

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

June 30, 2015

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MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

June 30, 2015

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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, 2015, 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 Merrill Area Public School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A.2, the District reclassified food service operations from an enterprise fund to a special revenue fund as of July 1, 2014. Our opinions are not modified with respect to this matter.

As discussed in Note C.6, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

As described in Note C.5, the District recorded a prior period adjustment of \$1,409,286 in the district-wide statement of activities. This adjustment was related to the District's other post-employment benefits (OPEB) liability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and the schedules relating to pensions and other post-employment benefits on pages 35 through 40 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 opinions on the basic financial statements are 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 2014 financial statements, and our report dated November 26, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, 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.


Schenck & Co.
Certified Public Accountants
Green Bay, Wisconsin
November 30, 2015

BASIC FINANCIAL STATEMENTS

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Statement of Net Position

June 30, 2015

(With summarized financial information as of June 30, 2014)

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
ASSETS				
Cash and investments	\$ 7,031,314	\$ -	\$ 7,031,314	\$ 8,885,499
Receivables				
Taxes	3,098,853	-	3,098,853	2,940,772
Accounts	537,198	-	537,198	977,630
Due from other governments	2,336,052	-	2,336,052	1,431,939
Prepaid items	819,687	-	819,687	709,775
Other assets				
Net pension asset	2,893,604	-	2,893,604	-
Capital assets				
Land	1,256,000	-	1,256,000	1,256,000
Land improvements	1,648,109	-	1,648,109	1,648,109
Buildings	45,601,158	-	45,601,158	45,601,158
Machinery and equipment	1,946,771	-	1,946,771	1,708,154
Less: Accumulated depreciation	(26,413,024)	-	(26,413,024)	(25,486,291)
TOTAL ASSETS	40,755,722	-	40,755,722	39,672,745
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	19,733	-	19,733	26,309
Deferred outflows related to pension	2,716,970	-	2,716,970	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,736,703	-	2,736,703	26,309
LIABILITIES				
Short-term notes payable	6,000,000	-	6,000,000	6,700,000
Accounts payable	780,521	-	780,521	1,262,116
Accrued payroll liabilities	679,914	-	679,914	770,462
Accrued interest payable	73,517	-	73,517	80,751
Unearned revenues	-	-	-	6,995
Deposits payable	13,229	-	13,229	12,454
Long-term obligations				
Due within one year	1,675,209	-	1,675,209	1,763,198
Due in more than one year	12,372,510	-	12,372,510	15,759,176
TOTAL LIABILITIES	21,594,900	-	21,594,900	26,355,152
NET POSITION				
Net investment in capital assets	19,644,014	-	19,644,014	18,922,130
Restricted for				
Debt service	127,373	-	127,373	135,800
TEACH program	308	-	308	42,764
Community services and programs	51,839	-	51,839	127,847
Food service program	40,294	-	40,294	-
Pension benefits	5,610,574	-	5,610,574	-
Unrestricted (deficit)	(3,576,877)	-	(3,576,877)	(5,884,639)
TOTAL NET POSITION	\$ 21,897,525	\$ -	\$ 21,897,525	\$ 13,343,902

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, 2015
(With summarized financial information for the year ended June 30, 2014)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 21,193,483	\$ 23,074	\$ 7,390,128
Support services	15,616,806	625,542	2,108,826
Interest and fiscal charges	239,194	-	-
Community services	87,145	14,780	-
Non-program	1,145,346	-	6,380
Total Governmental Activities	<u>38,281,974</u>	<u>663,396</u>	<u>9,505,334</u>
Business-type Activities			
School food service program	-	-	-
Total School District	<u>\$ 38,281,974</u>	<u>\$ 663,396</u>	<u>\$ 9,505,334</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, as originally reported

Cumulative effect of change in accounting principle

Prior period adjustment

Net position - July 1, as restated

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	
		2015	2014
\$ (13,780,281)	\$ -	\$ (13,780,281)	\$ (13,905,468)
(12,882,438)	-	(12,882,438)	(12,522,978)
(239,194)	-	(239,194)	(457,610)
(72,365)	-	(72,365)	(103,833)
(1,138,966)	-	(1,138,966)	(1,250,370)
<u>(28,113,244)</u>	<u>-</u>	<u>(28,113,244)</u>	<u>(28,240,259)</u>
-	-	-	(4,691)
<u>(28,113,244)</u>	<u>-</u>	<u>(28,113,244)</u>	<u>(28,244,950)</u>
11,622,445	-	11,622,445	10,964,944
20,809	-	20,809	23,815
17,515,577	-	17,515,577	17,831,825
5,346	-	5,346	4,501
533,413	-	533,413	702,979
15,699	(15,699)	-	-
<u>29,713,289</u>	<u>(15,699)</u>	<u>29,697,590</u>	<u>29,528,064</u>
<u>1,600,045</u>	<u>(15,699)</u>	<u>1,584,346</u>	<u>1,283,114</u>
13,328,203	15,699	13,343,902	12,060,788
5,559,991	-	5,559,991	-
<u>1,409,286</u>	<u>-</u>	<u>1,409,286</u>	<u>-</u>
<u>20,297,480</u>	<u>15,699</u>	<u>20,313,179</u>	<u>12,060,788</u>
<u>\$ 21,897,525</u>	<u>\$ -</u>	<u>\$ 21,897,525</u>	<u>\$ 13,343,902</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2015

