

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

June 30, 2014

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MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

June 30, 2014

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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, ("the District") as of and for the year ended June 30, 2014, 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 auditors consider 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, 2014, 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.

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 2013 financial statements, and our report dated January 6, 2014, 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, 2013, 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 November 26, 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
November 26, 2014

BASIC FINANCIAL STATEMENTS

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Statement of Net Position
June 30, 2014
(With summarized financial information as of June 30, 2013)

	Governmental Activities	Business-type Activities	Totals	
			2014	2013
ASSETS				
Cash and investments	\$ 8,828,080	\$ 57,419	\$ 8,885,499	\$ 5,012,887
Receivables				
Taxes	2,940,772	-	2,940,772	2,853,951
Accounts	976,777	853	977,630	875,170
Due from other governments	1,404,680	27,259	1,431,939	1,727,457
Prepaid items	702,142	7,633	709,775	721,037
Capital assets				
Land	1,256,000	-	1,256,000	1,265,000
Land improvements	1,648,109	-	1,648,109	1,295,383
Buildings	45,601,158	-	45,601,158	45,607,664
Machinery and equipment	1,374,154	334,000	1,708,154	6,265,738
Less: Accumulated depreciation	(25,167,990)	(318,301)	(25,486,291)	(28,721,307)
TOTAL ASSETS	39,563,882	108,863	39,672,745	36,902,980
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	26,309	-	26,309	117,989
LIABILITIES				
Short-term notes payable	6,700,000	-	6,700,000	5,000,000
Accounts payable	1,176,559	85,557	1,262,116	586,743
Accrued payroll liabilities	769,850	612	770,462	1,033,800
Accrued interest payable	80,751	-	80,751	119,875
Unearned revenues	-	6,995	6,995	-
Deposits payable	12,454	-	12,454	-
Long-term obligations				
Due within one year	1,763,198	-	1,763,198	1,908,467
Due in more than one year	15,759,176	-	15,759,176	16,311,296
TOTAL LIABILITIES	26,261,988	93,164	26,355,152	24,960,181
NET POSITION				
Net investment in capital assets	18,906,431	15,699	18,922,130	18,657,478
Restricted for				
Debt service	135,800	-	135,800	464,413
TEACH program	42,764	-	42,764	42,764
Community services and programs	127,847	-	127,847	260,221
Unrestricted (deficit)	(5,884,639)	-	(5,884,639)	(7,364,088)
TOTAL NET POSITION	\$ 13,328,203	\$ 15,699	\$ 13,343,902	\$ 12,060,788

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, 2014
(With summarized financial information for the year ended June 30, 2013)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 21,581,108	\$ 19,524	\$ 7,656,116
Support services	13,888,949	80,310	1,285,661
Interest and fiscal charges	457,610	-	-
Community services	118,774	14,941	-
Non-program	1,250,370	-	-
Total Governmental Activities	<u>37,296,811</u>	<u>114,775</u>	<u>8,941,777</u>
Business-type Activities			
School food service program	<u>1,366,168</u>	<u>562,005</u>	<u>799,472</u>
Total School District	<u>\$ 38,662,979</u>	<u>\$ 676,780</u>	<u>\$ 9,741,249</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	
		2014	2013
\$ (13,905,468)	\$ -	\$ (13,905,468)	\$ (14,439,175)
(12,522,978)	-	(12,522,978)	(12,853,572)
(457,610)	-	(457,610)	(424,518)
(103,833)	-	(103,833)	(125,564)
(1,250,370)	-	(1,250,370)	(1,272,075)
(28,240,259)	-	(28,240,259)	(29,114,904)
-	(4,691)	(4,691)	(57,374)
(28,240,259)	(4,691)	(28,244,950)	(29,172,278)
10,964,944	-	10,964,944	10,440,806
23,815	-	23,815	11,581
17,831,825	-	17,831,825	19,110,343
4,501	-	4,501	18,669
702,979	-	702,979	769,147
(11,853)	11,853	-	-
29,516,211	11,853	29,528,064	30,350,546
1,275,952	7,162	1,283,114	1,178,268
12,052,251	8,537	12,060,788	10,979,676
-	-	-	(97,156)
\$ 13,328,203	\$ 15,699	\$ 13,343,902	\$ 12,060,788

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2014

(With summarized financial information as of June 30, 2013)

	General	Other Governmental Funds	Total Governmental Funds	
			2014	2013
ASSETS				
Cash and investments	\$ 8,410,837	\$ 417,243	\$ 8,828,080	\$ 5,012,887
Receivables				
Taxes	2,940,772	-	2,940,772	2,853,951
Accounts	968,208	8,569	976,777	841,329
Due from other funds	201,304	-	201,304	276,875
Due from other governments	1,205,876	198,804	1,404,680	1,623,407
Prepaid items	701,133	1,009	702,142	713,760
TOTAL ASSETS	\$ 14,428,130	\$ 625,625	\$ 15,053,755	\$ 11,322,209
LIABILITIES AND FUND BALANCES				
Liabilities				
Short-term notes payable	\$ 6,700,000	\$ -	\$ 6,700,000	\$ 5,000,000
Accounts payable	1,168,272	8,287	1,176,559	586,533
Accrued payroll liabilities	763,975	5,875	769,850	1,022,790
Accrued interest payable	23,203	-	23,203	37,089
Due to other funds	-	201,304	201,304	142,927
Deposits payable	12,454	-	12,454	-
Total Liabilities	8,667,904	215,466	8,883,370	6,789,339
Fund Balances				
Nonspendable				
Prepaid items	701,133	1,009	702,142	713,760
Restricted				
Debt service	-	193,348	193,348	547,199
TEACH program	-	42,764	42,764	42,764
Community services and programs	-	127,847	127,847	260,221
Committed for office remodeling	150,000	-	150,000	150,000
Assigned for equipment and other	-	46,200	46,200	44,150
Unassigned, reported in				
General fund	4,909,093	-	4,909,093	2,774,776
Special revenue fund	-	(1,009)	(1,009)	-
Total Fund Balances	5,760,226	410,159	6,170,385	4,532,870
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,428,130	\$ 625,625	\$ 15,053,755	\$ 11,322,209

