268,491	79,654	72,105
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Debt Service	-	-	-	-	-
Community Service	-	-	-	60,676	-
Total Expenditures	50,499	39,688	660,788	141,432	74,120
Excess of Revenues Over (Under)					
Expenditures	(50,499)	25,942	-	103,651	(30,450)
Other Financing Sources					
Transfers in	-	-	-	-	30,450
Net Change in Fund Balances	(50,499)	25,942	-	103,651	-
Fund Balances - July 1	93,263	18,208	-	156,570	-
Fund Balances - June 30	\$ 42,764	\$ 44,150	\$ -	\$ 260,221	\$ -

Debt Service Funds		Total Nonmajor Governmental Funds
Non- Referendum Debt Service	Referendum Debt Service	
\$ 315,883	\$ 1,860,348	\$ 2,421,231
-	-	68,876
-	-	40,507
-	-	660,788
<u>315,883</u>	<u>1,860,348</u>	<u>3,191,402</u>
-	-	386,514
-	-	12,134
-	-	<u>398,648</u>
-	-	11,858
-	-	95,215
-	-	117,838
-	-	108
-	-	164,735
-	-	64,995
-	-	51,804
-	-	650
-	-	<u>507,203</u>
200,000	1,600,000	1,800,000
115,883	261,182	377,065
<u>315,883</u>	<u>1,861,182</u>	<u>2,177,065</u>
-	-	60,676
<u>315,883</u>	<u>1,861,182</u>	<u>3,143,592</u>
-	(834)	47,810
-	-	30,450
-	(834)	78,260
<u>73,525</u>	<u>474,508</u>	<u>816,074</u>
<u>\$ 73,525</u>	<u>\$ 473,674</u>	<u>\$ 894,334</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Pupil Activity Fund

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2013

	Balance 7/1/12	Additions	Deletions	Balance 6/30/13
ASSETS				
Cash and cash equivalents	\$ 177,661	\$ 517,080	\$ 534,265	\$ 160,476
LIABILITIES				
Due to student organizations				
Middle schools	\$ 65,840	\$ 101,320	\$ 121,021	\$ 46,139
Senior High school	111,821	415,760	413,244	114,337
TOTAL LIABILITIES	\$ 177,661	\$ 517,080	\$ 534,265	\$ 160,476

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



**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**

Independent Auditors' Report

To the Board of Education
Merrill Area Public School District
Merrill, Wisconsin

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Merrill Area Public School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Merrill Area Public School District's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated January 6, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-02 and 2013-03 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Merrill Area Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Merrill Area Public School District's Response to Findings

Merrill Area Public School District's response to the findings identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. Merrill Area Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Merrill Area Public School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Merrill Area Public School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
January 6, 2014

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

Independent Auditors' Report

To the Board of Education
Merrill Area Public School District
Merrill, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Merrill Area Public School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of Merrill Area Public School District's major federal and state programs for the year ended June 30, 2013. Merrill Area Public School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Merrill Area Public School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Merrill Area Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, Merrill Area Public 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 and state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Merrill Area Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Merrill Area Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Merrill Area Public School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-02 and 2012-03 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-04 to be a significant deficiency.

Merrill Area Public School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. Merrill Area Public School District's responses was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
January 6, 2014

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Grantor Agency/Cluster or Grant Title/Grant Period	Pass-through Agency
----------------------------------------------------	---------------------

U.S. DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster

School Breakfast Program

July 1, 2011 - June 30, 2012

July 1, 2012 - June 30, 2013

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

National School Lunch Program

July 1, 2011 - June 30, 2012

July 1, 2012 - June 30, 2013

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

Commodities

Wisconsin Department of Public Instruction

Total National School Lunch Program

Summer Food Service Program

July 1, 2011 - June 30, 2012

July 1, 2012 - June 30, 2013

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

Total Child Nutrition Cluster

Child and Adult Care Food Program

July 1, 2011 - June 30, 2012

July 1, 2012 - June 30, 2013

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

Fresh Fruit & Vegetable Program

July 1, 2011 - June 30, 2012

Wisconsin Department of Public Instruction

Total U.S. Department of Agriculture

U.S. DEPARTMENT OF EDUCATION

Title I, Part A Cluster

Title I Grants to Local Educational Agencies

July 1, 2011 - June 30, 2012

July 1, 2012 - June 30, 2013

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

Total Title I, Part A Cluster

Career and Technical Education - Basic Grants to States

July 1, 2011 - June 30, 2012

July 1, 2012 - June 30, 2013

Wisconsin Department of Public Instruction

Special Education Cluster (IDEA)