(With summarized financial information as of June 30, 2014)

	General	Other Governmental Funds	Total Governmental Funds	
			2015	2014
ASSETS				
Cash and investments	\$ 6,677,378	\$ 353,936	\$ 7,031,314	\$ 8,828,080
Receivables				
Taxes	3,098,853	-	3,098,853	2,940,772
Accounts	537,198	-	537,198	976,777
Due from other funds	175,195	-	175,195	201,304
Due from other governments	2,142,216	193,836	2,336,052	1,404,680
Prepaid items	811,764	7,923	819,687	702,142
TOTAL ASSETS	\$ 13,442,604	\$ 555,695	\$ 13,998,299	\$ 15,053,755
LIABILITIES AND FUND BALANCES				
Liabilities				
Short-term notes payable	\$ 6,000,000	\$ -	\$ 6,000,000	\$ 6,700,000
Accounts payable	733,580	46,941	780,521	1,176,559
Accrued payroll liabilities	676,800	3,114	679,914	769,850
Accrued interest payable	22,849	-	22,849	23,203
Due to other funds	-	175,195	175,195	201,304
Deposits payable	12,454	-	12,454	12,454
Other fund liabilities	-	775	775	-
Total Liabilities	7,445,683	226,025	7,671,708	8,883,370
Fund Balances				
Nonspendable				
Prepaid items	811,764	7,923	819,687	702,142
Restricted				
Debt service	-	178,041	178,041	193,348
TEACH program	-	308	308	42,764
Community services and programs	-	51,839	51,839	127,847
Food service programs	-	32,371	32,371	-
Committed for Bridges Virtual Academy	334,220	-	334,220	150,000
Assigned				
Equipment and other	-	59,188	59,188	46,200
School forest	2,304	-	2,304	-
Unassigned, reported in				
General fund	4,848,633	-	4,848,633	4,909,093
Special revenue fund	-	-	-	(1,009)
Total Fund Balances	5,996,921	329,670	6,326,591	6,170,385
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,442,604	\$ 555,695	\$ 13,998,299	\$ 15,053,755

(Continued)

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Balance Sheet (Continued)
Governmental Funds
June 30, 2015
(With summarized financial information as of June 30, 2014)

<u>Reconciliation to the Statement of Net Position</u>	2015	2014
Total Fund Balances as shown above	\$ 6,326,591	\$ 6,170,385
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.	24,039,014	24,711,431
Deferred outflow of resources is reported in the statement of net position for the loss on advance refunding.	19,733	26,309
The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension asset	2,893,604	-
Deferred outflows of resources	2,716,970	-
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	(6,725,000)	(8,345,000)
Debt premium	(35,366)	(55,575)
Compensated absences	(1,007,613)	(909,389)
Other post-employment benefits	(6,279,740)	(8,212,410)
Accrued interest on long-term obligations	(50,668)	(57,548)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 21,897,525</u>	<u>\$ 13,328,203</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, 2015
(With summarized financial information for the year ended June 30, 2014)