(Continued)

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Balance Sheet (Continued)
Governmental Funds
June 30, 2014
(With summarized financial information as of June 30, 2013)

<u>Reconciliation to the Statement of Net Position</u>	2014	2013
Total Fund Balances as shown above	\$ 6,170,385	\$ 4,532,870
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.	24,711,431	25,703,941
Deferred outflow of resources is reported in the statement of net position for the loss on advance refunding.	26,309	117,989
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	(8,345,000)	(9,800,000)
Debt premium	(55,575)	(75,784)
Compensated absences	(909,389)	(773,058)
Other post-employment benefits	(8,212,410)	(7,570,921)
Accrued interest on long-term obligations	(57,548)	(82,786)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 13,328,203</u>	<u>\$ 12,052,251</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, 2014
(With summarized financial information for the year ended June 30, 2013)

	General	Other Governmental Funds	Total Governmental Funds	
			2014	2013
Revenues				
Property taxes	\$ 9,501,570	\$ 1,463,374	\$ 10,964,944	\$ 10,440,806
Other local sources	183,435	136,444	319,879	303,002
Interdistrict sources	4,324,912	42,620	4,367,532	2,929,624
Intermediate sources	307,870	-	307,870	272,508
State sources	20,042,840	-	20,042,840	21,358,141
Federal sources	1,536,788	642,530	2,179,318	2,397,376
Other sources	387,643	-	387,643	318,051
Total Revenues	36,285,058	2,284,968	38,570,026	38,019,508
Expenditures				
Instruction				
Regular instruction	13,885,947	464,769	14,350,716	14,709,923
Vocational instruction	968,621	-	968,621	935,310
Special education instruction	3,829,344	-	3,829,344	3,821,701
Other instruction	1,766,998	10,410	1,777,408	1,478,555
Total Instruction	20,450,910	475,179	20,926,089	20,945,489
Support Services				
Pupil services	1,374,590	10,130	1,384,720	1,358,274
Instructional staff services	1,214,097	80,380	1,294,477	1,221,389
General administration services	1,150,401	142,108	1,292,509	1,099,516
School administration services	1,724,395	1,589	1,725,984	1,677,482
Business services	438,355	-	438,355	419,522
Operation and maintenance of plant	3,078,230	120,789	3,199,019	3,656,585
Pupil transportation services	2,019,818	57,720	2,077,538	2,064,017
Central services	1,127,313	4,418	1,131,731	1,056,960
Insurance	266,598	650	267,248	457,283
Other support services	-	-	-	70,828
Total Support Services	12,393,797	417,784	12,811,581	13,081,856
Debt Service				
Principal	-	1,485,500	1,485,500	1,800,000
Interest	36,258	376,095	412,353	422,060
Total Debt Service	36,258	1,861,595	1,897,853	2,222,060
Community Service	-	80,831	80,831	60,676
Non-program				
General tuition payments	810,365	-	810,365	865,627
Special education tuition payments	439,994	-	439,994	456,378
Revenue transits to others	-	-	-	515
Adjustments and refunds	11	-	11	6,751
Total Non-program	1,250,370	-	1,250,370	1,329,271
Total Expenditures	34,131,335	2,835,389	36,966,724	37,639,352
Excess of Revenues Over (Under) Expenditures	2,153,723	(550,421)	1,603,302	380,156
Other Financing Sources (Uses)				
Long-term debt issued	-	2,185,000	2,185,000	-
Debt premium	-	13,383	13,383	-
Payment to current noteholder	-	(2,154,500)	(2,154,500)	-
Sale of capital assets	2,183	-	2,183	143,874
Transfers in	-	22,363	22,363	30,450
Transfers out	(34,216)	-	(34,216)	(81,313)
Total Other Financing Sources (Uses)	(32,033)	66,246	34,213	93,011
Net Change in Fund Balances	2,121,690	(484,175)	1,637,515	473,167
Fund Balances - July 1	3,638,536	894,334	4,532,870	4,059,703
Fund Balances - June 30	\$ 5,760,226	\$ 410,159	\$ 6,170,385	\$ 4,532,870

(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, 2014
(With summarized financial information for the year ended June 30, 2013)