Special Education - Grants to States

July 1, 2011 - June 30, 2012

July 1, 2012 - June 30, 2013

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

Special Education - Preschool Grants

July 1, 2012 - June 30, 2013

Wisconsin Department of Public Instruction

Total Special Education Cluster (IDEA)

(Continued)

Federal CFDA Number	Revenues				Total Expenditures
	(Accrued) or Deferred Revenue 7/1/12	Cash Received	Accrued or (Deferred) Revenue 6/30/13	Total Revenues	
10.553	\$ (2,595)	\$ 2,595	\$ -	\$ -	\$ -
	-	68,944	12,293	81,237	81,237
10.555	(12,905)	13,029	-	124	124
	-	451,460	78,979	530,439	530,439
	-	86,429	-	86,429	86,429
	<u>(12,905)</u>	<u>550,918</u>	<u>78,979</u>	<u>616,992</u>	<u>616,992</u>
10.559	(10,863)	10,863	-	-	-
	-	-	12,389	12,389	12,389
	<u>(26,363)</u>	<u>633,320</u>	<u>103,661</u>	<u>710,618</u>	<u>710,618</u>
10.558	(269)	269	-	-	-
	-	12,703	389	13,092	13,092
10.582	(4,993)	4,993	-	-	-
	<u>(31,625)</u>	<u>651,285</u>	<u>104,050</u>	<u>723,710</u>	<u>723,710</u>
84.010	(436,063)	436,063	-	-	-
	-	-	451,978	451,978	451,978
	<u>(436,063)</u>	<u>436,063</u>	<u>451,978</u>	<u>451,978</u>	<u>451,978</u>
84.048	(26,129)	26,129	-	-	-
	-	-	24,481	24,481	24,481
84.027	(319,051)	319,051	-	-	-
	-	696,395	89,540	785,935	785,935
84.173	-	-	45,347	45,347	45,347
	<u>(319,051)</u>	<u>1,015,446</u>	<u>134,887</u>	<u>831,282</u>	<u>831,282</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Grantor Agency/Cluster or Grant Title/Grant Period	Pass-through Agency
----------------------------------------------------	---------------------

U.S. DEPARTMENT OF EDUCATION (Continued)

Twenty-First Century Community Learning Centers	
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction
Improving Teacher Quality State Grants	
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction
Obey Earmarked Funds	
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction
ARRA - Education Jobs Bill	
Education Fund	
July 1, 2011 - June 30, 2012	
July 1, 2012 - June 30, 2013	Wisconsin Department of Administration
Total U.S. Department of Education	

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start Cluster	
Head Start	
July 1, 2011 - June 30, 2012	Direct Program
July 1, 2012 - June 30, 2013	Direct Program
Medical Assistance - School Based Services Benefit	
July 1, 2012 - June 30, 2013	Cooperative Educational Services Agency (CESA) # 9
Total U.S. Department of Health and Human Services	

TOTAL FEDERAL AWARDS

Reconciliation to Basic Financial Statements	
Governmental Funds	
Federal sources	
Federal awards reported with intermediate sources	
Proprietary Fund	
Federal sources	
Total Federal Awards	

The notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of this schedule.

Federal CFDA Number	Revenues			Total Revenues	Total Expenditures
	(Accrued) or Deferred Revenue 7/1/12	Cash Received	Accrued or (Deferred) Revenue 6/30/13		
84.287	(135,819)	135,819	-	-	-
	-	-	241,867	241,867	241,867
84.367	(183,421)	183,421	-	-	-
	-	-	145,273	145,273	145,273
84.215K	(40,217)	40,217	-	-	-
84.410	(96,953)	96,953	-	-	-
	-	41,707	-	41,707	41,707
	<u>(1,237,653)</u>	<u>1,975,755</u>	<u>998,486</u>	<u>1,736,588</u>	<u>1,736,588</u>
93.600	(129,601)	129,601	-	-	-
	-	461,188	199,600	660,788	660,788
93.778	-	251,143	-	251,143	251,143
	<u>(129,601)</u>	<u>841,932</u>	<u>199,600</u>	<u>911,931</u>	<u>911,931</u>
	<u>\$ (1,398,879)</u>	<u>\$ 3,468,972</u>	<u>\$ 1,302,136</u>	<u>\$ 3,372,229</u>	<u>\$ 3,372,229</u>

\$ 2,397,376
 251,143
723,710
\$ 3,372,229

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Schedule of State Financial Assistance

For the Year Ended June 30, 2013

Grantor Agency/Cluster or Grant Title/ Grant Period	Pass-through Agency	State ID Number
--------------------------------------------------------	---------------------	-----------------------