	General	Other Governmental Funds	Total Governmental Funds	
			2015	2014
Revenues				
Property taxes	\$ 9,786,013	\$ 2,412,553	\$ 12,198,566	\$ 10,964,944
Other local sources	310,619	102,419	413,038	319,879
Interdistrict sources	3,945,199	64,074	4,009,273	4,367,532
Intermediate sources	315,139	-	315,139	307,870
State sources	19,852,754	21,854	19,874,608	20,042,840
Federal sources	1,383,364	1,454,097	2,837,461	2,179,318
Other sources	210,132	-	210,132	387,643
Total Revenues	35,803,220	4,054,997	39,858,217	38,570,026
Expenditures				
Instruction				
Regular instruction	14,532,792	443,546	14,976,338	14,350,716
Vocational instruction	904,501	-	904,501	968,621
Special education instruction	3,871,109	400	3,871,509	3,829,344
Other instruction	1,793,948	24,671	1,818,619	1,777,408
Total Instruction	21,102,350	468,617	21,570,967	20,926,089
Support Services				
Pupil services	1,628,037	23,164	1,651,201	1,384,720
Instructional staff services	1,225,146	95,262	1,320,408	1,294,477
General administration services	967,814	117,434	1,085,248	1,292,509
School administration services	1,892,572	2,453	1,895,025	1,725,984
Business services	365,993	-	365,993	438,355
Operation and maintenance of plant	3,636,940	61,940	3,698,880	3,199,019
Pupil transportation services	1,990,701	61,584	2,052,285	2,077,538
Food services	-	1,325,111	1,325,111	-
Central services	1,324,111	47,450	1,371,561	1,131,731
Insurance	268,192	650	268,842	267,248
Other support services	1,110	-	1,110	-
Total Support Services	13,300,616	1,735,048	15,035,664	12,811,581
Debt Service				
Principal	-	1,620,000	1,620,000	1,485,500
Interest	27,741	231,966	259,707	412,353
Total Debt Service	27,741	1,851,966	1,879,707	1,897,853
Community Service				
	-	78,430	78,430	80,831
Non-program				
General tuition payments	1,006,399	6,531	1,012,930	810,365
Special education tuition payments	128,260	-	128,260	439,994
Revenue transits to others	103	-	103	-
Adjustments and refunds	2,842	1,211	4,053	11
Total Non-program	1,137,604	7,742	1,145,346	1,250,370
Total Expenditures	35,568,311	4,141,803	39,710,114	36,966,724
Excess of Revenues Over (Under) Expenditures	234,909	(86,806)	148,103	1,603,302
Other Financing Sources (Uses)				
Long-term debt issued	-	-	-	2,185,000
Debt premium	-	-	-	13,383
Payment to current noteholder	-	-	-	(2,154,500)
Sale of capital assets	8,103	-	8,103	2,183
Transfers in	-	6,317	6,317	22,363
Transfers out	(6,317)	-	(6,317)	(34,216)
Total Other Financing Sources (Uses)	1,786	6,317	8,103	34,213
Net Change in Fund Balances	236,695	(80,489)	156,206	1,637,515
Fund Balances - July 1	5,760,226	410,159	6,170,385	4,532,870
Fund Balances - June 30	\$ 5,996,921	\$ 329,670	\$ 6,326,591	\$ 6,170,385

(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, 2015
(With summarized financial information for the year ended June 30, 2014)

<u>Reconciliation to the Statement of Activities</u>	2015	2014
Net Change in Fund Balances from previous page	\$ 156,206	\$ 1,637,515
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	\$ 301,465	
Depreciation expense reported in the statement of activities	<u>(989,581)</u>	
Amount in which depreciation is greater than capital outlays	(688,116)	(759,392)
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:	425,160	(777,820)
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:	1,620,000	3,640,000
Change in the net pension asset and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share, and the difference between the expected and actual experience of the pension plan	50,583	-
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.	6,880	25,238
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	(6,576)	(91,680)
Premiums on long-term debt issued are reported in governmental funds as an other financing source. In the statement of activities, premiums are recorded as a liability and amortized over the life of the bonds.	20,209	20,209
The book value of capital assets transferred from business-type activities to governmental activities due to the reclassification of the food service fund from a proprietary fund to a special revenue fund.	<u>15,699</u>	-
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 5 - 6)	<u>\$ 1,600,045</u>	<u>\$ 1,275,952</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, 2015
(With summarized financial information as of June 30, 2014)

	Food Service	
	2015	2014
ASSETS		
Current Assets		
Cash and investments	\$ -	\$ 57,419
Accounts receivable	-	853
Due from other governments	-	27,259
Prepaid Items	-	7,633
Total Current Assets	<u>-</u>	<u>93,164</u>
Capital Assets		
Machinery and equipment	-	334,000
Less accumulated depreciation	-	(318,301)
Total Capital Assets	<u>-</u>	<u>15,699</u>
TOTAL ASSETS	<u>-</u>	<u>108,863</u>
LIABILITIES		
Current Liabilities		
Accounts payable	-	85,557
Accrued payroll liabilities	-	612
Unearned revenues	-	6,995
TOTAL LIABILITIES	<u>-</u>	<u>93,164</u>
NET POSITION		
Net investment in capital assets	<u>-</u>	<u>15,699</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 15,699</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, 2015
(With summarized financial information for the year ended June 30, 2014)