<u>Reconciliation to the Statement of Activities</u>	2014	2013
Net Change in Fund Balances from previous page	\$ 1,637,515	\$ 473,167
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	\$ 108,641	
Depreciation expense reported in the statement of activities	<u>(868,033)</u>	
Amount in which depreciation is greater than capital outlays	(759,392)	(882,767)
During the year, the District increased its capitalization limit to \$5,000. The book value of capital assets removed from the statement of net position was:	(233,118)	-
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:	(777,820)	(203,163)
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:	(2,185,000)	-
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:	3,640,000	1,800,000
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.	25,238	12,277
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	(91,680)	(34,944)
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.	<u>20,209</u>	<u>20,209</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 5 - 6)	<u>\$ 1,275,952</u>	<u>\$ 1,184,779</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, 2014
(With summarized financial information as of June 30, 2013)

	Food Service	
	2014	2013
ASSETS		
Current Assets		
Cash and investments	\$ 57,419	\$ -
Accounts receivable	853	33,841
Due from other governments	27,259	104,050
Prepaid Items	7,633	7,277
Total Current Assets	<u>93,164</u>	<u>145,168</u>
Capital Assets		
Machinery and equipment	334,000	523,841
Less accumulated depreciation	(318,301)	(515,304)
Total Capital Assets	<u>15,699</u>	<u>8,537</u>
TOTAL ASSETS	<u>108,863</u>	<u>153,705</u>
LIABILITIES		
Current Liabilities		
Accounts payable	85,557	210
Accrued payroll liabilities	612	11,010
Due to other funds	-	133,948
Unearned revenues	6,995	-
TOTAL LIABILITIES	<u>93,164</u>	<u>145,168</u>
NET POSITION		
Net investment in capital assets	<u>15,699</u>	<u>8,537</u>
TOTAL NET POSITION	<u>\$ 15,699</u>	<u>\$ 8,537</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, 2014
(With summarized financial information for the year ended June 30, 2013)

	Food Service	
	2014	2013
Operating Revenues		
Food sales	\$ 562,005	\$ 601,435
State sources	20,683	21,456
Federal sources	778,789	723,710
Total Operating Revenues	<u>1,361,477</u>	<u>1,346,601</u>
Operating Expenses		
Salaries, wages and benefits	38,842	583,055
Supplies and materials	1,309,348	804,981
Equipment rental/maintenance	11,641	9,428
Depreciation	6,337	6,511
Total Operating Expenses	<u>1,366,168</u>	<u>1,403,975</u>
Loss Before Transfers	(4,691)	(57,374)
Transfers in	<u>11,853</u>	<u>50,863</u>
Change in Net Position	7,162	(6,511)
Net Position - July 1	<u>8,537</u>	<u>15,048</u>
Net Position - June 30	<u>\$ 15,699</u>	<u>\$ 8,537</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, 2014

(With summarized financial information for the year ended June 30, 2013)

	Food Service	
	2014	2013
Cash Flows from Operating Activities		
Cash received from user charges	\$ 601,988	\$ 592,451
Cash received from other government payments	786,810	586,313
Cash payments to employees	(49,240)	(586,387)
Cash payments to suppliers	(1,160,044)	(747,971)
Net Cash Provided (Used) by Operating Activities	<u>179,514</u>	<u>(155,594)</u>
Cash Flows from Noncapital and Related Financing Activities		
Temporary cash advance	(133,948)	104,731
Transfers in	11,853	50,863
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(122,095)</u>	<u>155,594</u>
Change in Cash and Cash Equivalents	57,419	-
Cash and Cash Equivalents - July 1	-	-
Cash and Cash Equivalents - June 30	<u>\$ 57,419</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net		
Cash Provided (Used) by Operating Activities:		
Operating Loss	\$ (4,691)	\$ (57,374)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	6,337	6,511
Adjustment to capital assets for prior year depreciation	(13,499)	-
Changes in assets and liabilities		
Accounts receivable	32,988	(8,984)
Due from other governments	76,791	(72,424)
Prepaid expenses	(356)	512
Accounts payable	85,347	(20,503)
Accrued payroll liabilities	(10,398)	(3,332)
Deferred revenue	6,995	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 179,514</u>	<u>\$ (155,594)</u>
Noncash Noncapital Financing Activities:		
Commodities Received From U.S. Department of Agriculture	<u>\$ 89,453</u>	<u>\$ 86,429</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, 2014

(With summarized financial information as of June 30, 2013)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
				2014	2013
ASSETS					
Cash and cash equivalents	\$ 595,674	\$ 852,859	\$ 166,323	\$ 1,614,856	\$ 1,578,002
Accounts receivable	-	967,417	-	967,417	133,831
TOTAL ASSETS	595,674	1,820,276	166,323	2,582,273	1,711,833
LIABILITIES					
Accounts payable	-	967,417	-	967,417	112,152
Due to other governments	-	-	50	50	-
Due to student organizations	-	-	166,273	166,273	160,476
TOTAL LIABILITIES	-	967,417	166,323	1,133,740	272,628
NET POSITION					
Restricted for					
Scholarships	595,674	-	-	595,674	608,022
Other postemployment benefits	-	852,859	-	852,859	831,183
TOTAL NET POSITION	\$ 595,674	\$ 852,859	\$ -	\$ 1,448,533	\$ 1,439,205