WI DEPARTMENT OF PUBLIC INSTRUCTION

Special Education and School Age Parents	Direct Program	255.101
School Lunch	Direct Program	255.102
Common School Fund Library Aid	Direct Program	255.103
General Transportation Aid for Public and Private Pupils	Direct Program	255.107
Equalization Aids	Direct Program	255.201
July 1, 2011 - June 30, 2012	Direct Program	
July 1, 2012 - June 30, 2013	Direct Program	
Head Start	Direct Program	255.327
School Breakfast Program	Direct Program	255.344
Mentoring Grants for Initial Educators	Direct Program	255.355
Student Achievement Guarantee in Education (SAGE)	Direct Program	255.504
Per Pupil Adjustment Aid	Direct Program	255.925
Aid for High-Poverty School District	Direct Program	255.926
Total Wisconsin Department of Public Instruction		

TOTAL STATE FINANCIAL ASSISTANCE

Reconciliation to Basic Financial Statements	
Governmental Funds	
State sources	
Proprietary Fund	
State sources	
Revenues not considered state financial assistance	
Tax-exempt computer aids	
PILOT payments and other programs	
Total State Awards	

The notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of this schedule are an integral part of this schedule.

Revenues				Total Expenditures
(Accrued) or Deferred Revenue 7/1/12	Cash Received	Accrued or (Deferred) Revenue 6/30/13	Total Revenues	

\$ -	\$ 1,097,472	\$ -	\$ 1,097,472	\$ 1,097,472
-	15,421	-	15,421	15,421
-	109,360	-	109,360	109,360
-	156,768	-	156,768	156,768
(366,715)	366,715	-	-	-
-	18,368,499	343,014	18,711,513	18,711,513
(28,875)	28,875	28,874	28,874	28,874
-	6,035	-	6,035	6,035
-	-	1,978	1,978	1,978
-	759,040	-	759,040	759,040
-	148,750	-	148,750	148,750
-	211,295	-	211,295	211,295
(395,590)	21,268,230	373,866	21,246,506	21,246,506

\$ (395,590) \$ 21,268,230 \$ 373,866 \$ 21,246,506 \$ 21,246,506

\$ 21,358,141

21,456

(38,785)

(94,306)

\$ 21,246,506

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Merrill Area Public School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2012-2013 eligible costs under the State Special Education Program as reported by the District are \$4,074,613.

NOTE C - OVERSIGHT AGENCIES

The U.S. Department of Health and Human Services is designated the federal oversight agency for the District. The Wisconsin Department of Public Instruction is the state oversight agency for the District.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I – Summary of Auditors’ Results

Basic Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	Yes
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(1) of Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes
Identification of major federal and state programs:	

CFDA Number	Name of Federal Programs/Cluster
	Special Education Cluster (IDEA)
84.027	Special Education - Grants to States
81.173	Special Education - Preschool Grants
93.600	Head Start
93.778	Medical Assistance - School Based Services Benefit

State I.D. Number	Name of State Programs
255.101	Special Education and School Age Parents
255.107	General Transportation Aid for Public and Private Pupils
255.201	Equalization Aids
255.925	Per Pupil Adjustment Aid

Audit threshold used to determine between Type A and Type B programs:	
Federal	\$300,000
State	\$100,000
Auditee qualified as low-risk auditee?	No

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Section II – Financial Statement Findings

Finding No.	Control Deficiency
-------------	--------------------

2013-01 Preparation of Annual Financial Report

Condition: Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Cause: District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the District continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

2013-02 Timely Cash and General Ledger Account Reconciliations

Condition: The District did not reconcile cash and key general ledger accounts throughout the year.

Criteria: Monthly cash and general ledger reconciliations are an important control intended to ensure accurate financial records, as well as prevent or detect and correct misappropriation of assets.

Cause: Monthly cash and general ledger reconciliations were completed by District personnel; however, unreconciled variances occurred throughout the year between bank statement balances and other supporting documentation and general ledger balances.

Effect: District financial statements could be misstated and not detected and corrected in a timely manner. In addition, the lack of accurate reconciliations delayed the issuance of the District's Annual Financial Report past the due date of December 1, 2013.