	Food Service	
	2015	2014
Operating Revenues		
Food sales	\$ -	\$ 562,005
State sources	-	20,683
Federal sources	-	778,789
Total Operating Revenues	<u>-</u>	<u>1,361,477</u>
Operating Expenses		
Salaries, wages and benefits	-	38,842
Supplies and materials	-	1,309,348
Equipment rental/maintenance	-	11,641
Depreciation	-	6,337
Total Operating Expenses	<u>-</u>	<u>1,366,168</u>
Loss Before Transfers	-	(4,691)
Transfers out	<u>(15,699)</u>	<u>11,853</u>
Change in Net Position	(15,699)	7,162
Net Position - July 1	<u>15,699</u>	<u>8,537</u>
Net Position - June 30	<u>\$ -</u>	<u>\$ 15,699</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, 2015
(With summarized financial information for the year ended June 30, 2014)

	Food Service	
	2015	2014
Cash Flows from Operating Activities		
Cash received from user charges	\$ -	\$ 601,988
Cash received from other government payments	-	786,810
Cash payments to employees	-	(49,240)
Cash payments to suppliers	-	(1,160,044)
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>179,514</u>
Cash Flows from Noncapital and Related Financing Activities		
Temporary cash advance	\$ -	\$ (133,948)
Transfer out	(57,419)	11,853
Net Cash Used by Noncapital and Related Financing Activities	<u>(57,419)</u>	<u>(122,095)</u>
Change in Cash and Cash Equivalents	(57,419)	57,419
Cash and Cash Equivalents - July 1	<u>57,419</u>	<u>-</u>
Cash and Cash Equivalents - June 30	<u>\$ -</u>	<u>\$ 57,419</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, 2015

(With summarized financial information as of June 30, 2014)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
				2015	2014
ASSETS					
Cash and cash equivalents	\$ 582,299	\$ 907,666	\$ 200,317	\$ 1,690,282	\$ 1,614,856
Accounts receivable	-	-	336	336	967,417
Due from District	-	507,060	-	507,060	-
TOTAL ASSETS	582,299	1,414,726	200,653	2,197,678	2,582,273
LIABILITIES					
Due to District	-	507,060	-	507,060	-
Due to student organizations	-	-	200,653	200,653	166,273
TOTAL LIABILITIES	-	507,060	200,653	707,713	1,133,740
NET POSITION					
Restricted for					
Scholarships	582,299	-	-	582,299	595,674
Other postemployment benefits	-	907,666	-	907,666	852,859
TOTAL NET POSITION	\$ 582,299	\$ 907,666	\$ -	\$ 1,489,965	\$ 1,448,533

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, 2015
(With summarized financial information for the year ended June 30, 2014)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Totals	
			2015	2014
ADDITIONS				
Private donations	\$ 15,780	\$ -	\$ 15,780	\$ 17,970
Investment income	6,195	20,595	26,790	21,014
Other local sources	-	1,146,675	1,146,675	1,329,247
Total Additions	21,975	1,167,270	1,189,245	1,368,231
DEDUCTIONS				
Trust fund disbursements	35,350	-	35,350	32,375
Benefit payments	-	1,112,463	1,112,463	1,326,528
Total Deductions	35,350	1,112,463	1,147,813	1,358,903
Change in Net Position	(13,375)	54,807	41,432	9,328
Net Position - July 1	595,674	852,859	1,448,533	1,439,205
Net Position - June 30	\$ 582,299	\$ 907,666	\$ 1,489,965	\$ 1,448,533

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, 2015

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.

Food service operations had been accounted for as an enterprise fund. As of July 1, 2014, food service operations are accounted for as a special revenue fund, as its significant revenues are intergovernmental revenue.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

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.

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.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

e. Capital Assets

Capital assets, which include property, plant, and equipment, are reported 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 Years
Land improvements	20
Buildings	20 - 50
Machinery and equipment	5 - 20

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) until then. The District has two items that qualify for reporting in this category. The first 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. The second is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

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.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

j. 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.

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 and capital related deferred outflows of resources, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- 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.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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, 2014, 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*".

The carrying amount of the District's cash and investments totaled \$8,721,596 on June 30, 2015 as summarized below:

Deposits with financial institutions	\$ 7,813,930
Investments	
Fixed interest annuities	907,666
	\$ 8,721,596

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 7,031,314
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	582,299
Employee benefit trust fund	907,666
Agency fund	200,317
Total Cash and Investments	\$ 8,721,596

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

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Custodial Credit 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, 2015, 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.

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 \$907,666 invested in the fixed interest annuities with American United Life Insurance Company® (AUL), a OneAmerica® company. These fixed interest annuities are backed by AUL's general account assets. AUL bears the investment risk for the AUL Fixed Interest Account values and for paying interest.