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, 2014
(With summarized financial information for the year ended June 30, 2013)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Totals	
			2014	2013
ADDITIONS				
Private donations	\$ 17,970	\$ -	\$ 17,970	\$ 40,700
Investment income	2,057	18,957	21,014	25,151
Other local sources	-	1,329,247	1,329,247	1,752,974
Total Additions	<u>20,027</u>	<u>1,348,204</u>	<u>1,368,231</u>	<u>1,818,825</u>
DEDUCTIONS				
Trust fund disbursements	32,375	-	32,375	36,562
Benefit payments	-	1,326,528	1,326,528	1,371,174
Total Deductions	<u>32,375</u>	<u>1,326,528</u>	<u>1,358,903</u>	<u>1,407,736</u>
Change in Net Position	(12,348)	21,676	9,328	411,089
Net Position - July 1	<u>608,022</u>	<u>831,183</u>	<u>1,439,205</u>	<u>1,028,116</u>
Net Position - June 30	<u>\$ 595,674</u>	<u>\$ 852,859</u>	<u>\$ 1,448,533</u>	<u>\$ 1,439,205</u>

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, 2014

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 No. 61.

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, 2014

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, 2014

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, 2014

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:

<u>Assets</u>	Governmental Activities	Business-type 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

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, 2014

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 district-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, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to 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, 2013, 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, 2014

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the District's cash and investments totaled \$10,500,355 on June 30, 2014 as summarized below:

Deposits with financial institutions	\$ 9,647,496
Investments	
Fixed interest annuities	852,859
	<u>\$ 10,500,355</u>

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 8,885,499
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	595,674
Employee benefit trust fund	852,859
Agency fund	166,323
Total Cash and Investments	<u>\$ 10,500,355</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 the combined amount time and savings deposits and \$250,000 for interest-bearing and noninterest-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, 2014, 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.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The District has no investments subject to credit risk.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2014

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

The District has established an employee benefit trust fund to pay retiree's post-retirement benefits. The trust has \$852,859 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.

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.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2014

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,265,000	\$ (9,000)	\$ -	\$ -	\$ 1,256,000
Capital assets, being depreciated:					
Land improvements	1,295,383	352,726	-	-	1,648,109
Buildings	45,607,664	(6,506)	-	-	45,601,158
Machinery and equipment	5,741,897	(4,476,384)	108,641	-	1,374,154
Subtotals	52,644,944	(4,130,164)	108,641	-	48,623,421
Less accumulated depreciation for:					
Land improvements	1,034,232	256,896	56,075	-	1,347,203
Buildings	21,934,948	(1,219)	757,126	-	22,690,855
Machinery and equipment	5,236,823	(4,161,723)	54,832	-	1,129,932
Subtotals	28,206,003	(3,906,046)	868,033	-	25,167,990
Total capital assets, being depreciated, net	24,438,941	(224,118)	(759,392)	-	23,455,431
Governmental activities capital assets, net	\$ 25,703,941	\$ (233,118)	\$ (759,392)	\$ -	24,711,431
Less related long-term debt outstanding					5,805,000
Net investment in capital assets					\$ 18,906,431
Business-type activities:					
Capital assets, being depreciated:					
Machinery and equipment	\$ 523,841	\$ (189,841)	\$ -	\$ -	\$ 334,000
Less accumulated depreciation for:					
Machinery and equipment	515,304	(203,340)	6,337	-	318,301
Business-type activities capital assets, net	\$ 8,537	\$ 13,499	\$ (6,337)	\$ -	\$ 15,699

The adjustment to capital assets reflects the effect of the District's change in capital asset inventory procedures and the elimination of any asset that did not meet the District's capitalization threshold of \$5,000.

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

Governmental activities	
Instruction	\$ 5,162
Support services	862,871
Total depreciation expense - governmental activities	<u>\$ 868,033</u>
Business-type activities	
Food service	<u>\$ 6,337</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2014

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

4. Interfund Transfers and Due To/Due From

Interfund transfers for the year ended June 30, 2014 were as follows:

	Transfer to:	
	Package & Co-op Program	Food Service
Transfers from:		
General fund	\$ 22,363	\$ 11,853

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 fund for the year ended June 30, 2014.

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 201,304	\$ -
Head Start Project	-	201,304
Totals	\$ 201,304	\$ 201,304

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, 2014 was as follows:

	Outstanding 7/1/2013	Issued	Redeemed	Outstanding 6/30/2014
Tax Anticipation Notes	\$ 5,000,000	\$ 6,700,000	\$ 5,000,000	\$ 6,700,000

Total interest paid during the year on short-term debt totaled \$50,144.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2014

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, 2014:

	Outstanding 7/1/2013	Issued	Retired	Outstanding 6/30/2014	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 9,800,000	\$ 2,185,000	\$ 3,640,000	\$ 8,345,000	\$ 1,620,000
Premium on long-term debt	75,784	-	20,209	55,575	20,209
Compensated absences	773,058	136,331	-	909,389	122,989
Other postemployment benefits	7,570,921	1,933,806	1,292,317	8,212,410	-
Governmental activities Long-term obligations	<u>\$ 18,219,763</u>	<u>\$ 4,255,137</u>	<u>\$ 4,952,526</u>	<u>\$ 17,522,374</u>	<u>\$ 1,763,198</u>