Recommendation: We recommend the District establish procedures to reconcile general ledger accounts, including cash balances, on a monthly basis to ensure financial transactions of the District are properly reported each month and any variance should be identified and corrected in a timely manner. We further recommend these month-end closing procedures be identified in a checklist, with appropriate personnel involved in the review and approval of these month-end procedures.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Section II – Financial Statement Findings

Finding No.	Control Deficiency
2013-03	Processing Journal Entries
Condition:	Journal entries are not reviewed and approved by someone other than the individual preparing the entry. In addition, adequate supporting documentation is not always maintained by the District, creating difficulties in the future in determining the reason a journal entry.
Criteria:	Journal entries manually adjust transactions recorded by the District. Without proper controls established, journal entries could be posted which create inaccurate District general ledger balances or adjust District general ledger to cover up a fraudulent transaction processed through District systems.
Cause:	The District currently does not have specific written procedures for preparing, approving and retaining documentation for journal entries.
Effect:	Certain journal entries reviewed during the audit did not have appropriate documentation supporting the journal entry and others were posted incorrectly, resulting in additional time closing out the District's financial records for the year ended June 30, 2013.
Recommendation:	We therefore recommend that the District develop a policy for processing journal entries that includes 1) adequate explanation and documentation, 2) all journal entries should be numbered in sequential order, and 3) the review and approval of all journal entries prior to the entering into the District's general ledger.

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs

Finding No.	Control Deficiency
2013-02	Timely Cash and General Ledger Account Reconciliations
CFDA #:	All federal programs.
State ID #:	All state programs.
	See Section II for a description of the control deficiency.
2013-03	Processing Journal Entries
CFDA #:	All federal programs.
State ID #:	All state programs.
	See Section II for a description of the control deficiency.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs

Finding No.	Control Deficiency
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2013-04 Financial Reporting for Federal and State Financial Assistance

CFDA #: All federal programs.
State ID #: All state programs.

Condition: OMB Circular A-133 and the *State Single Audit Guidelines* requires the District to prepare appropriate financial statements, including the schedules of expenditures of federal awards and state financial assistance. While the current staff of the District maintain financial records supporting amounts reported in the schedules of expenditures of federal awards and state financial assistance, the District contracts with Schenck to compile the data from these records and prepare the single audit report for the District.

Criteria: Having staff with expertise in federal and state financial reporting prepare the District's single audit report is an internal control intended to prevent, detect and correct a potential misstatement in the schedules of expenditures of federal awards and state financial assistance, or accompanying notes to the schedule.

Cause: The additional costs associated with hiring staff sufficiently experienced to prepare the District's single audit report, including the additional training time, outweigh the derived benefits.

Effect: The District could receive federal and state grant awards which are not included in the accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance.

Recommendation: We recommend District personnel continue reviewing the District's single audit report prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the District is necessary to ensure all federal and state financial assistance programs are properly reported in the District's single audit report.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2013

Section IV - Other Issues

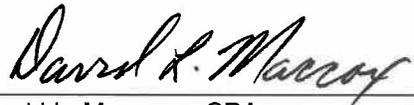
Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines?

Wisconsin Department of Public Instruction Yes
Wisconsin Department of Health Services Yes

Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

Name and signature of Shareholder



David L. Maccoux, CPA

Date of report

January 6, 2014

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2013

Status of Prior Year Audit Finding

The findings noted in the 2012 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies. Management continues to rely on the auditor's expertise and experience to assist with year end closing entries. Management reviews the financial report and the single audit report prepared by Schenck.

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
2013-01	<p>Preparation of Annual Financial Report</p> <p>Management believes the cost of additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the financial statements and other information prepared by Schenck prior to issuance.</p>
2013-02	<p>Timely Cash and General Ledger Account Reconciliations</p> <p>The District agrees with the recommendation to establish procedures to reconcile general ledger accounts on a monthly basis. Accounts with material balances will be reconciled monthly and other accounts will be reconciled quarterly. Job descriptions have been clarified with the involved personnel to eliminate misunderstandings regarding who has what role in the process. We have also reassigned secondary job duties to allow the involved personnel additional time to devote to completing reconciliations. A reconciliation checklist will be developed for each of the District's bank accounts indicating the steps needed to reconcile each account. The checklist will include a monthly deadline for completion of the reconciliations. All reconciliations will be completed by the Finance Supervisor and reviewed and approved by the Director of Finance and Personnel.</p>
2013-03	<p>Processing Journal Entries</p> <p>The District agrees with the recommendation to develop an administrative procedure for processing journal entries. The procedure will establish a standard for the type of documentation required for each entry and the level of specificity of the explanation entered into Skyward for each entry. All journal entries are now being entered by the Finance Supervisor and reviewed by the Director of Finance and Personnel. The District is utilizing Skyward's control feature for this process. This feature keeps an electronic record of who enters a journal entry, the date and time it was entered, who approves the journal entry and the date and time it was approved. Skyward has also been set up to assign each journal entry a unique sequential batch number.</p>
2013-04	<p>Financial Reporting for Federal and State Financial Assistance</p> <p>Management believes that the cost of hiring additional staff to compile and prepare the schedule of federal awards and state financial assistance outweigh the benefits to be received. Management has reviewed and approved the financial statements and other information prepared by Schenck prior to issuance.</p>