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

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

2. Property Taxes

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

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

3. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,256,000	\$ -	\$ -	\$ -	\$ 1,256,000
Capital assets, being depreciated:					
Land improvements	1,648,109	-	-	-	1,648,109
Buildings	45,601,158	-	-	-	45,601,158
Machinery and equipment	1,374,154	334,000	301,465	62,848	1,946,771
Subtotals	48,623,421	334,000	301,465	62,848	49,196,038
Less accumulated depreciation for:					
Land improvements	1,347,203	-	55,942	-	1,403,145
Buildings	22,690,855	-	757,126	-	23,447,981
Machinery and equipment	1,129,932	318,301	176,513	62,848	1,561,898
Subtotals	25,167,990	318,301	989,581	62,848	26,413,024
Total capital assets, being depreciated, net	23,455,431	15,699	(688,116)	-	22,783,014
Governmental activities capital assets, net	\$ 24,711,431	\$ 15,699	\$ (688,116)	\$ -	24,039,014
Less related long-term debt outstanding					4,395,000
Net investment in capital assets					<u>\$ 19,644,014</u>
Business-type activities:					
Capital assets, being depreciated:					
Machinery and equipment	\$ 334,000	\$ (334,000)	\$ -	\$ -	\$ -
Less accumulated depreciation for:					
Machinery and equipment	318,301	(318,301)	-	-	-
Business-type activities capital assets, net	\$ 15,699	\$ (15,699)	\$ -	\$ -	\$ -

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The transfer column represents capital assets and related accumulated depreciation transferred from business-type activities to governmental activities due to the reclassification of food service operations from an enterprise fund to a special revenue fund.

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

Governmental activities	
Instruction	\$ 4,862
Support services	984,719
Total depreciation expense - governmental activities	<u>\$ 989,581</u>

4. Interfund Transfers and Due To/Due From

Interfund transfers for the year ended June 30, 2015 were as follows:

	Transfer to:		
	Food Service	Governmental Activities	Total
Transfers from:			
General fund	\$ 6,317	\$ -	\$ 6,317
Proprietary Fund			
Food Service	-	15,699	15,699
Totals	<u>\$ 6,317</u>	<u>\$ 15,699</u>	<u>\$ 22,016</u>

The transfer from the general fund was to eliminate federal grant costs related to uncollectible accounts. The transfer from food service was to reflect the transfer of capital assets due to the reclassification of the fund to a special revenue fund.

The General Fund provided temporary cash advances to the following fund for the year ended June 30, 2015.

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 175,195	\$ -
Head Start Project	-	175,195
Totals	<u>\$ 175,195</u>	<u>\$ 175,195</u>

5. Short-term Obligations

The District issued a tax anticipation note in advance of property tax collections. The note is needed because District expenses for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2015 was as follows:

	Outstanding 7/1/2014	Issued	Redeemed	Outstanding 6/30/2015
Tax Anticipation Notes	\$ 6,700,000	\$ 6,000,000	\$ 6,700,000	\$ 6,000,000

Total interest paid during the year on short-term debt totaled \$28,095.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

6. Leases

OPERATING LEASES

The District leases computer equipment under long-term operating leases. Following is a schedule, by years, of future minimum rental payments required under the long-term operating leases:

Year Ending June 30,	Amount
2016	\$ 305,539
2017	305,539
2018	91,850
	<u>\$ 702,928</u>

Rent expense under all operating leases for the year ended June 30, 2015 amounted to \$553,837.

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2015:

	Outstanding 7/1/2014	Adjustment	Issued	Retired	Outstanding 6/30/2015	Due Within One Year
Governmental activities:						
General Obligation Debt						
Bonds	\$ 8,345,000	\$ -	\$ -	\$ 1,620,000	\$ 6,725,000	\$ 1,655,000
Premium on long-term debt	55,575	-	-	20,209	35,366	20,209
Compensated absences	909,389	-	98,224	-	1,007,613	-
Other postemployment benefits	8,212,410	(1,409,286)	564,128	1,087,512	6,279,740	-
Governmental activities						
Long-term obligations	<u>\$ 17,522,374</u>	<u>\$ (1,409,286)</u>	<u>\$ 662,352</u>	<u>\$ 2,727,721</u>	<u>\$ 14,047,719</u>	<u>\$ 1,675,209</u>

Total interest paid during the year on long-term debt totaled \$230,190.