Total interest paid during the year on long-term debt totaled \$332,413.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$2,980,000 issued 3/15/05; \$5,000 to \$995,000 due annually through 2018; interest 3.85% to 3.95%	\$ 1,455,000
\$3,390,000 issued 2/3/11; \$210,000 to \$310,000 due annually through 2024; interest 2.75% to 5.20%	2,540,000
\$3,765,000 issued 1/5/12; \$690,000 to \$750,000 due annually through 2017; interest 2.00%	2,165,000
\$2,185,000 issued 1/7/14; \$320,000 to \$705,000 due annually through 2018; interest 1.00% to 1.15%	<u>2,185,000</u>
Total Outstanding General Obligation Debt	<u>\$ 8,345,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$8,345,000 on June 30, 2014 are detailed below:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2015	\$ 1,620,000	\$ 230,190	\$ 1,850,190
2016	1,655,000	202,673	1,857,673
2017	1,685,000	173,780	1,858,780
2018	1,735,000	131,805	1,866,805
2019	245,000	77,765	322,765
2020-2024	1,405,000	215,520	1,620,520
	<u>\$ 8,345,000</u>	<u>\$ 1,031,733</u>	<u>\$ 9,376,733</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, 2014

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, 2014 was \$106,948,607 as follows:

Equalized valuation of the District		\$ 1,152,153,539
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		115,215,354
Total outstanding general obligation debt applicable to debt limitation	\$ 8,345,000	
Less: Amounts available in debt service funds (1)	<u>78,253</u>	
		<u>8,266,747</u>
Legal Margin for New Debt		<u><u>\$ 106,948,607</u></u>

(1): Debt service funds, less \$115,095 of interest payments due in 2014-15.

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 employees in the General Employment category, 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:

	2013		2014	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%	7.0%	7.0%
Executives & Elected Officials	7.0%	7.0%	7.75%	7.75%
Protective with Social Security	6.65%	9.75%	7.0%	10.1%
Protective without Social Security	6.65%	12.35%	7.0%	13.7%

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2014

NOTE C - OTHER INFORMATION (Continued)

The payroll for District employees covered by the WRS for the year ended June 30, 2014 was \$16,258,495; the employer's total payroll was \$17,269,613. The total required contribution for the year ended June 30, 2014 was \$2,229,298, which consisted of \$1,114,649 or 6.65% of covered payroll from the employer for July 1, 2013 through December 31, 2013 and 7.00% of payroll from the employer for January 1, 2014 through June 30, 2014, and \$1,114,649 or 6.65% of payroll from employees for July 1, 2013 through December 31, 2013 and 7.00% of payroll from the employees for January 1, 2014 through June 30, 2014. Total contributions for the years ended June 30, 2013 and 2012 were \$1,981,521 and \$1,897,337, 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 years' 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, 2014

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	10% to 12.6% single or family coverage until eligible for Medicare
Administrators	10% 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	378,546
Adjustment to annual required contribution	<u>(426,664)</u>
Annual OPEB cost (expense)	1,933,806
Contributions made	<u>1,292,317</u>
Change in net OPEB obligation	641,489
OPEB obligation - beginning of year	<u>7,570,921</u>
OPEB obligation - end of year	<u><u>\$ 8,212,410</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, 2014

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, 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
June 30, 2014	1,933,806	1,981,924	67%	65%	8,212,410

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, 2014

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.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 9,501,779	\$ 9,501,570	\$ 9,501,570	\$ -
Other local sources	144,915	166,035	183,435	17,400
Interdistrict sources	4,788,185	4,235,299	4,267,218	31,919
Intermediate sources	16,060	16,060	50,745	34,685
State sources	18,872,953	18,910,322	18,938,608	28,286
Federal sources	903,461	875,697	874,324	(1,373)
Other sources	70,000	324,431	347,228	22,797
Total Revenues	34,297,353	34,029,414	34,163,128	133,714
Expenditures				
Instruction				
Regular instruction	15,433,042	15,500,927	13,885,947	1,614,980
Vocational instruction	962,246	961,107	943,511	17,596
Other instruction	1,752,757	1,802,874	1,758,207	44,667
Total Instruction	18,148,045	18,264,908	16,587,665	1,677,243
Support Services				
Pupil services	872,900	961,115	974,968	(13,853)
Instructional staff services	953,735	974,497	931,173	43,324
General administration services	1,119,797	1,169,646	1,150,401	19,245
School administration services	1,691,586	1,777,440	1,724,395	53,045
Business services	427,981	443,702	437,774	5,928
Operation and maintenance of plant	3,012,547	2,990,744	3,076,402	(85,658)
Pupil transportation services	2,051,048	2,033,485	1,963,413	70,072
Central services	1,153,831	1,085,058	1,120,926	(35,868)
Insurance	229,014	251,808	266,598	(14,790)
Total Support Services	11,512,439	11,687,495	11,646,050	41,445
Debt Service				
Interest	55,000	55,000	36,258	18,742
Non-program				
General tuition payments	939,446	737,013	810,365	(73,352)
Adjustments and refunds	5,888	5,888	11	5,877
Total Non-program	945,334	742,901	810,376	(67,475)
Total Expenditures	30,660,818	30,750,304	29,080,349	1,669,955
Excess of Revenues Over Expenditures	3,636,535	3,279,110	5,082,779	1,803,669
Other Financing Sources (Uses)				
Sale of capital assets	-	2,184	2,183	(1)
Transfers out	(3,302,067)	(3,281,294)	(2,963,272)	318,022
Total Other Financing Sources (Uses)	(3,302,067)	(3,279,110)	(2,961,089)	318,021
Net Change in Fund Balance	334,468	-	2,121,690	2,121,690
Fund Balance - July 1	3,638,536	3,638,536	3,638,536	-
Fund Balance - June 30	\$ 3,973,004	\$ 3,638,536	\$ 5,760,226	\$ 2,121,690