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%	\$ 1,450,000
\$3,390,000 issued 2/3/11; \$210,000 to \$310,000 due annually through 2024; interest 2.75% to 5.20%	2,330,000
\$3,765,000 issued 1/5/12; \$690,000 to \$750,000 due annually through 2017; interest 2.00%	1,415,000
\$2,185,000 issued 1/7/14; \$320,000 to \$705,000 due annually through 2018; interest 1.00% to 1.15%	<u>1,530,000</u>
Total Outstanding General Obligation Debt	<u><u>\$ 6,725,000</u></u>

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$6,725,000 on June 30, 2015 are detailed below:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
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	255,000	67,720	322,720
2021-2024	1,150,000	147,800	1,297,800
	<u>\$ 6,725,000</u>	<u>\$ 801,543</u>	<u>\$ 7,526,543</u>

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

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2015 was \$108,082,939 as follows:

Equalized valuation of the District	\$ 1,147,453,853
Statutory limitation percentage	<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	114,745,385
Total outstanding general obligation debt applicable to debt limitation	\$ 6,725,000
Less: Amounts available in debt service funds (1)	<u>62,554</u>
	<u>6,662,446</u>
Legal Margin for New Debt	<u>\$ 108,082,939</u>

(1): Debt service funds, less \$115,487 of interest payments due in 2015-16.

8. Pension Plan

a. Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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.

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.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

b. Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

c. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

During the reporting period, the WRS recognized \$1,149,985 in contributions from the District.

Contribution rates as of June 30, 2015 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At June 30, 2015, the District reported an asset of \$2,893,604 for its proportionate share of the net pension liability. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 0.118%, which was a decrease of 0.001% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,141,630.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 419,483	\$ -
Net differences between projected and actual earnings on pension plan investments	1,401,223	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,857	-
Employer contributions subsequent to the measurement date	864,407	-
Total	\$ 2,716,970	\$ -

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The \$864,407 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	Deferred Outflow of Resources	Deferred Inflows of Resources
2015	\$ 422,362	\$ -
2016	422,362	-
2017	422,362	-
2018	422,362	-
2019	163,115	-

e. Actuarial Assumption

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Asset	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
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District's proportionate share of the net pension liability (asset)	\$	8,163,356	\$	(2,893,604)	\$	(11,625,944)
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Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

f. Payable to the WRS

At June 30, 2015 the District reported a payable of \$360,324 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2015.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

9. Minimum Fund Balance Policy

The Board of Education has adopted a policy that fund balance in the amount of 10% of the operating budget be maintained as committed, assigned and unassigned fund balance for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2014-15 General Fund Expenditures	\$ 35,915,917
Minimum Fund Balance %	<u>(x) 10%</u>
Minimum Fund Balance Amount	<u>\$ 3,591,592</u>

The District's committed, assigned, and unassigned general fund balance of \$5,185,189 is above the range of the above minimum fund balance amount.

NOTE C - OTHER INFORMATION

1. 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, 2013, the date of the latest actuarial valuation:

	Retirees Receiving Benefits	Other Active Employees	Total
Teachers	52	226	278
Administrators	7	20	27
Support staff	2	106	108
Total	61	352	413

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

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

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 ten 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	\$ 1,105,206
Interest on net OPEB	340,156
Adjustment to annual required contribution	<u>(881,234)</u>
Annual OPEB cost (expense)	564,128
Contributions made	<u>1,087,512</u>
Change in net OPEB obligation	<u>(523,384)</u>
OPEB obligation - beginning of year	8,212,410
Prior period adjustment	<u>(1,409,286)</u>
OPEB obligation - beginning of year, revised	<u>6,803,124</u>
OPEB obligation - end of year	<u><u>\$ 6,279,740</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, 2015

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, 2013
Actuarial cost method	Unprojected Unit Credit
Amortization method	Open level dollar
Remaining amortization period	10 years
Actuarial assumptions:	
Investment rate of return	5%
Healthcare cost trend rate	7.5% 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, 2013	\$ 1,870,256	\$ 1,981,924	92%	86%	\$ 7,570,921
June 30, 2014 (Restated)	524,520	1,126,663	246%	115%	6,803,124
June 30, 2015	564,128	1,105,206	193%	98%	6,279,740

c. Funded Status and Funding Progress

The funded status of the plan as of the past three actuarial valuation dates 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						
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
2013	831,183	8,182,263	10%	7,351,080	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, 2015

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.

2. 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.

3. 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.

4. 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.

5. Prior Period Adjustment

The district-wide statement of activities includes a prior period adjustment of \$1,409,286 for the District's OPEB Liability which increased the District's net position. In the prior year, the District did not obtain an updated OPEB valuation report to reflect the change in benefits for teachers, which caused incorrect assumptions to be made.

6. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. Financial statements for the year ended June 30, 2014, have not been restated. The cumulative effect of this change was to increase the June 30, 2015 net position of the governmental activities by \$5,559,991.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 9,579,728	\$ 9,786,013	\$ 9,786,013	\$ -
Other local sources	233,625	286,437	310,619	24,182
Interdistrict sources	4,046,000	3,969,767	3,941,027	(28,740)
Intermediate sources	14,469	23,220	125,724	102,504
State sources	18,637,794	18,679,550	18,785,634	106,084
Federal sources	880,002	915,601	811,394	(104,207)
Other sources	123,395	161,355	209,758	48,403
Total Revenues	33,515,013	33,821,943	33,970,169	148,226
Expenditures				
Instruction				
Regular instruction	14,613,664	14,180,522	14,532,792	(352,270)
Vocational instruction	932,840	903,852	874,110	29,742
Other instruction	1,742,376	1,832,795	1,785,316	47,479
Total Instruction	17,288,880	16,917,169	17,192,218	(275,049)
Support Services				
Pupil services	930,855	963,300	959,388	3,912
Instructional staff services	997,268	980,652	977,544	3,108
General administration services	1,125,807	1,040,801	967,814	72,987
School administration services	1,752,335	1,875,684	1,892,572	(16,888)
Business services	427,040	355,448	365,993	(10,545)
Operation and maintenance of plant	3,184,499	3,553,914	3,636,907	(82,993)
Pupil transportation services	1,985,910	1,935,480	1,927,567	7,913
Central services	1,372,440	1,287,778	1,318,237	(30,459)
Insurance	256,909	267,032	268,192	(1,160)
Other support services	-	-	1,110	(1,110)
Total Support Services	12,033,063	12,260,089	12,315,324	(55,235)
Debt Service				
Interest	37,000	590,851	27,741	563,110
Non-program				
General tuition payments	818,761	1,034,608	1,006,399	28,209
Revenue transfers to others	-	-	103	(103)
Adjustments and refunds	-	2,843	2,842	1
Total Non-program	818,761	1,037,451	1,009,344	28,107
Total Expenditures	30,177,704	30,805,560	30,544,627	260,933
Excess of Revenues Over Expenditures	3,337,309	3,016,383	3,425,542	409,159
Other Financing Sources (Uses)				
Sale of capital assets	-	7,675	8,103	428
Transfers out	(3,337,309)	(3,024,058)	(3,196,950)	(172,892)
Total Other Financing Sources (Uses)	(3,337,309)	(3,016,383)	(3,188,847)	(172,464)
Net Change in Fund Balance	-	-	236,695	236,695
Fund Balance - July 1	5,760,226	5,760,226	5,760,226	-
Fund Balance - June 30	\$ 5,760,226	\$ 5,760,226	\$ 5,996,921	\$ 236,695

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 5,000	\$ 18,316	\$ 4,172	\$ (14,144)
Intermediate sources	98,000	210,000	189,415	(20,585)
State sources	1,075,238	1,131,449	1,067,120	(64,329)
Federal sources	666,415	726,159	571,970	(154,189)
Other sources	-	375	374	(1)
Total Revenues	1,844,653	2,086,299	1,833,051	(253,248)
Expenditures				
Instruction				
Vocational instruction	25,210	31,058	30,391	667
Special education instruction	3,928,412	3,870,807	3,871,109	(302)
Other instruction	8,815	9,160	8,632	528
Total Instruction	3,962,437	3,911,025	3,910,132	893
Support Services				
Pupil services	391,463	805,168	668,649	136,519
Instructional staff services	266,467	263,484	247,602	15,882
Business services	581	582	-	582
Operation and maintenance of plant	1,828	39	33	6
Pupil transportation services	125,300	54,099	63,134	(9,035)
Central services	6,486	3,636	5,874	(2,238)
Insurance	1,000	-	-	-
Total Support Services	793,125	1,127,008	985,292	141,716
Non-program				
Special education tuition payments	426,400	72,324	128,260	(55,936)
Total Expenditures	5,181,962	5,110,357	5,023,684	86,673
Excess of Revenues Under Expenditures	(3,337,309)	(3,024,058)	(3,190,633)	(166,575)
Other Financing Sources				
Transfers in	3,337,309	3,024,058	3,190,633	166,575
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, 2015

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)
7/1/2010	\$ 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
7/1/2013	831,183	8,182,263	10.2%	7,351,080	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, 2015

Year Ended June 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2013	\$ 1,713,280	\$ 1,981,924	86.4%
2014	1,292,317	1,126,663	114.7%
2015	1,087,512	1,105,206	98.4%

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

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Proportionate Share of the Net Pension Asset
Wisconsin Retirement System
Last 10 Fiscal Years*

	2015
Proportion of the net pension asset	0.118%
Proportionate share of the net pension asset	\$ 2,893,604
Covered-employee payroll	\$ 16,428,345
Plan fiduciary net position as a percentage of the total pension asset	102.74%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Contributions
Wisconsin Retirement System
Last 10 Fiscal Years*

	2015
Contractually required contributions	\$ 1,149,985
Contributions in relation to the contractually required contributions	\$ 1,149,985
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 16,428,645
Contributions as a percentage of covered-employee payroll	7.00%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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, 2015

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2015. Information for prior years is not available.