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 5,000	\$ 5,000	\$ 57,694	\$ 52,694
Intermediate sources	98,000	98,000	257,125	159,125
State sources	1,030,686	1,030,686	1,104,232	73,546
Federal sources	666,415	684,680	662,464	(22,216)
Other sources	-	-	40,415	40,415
Total Revenues	1,800,101	1,818,366	2,121,930	303,564
Expenditures				
Instruction				
Vocational instruction	-	25,210	25,110	100
Special education instruction	3,808,818	3,823,207	3,829,344	(6,137)
Other instruction	8,593	8,627	8,791	(164)
Total Instruction	3,817,411	3,857,044	3,863,245	(6,201)
Support Services				
Pupil services	827,677	778,715	399,622	379,093
Instructional staff services	274,305	289,044	282,924	6,120
Business services	-	581	581	-
Operation and maintenance of plant	-	1,828	1,828	-
Pupil transportation services	125,000	125,300	56,405	68,895
Central services	1,775	6,618	6,387	231
Insurance	1,000	1,000	-	1,000
Total Support Services	1,229,757	1,203,086	747,747	455,339
Non-program				
Special education tuition payments	55,000	39,530	439,994	(400,464)
Total Expenditures	5,102,168	5,099,660	5,050,986	48,674
Excess of Revenues Over (Under) Expenditures	(3,302,067)	(3,281,294)	(2,929,056)	352,238
Other Financing Sources				
Transfers in	3,302,067	3,281,294	2,929,056	(352,238)
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, 2014

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)
7/1/2008	\$ 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, 2014

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%
2014	1,292,317	1,981,924	65.2%

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, 2014

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, 2014.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Required Supplementary Information

For the Year Ended June 30, 2014

NOTE D - BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a separate budget for the special education special revenue fund. 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)	\$ 34,163,128	\$ 2,121,930
Reclassification of special education	2,121,930	(2,121,930)
Total Revenues	<u>36,285,058</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	29,080,349	5,050,986
Reclassification of special education	5,050,986	(5,050,986)
Total Expenditures	<u>34,131,335</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	5,082,779	(2,929,056)
Reclassification of special education	(2,929,056)	2,929,056
Excess of Revenues Over (Under) Expenditures	<u>2,153,723</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,961,089)	2,929,056
Reclassification of special education	2,929,056	(2,929,056)
Total Other Financing Sources (Uses)	<u>(32,033)</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>2,121,690</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>3,638,536</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 5,760,226</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Funds				
	TEACH	Special Revenue Trust	Head Start Project	Community Service	Package & Co-op Program
ASSETS					
Cash and investments	\$ 42,764	\$ 46,200	\$ -	\$ 127,847	\$ 6,659
Receivables					
Accounts	-	-	8,001	-	568
Due from other governments	-	-	198,804	-	-
Prepaid expenses	-	-	1,009	-	-
TOTAL ASSETS	<u>\$ 42,764</u>	<u>\$ 46,200</u>	<u>\$ 207,814</u>	<u>\$ 127,847</u>	<u>\$ 7,227</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 1,019	\$ -	\$ 6,843
Accrued payroll liabilities	-	-	5,491	-	384
Due to other funds	-	-	201,304	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>207,814</u>	<u>-</u>	<u>7,227</u>
Fund Balances					
Nonspendable					
Prepaid items	-	-	1,009	-	-
Restricted					
Debt service	-	-	-	-	-
TEACH program	42,764	-	-	-	-
Community service programs	-	-	-	127,847	-
Assigned for equipment and other	-	46,200	-	-	-
Unassigned, reported in					
Special revenue funds	-	-	(1,009)	-	-
Total Fund Balances	<u>42,764</u>	<u>46,200</u>	<u>-</u>	<u>127,847</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 42,764</u>	<u>\$ 46,200</u>	<u>\$ 207,814</u>	<u>\$ 127,847</u>	<u>\$ 7,227</u>

Debt Service Funds		Total Nonmajor Governmental Funds
Non- Referendum Debt Service	Referendum Debt Service	
\$ 73,538	\$ 120,235	\$ 417,243
-	-	8,569
-	-	198,804
-	-	1,009
<hr/>		
\$ 73,538	\$ 120,235	\$ 625,625

\$ -	\$ 425	\$ 8,287
-	-	5,875
-	-	201,304
-	425	215,466

-	-	1,009
73,538	119,810	193,348
-	-	42,764
-	-	127,847
-	-	46,200
-	-	(1,009)
73,538	119,810	410,159

\$ 73,538	\$ 120,235	\$ 625,625
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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, 2014

	Special Revenue Funds				
	TEACH	Special Revenue Trust	Head Start Project	Community Service	Package & Co-op Program
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other local sources	-	121,016	-	14,941	-
Interdistrict sources	-	-	-	-	42,620
Federal sources	-	-	642,530	-	-
Total Revenues	-	121,016	642,530	14,941	42,620
Expenditures					
Instruction					
Regular instruction	-	66,034	398,735	-	-
Other Instruction	-	1,509	8,901	-	-
Total Instruction	-	67,543	407,636	-	-
Support Services					
Pupil services	-	-	10,130	-	-
Instructional staff services	-	-	15,419	-	64,961
General administration services	-	-	142,108	-	-
School administration services	-	-	1,589	-	-
Operation and maintenance of plant	-	41,927	19,815	59,047	-
Pupil transportation services	-	9,496	40,787	7,437	-
Central services	-	-	4,396	-	22
Insurance	-	-	650	-	-
Total Support Services	-	51,423	234,894	66,484	64,983
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Debt Service	-	-	-	-	-
Community Service	-	-	-	80,831	-
Total Expenditures	-	118,966	642,530	147,315	64,983
Excess of Revenues Over (Under) Expenditures	-	2,050	-	(132,374)	(22,363)
Other Financing Sources					
Long-term debt issued	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-
Payment to current noteholder	-	-	-	-	-
Transfers in	-	-	-	-	22,363
Total Other Financing Sources (Uses)	-	-	-	-	22,363
Net Change in Fund Balances	-	2,050	-	(132,374)	-
Fund Balances - July 1	42,764	44,150	-	260,221	-
Fund Balances - June 30	\$ 42,764	\$ 46,200	\$ -	\$ 127,847	\$ -

Debt Service Funds		Total Nonmajor Governmental Funds
Non- Referendum Debt Service	Referendum Debt Service	
\$ 316,883	\$ 1,146,491	\$ 1,463,374
12	475	136,444
-	-	42,620
-	-	642,530
<u>316,895</u>	<u>1,146,966</u>	<u>2,284,968</u>
-	-	464,769
-	-	10,410
-	-	<u>475,179</u>
-	-	10,130
-	-	80,380
-	-	142,108
-	-	1,589
-	-	120,789
-	-	57,720
-	-	4,418
-	-	650
-	-	<u>417,784</u>
205,000	1,280,500	1,485,500
111,882	264,213	376,095
<u>316,882</u>	<u>1,544,713</u>	<u>1,861,595</u>
-	-	80,831
<u>316,882</u>	<u>1,544,713</u>	<u>2,835,389</u>
13	(397,747)	(550,421)
-	2,185,000	2,185,000
-	13,383	13,383
-	(2,154,500)	(2,154,500)
-	-	22,363
-	43,883	66,246
13	(353,864)	(484,175)
73,525	473,674	894,334
<u>\$ 73,538</u>	<u>\$ 119,810</u>	<u>\$ 410,159</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Pupil Activity Fund

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2014

	Balance 7/1/13	Additions	Deletions	Balance 6/30/14
ASSETS				
Cash and cash equivalents	\$ 160,476	\$ 352,277	\$ 346,430	\$ 166,323
LIABILITIES				
Due to student organizations				
Middle schools	\$ 46,139	\$ 93,011	\$ 96,048	\$ 43,102
Senior High school	114,337	259,266	250,382	123,221
TOTAL LIABILITIES	<u>\$ 160,476</u>	<u>\$ 352,277</u>	<u>\$ 346,430</u>	<u>\$ 166,323</u>

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

**INDEPENDENT AUDITORS' 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2014, 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 dated November 26, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider 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 result 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
November 26, 2014

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE



**INDEPENDENT AUDITORS' 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**

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 the 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 the Merrill Area Public School District's major federal and state programs for the year ended June 30, 2014. The 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 the 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 the 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 the Merrill Area Public School District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the 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, 2014.



Report on Internal Control Over Compliance

Management of the 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 the 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
November 26, 2014

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Grantor Agency/Cluster or Grant Title/Grant Period	Pass-through Agency
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U.S. DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster

School Breakfast Program

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

National School Lunch Program

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Commodities

Total National School Lunch Program

Summer Food Service Program

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Total Child Nutrition Cluster

Wisconsin Department of Public Instruction

Child and Adult Care Food Program

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Total U.S. Department of Agriculture

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

U.S. DEPARTMENT OF EDUCATION

Title I, Part A Cluster

Title I Grants to Local Educational Agencies

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Total Title I, Part A Cluster

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

Career and Technical Education - Basic Grants to States

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Wisconsin Department of Public Instruction

Special Education Cluster (IDEA)

Special Education - Grants to States

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Special Education - Preschool Grants

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Total Special Education Cluster (IDEA)

Wisconsin Department of Public Instruction

(Continued)

Federal CFDA Number	Revenues				Total Expenditures
	(Accrued) or Deferred Revenue 7/1/13	Cash Received	Accrued or (Deferred) Revenue 6/30/14	Total Revenues	
10.553	\$ (12,293)	\$ 12,293	\$ -	\$ -	\$ -
	-	94,829	2,598	97,427	97,427
10.555	(78,979)	78,979	-	-	-
	-	553,049	14,013	567,062	567,062
	-	89,453	-	89,453	89,453
	(78,979)	721,481	14,013	656,515	656,515
10.559	(12,389)	12,389	-	-	-
	-	-	10,221	10,221	10,221
	(103,661)	840,992	26,832	764,163	764,163
10.558	(389)	389	-	-	-
	-	14,198	428	14,626	14,626
	(104,050)	855,579	27,260	778,789	778,789
84.010	(451,978)	451,978	-	-	-
	-	291,386	213,657	505,043	505,043
	(451,978)	743,364	213,657	505,043	505,043
84.048	(24,481)	24,481	-	-	-
	-	-	25,217	25,217	25,217
84.027	(89,540)	89,540	-	-	-
	-	435,388	206,972	642,360	642,360
84.173	(45,347)	45,347	-	-	-
	-	-	20,104	20,104	20,104
	(134,887)	570,275	227,076	662,464	662,464

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

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, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

Improving Teacher Quality State Grants

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Wisconsin Department of Public Instruction

Wisconsin Department of Public Instruction

Total U.S. Department of Education

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start Cluster

Head Start

July 1, 2012 - June 30, 2013

July 1, 2013 - June 30, 2014

Direct Program

Direct Program

Medical Assistance - School Based Services Benefit

July 1, 2013 - June 30, 2014

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 Expenditures
	(Accrued) or Deferred Revenue 7/1/13	Cash Received	Accrued or (Deferred) Revenue 6/30/14	Total Revenues	
84.287	(241,867)	241,867	-	-	-
	-	-	229,134	229,134	229,134
84.367	(145,273)	145,273	-	-	-
	-	29,311	85,619	114,930	114,930
	(998,486)	1,754,571	780,703	1,536,788	1,536,788
93.600	(199,600)	199,600	-	-	-
	-	443,726	198,804	642,530	642,530
93.778	-	261,904	-	261,904	261,904
	(199,600)	905,230	198,804	904,434	904,434
	<u>\$ (1,302,136)</u>	<u>\$ 3,515,380</u>	<u>\$ 1,006,767</u>	<u>\$ 3,220,011</u>	<u>\$ 3,220,011</u>

\$ 2,179,318
261,904

778,789
\$ 3,220,011

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Schedule of State Financial Assistance

For the Year Ended June 30, 2014

Grantor Agency/Cluster or Grant Title/ Grant Period	Pass-through Agency	State ID Number
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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, 2012 - June 30, 2013	Direct Program	
July 1, 2013 - June 30, 2014	Direct Program	
Peer Review and Mentoring	Direct Program	255.301
Head Start	Direct Program	255.327
School Breakfast Program	Direct Program	255.344
Student Achievement Guarantee in Education (SAGE)	Direct Program	255.504
Educator Effective Evaluation System	Direct Program	255.940
Per Pupil Aid	Direct Program	255.945
High Cost Transportation Aid	Direct Program	255.947
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.

Revenues				Total Expenditures
(Accrued) or Deferred Revenue 7/1/13	Cash Received	Accrued or (Deferred) Revenue 6/30/14	Total Revenues	
\$ -	\$ 1,104,232	\$ -	\$ 1,104,232	\$ 1,104,232
-	15,165	-	15,165	15,165
-	103,167	-	103,167	103,167
-	143,424	-	143,424	143,424
(343,014)	343,014	-	-	-
-	17,202,077	314,297	17,516,374	17,516,374
(1,978)	1,978	-	-	-
(28,874)	28,874	28,875	28,875	28,875
-	5,518	-	5,518	5,518
-	715,621	-	715,621	715,621
-	-	17,440	17,440	17,440
-	218,400	-	218,400	218,400
-	48,976	-	48,976	48,976
(373,866)	19,930,446	360,612	19,917,192	19,917,192
<u>\$ (373,866)</u>	<u>\$ 19,930,446</u>	<u>\$ 360,612</u>	<u>\$ 19,917,192</u>	<u>\$ 19,917,192</u>

\$ 20,042,840

20,683

(48,075)

(98,256)

\$ 19,917,192

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, 2014

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 2013-2014 eligible costs under the State Special Education Program as reported by the District are \$4,213,961.

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, 2014

Section I – Summary of Auditors’ Results

Basic Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• 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?	No
• Significant deficiency(ies) identified?	None reported
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(a) of Circular A-133?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No
Identification of major federal and state programs:	

CFDA Number	Name of Federal Programs/Cluster
84.010	Title I - Regular Program
	Special Education Cluster (IDEA)
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
93.600	Head Start

State I.D. Number	Name of State Programs
255.101	Special Education and School Age Parents
255.103	Common School Fund Library Aid
255.201	Equalization Aids
255.504	SAGE
255.945	Per Pupil 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, 2014

Section II – Financial Statement Findings

Finding No.	Control Deficiency
2014-001	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 assist in the preparation of 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. 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.

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

There were no findings or questioned costs for the year ended June 30, 2014.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014

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 No
Wisconsin Department of Health Services No

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

November 26, 2014

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2014

Status of Prior Year Audit Finding

The findings noted in the 2013 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. Findings 2013-02 and 2013-03 were remedied during the 2013-2014 fiscal year.

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
2014-001	<p>Preparation of Annual Financial Report</p> <p>The District is financially unable to either train or hire additional staff to completely prepare the report. The district's Director of Finance will undertake a final review of the financial statements prior to finalization by our auditors. If necessary additional assistance will be procured by the use of a third party certified public accountant to provide additional review and technical assistance to the Director of Finance.</p>