NOTE B - SCHEDULE OF FUNDING PROGRESS

The July 1, 2013 actuarial valuation differs from the July 1, 2011 actuarial valuation due to the following factors:

1. The benefits for teachers in the July 1, 2011 valuation included a District contribution of 87.4% of medical insurance costs into an HRA account. The benefits for teachers in the July 1, 2013 included a flat fee contributed to an HRA for retiring teachers.
2. The initial medical insurance trend rate decreased from 10% to 7.5% from the July 1, 2011 valuation to the July 1, 2013 valuation.

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. The DPI requires the district to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the one digit function level for the general fund and at the fund level for all other funds. 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, 2015.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

NOTE D – BUDGETS AND 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)	\$ 33,970,169	\$ 1,833,051
Reclassification of special education	1,833,051	(1,833,051)
Total Revenues	<u>35,803,220</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	30,544,627	5,023,684
Reclassification of special education	5,023,684	(5,023,684)
Total Expenditures	<u>35,568,311</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	3,425,542	(3,190,633)
Reclassification of special education	(3,190,633)	3,190,633
Excess of Revenues Over (Under) Expenditures	<u>234,909</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(3,188,847)	3,190,633
Reclassification of special education	3,190,633	(3,190,633)
Total Other Financing Sources (Uses)	<u>1,786</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>236,695</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>5,760,226</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 5,996,921</u>	<u>\$ -</u>

NOTE E – PENSION

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions

SUPPLEMENTARY INFORMATION

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds					
	TEACH	Special Revenue Trust	Head Start Project	Community Service	Food Service	Package & Co-op Program
ASSETS						
Cash and investments	\$ 308	\$ 81,169	\$ -	\$ 52,019	\$ 34,747	\$ 7,227
Due from other governments	-	-	177,272	-	16,564	-
Prepaid items	-	-	-	-	7,923	-
TOTAL ASSETS	\$ 308	\$ 81,169	\$ 177,272	\$ 52,019	\$ 59,234	\$ 7,227
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 21,981	\$ -	\$ 180	\$ 17,512	\$ 6,843
Accrued payroll liabilities	-	-	2,077	-	653	384
Due to other funds	-	-	175,195	-	-	-
Other fund liabilities	-	-	-	-	775	-
Total Liabilities	-	21,981	177,272	180	18,940	7,227
Fund Balances						
Nonspendable						
Prepaid items	-	-	-	-	7,923	-
Restricted						
Debt service	-	-	-	-	-	-
TEACH program	308	-	-	-	-	-
Community service programs	-	-	-	51,839	-	-
Food service programs	-	-	-	-	32,371	-
Assigned for equipment and other	-	59,188	-	-	-	-
Total Fund Balances	308	59,188	-	51,839	40,294	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 308	\$ 81,169	\$ 177,272	\$ 52,019	\$ 59,234	\$ 7,227

Debt Service Funds		Total Nonmajor Governmental Funds
Non- Referendum Debt Service	Referendum Debt Service	
\$ 70,286	\$ 108,180	\$ 353,936
-	-	193,836
-	-	7,923
<hr/>		
\$ 70,286	\$ 108,180	\$ 555,695

\$ -	\$ 425	\$ 46,941
-	-	3,114
-	-	175,195
-	-	775
-	425	226,025

-	-	7,923
70,286	107,755	178,041
-	-	308
-	-	51,839
-	-	32,371
-	-	59,188
70,286	107,755	329,670

\$ 70,286	\$ 108,180	\$ 555,695
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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, 2015

	Special Revenue Funds					
	TEACH	Special Revenue Trust	Head Start Project	Community Service	Food Service	Package & Co-op Program
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 576,121	\$ -
Other local sources	-	79,912	-	14,780	-	7,500
Interdistrict sources	-	-	-	-	-	64,074
State sources	-	-	-	-	21,854	-
Federal sources	-	-	687,781	-	766,316	-
Total Revenues	-	79,912	687,781	14,780	1,364,291	71,574
Expenditures						
Instruction						
Regular instruction	-	20,456	422,373	-	-	717
Special education instruction	-	400	-	-	-	-
Other Instruction	-	10,350	12,863	1,458	-	-
Total Instruction	-	31,206	435,236	1,458	-	717
Support Services						
Pupil services	-	-	23,164	-	-	-
Instructional staff services	-	-	24,497	-	-	70,765
General administration services	-	-	117,434	-	-	-
School administration services	-	-	2,453	-	-	-
Operation and maintenance of plant	-	24,905	31,841	1,497	3,697	-
Pupil transportation services	-	10,813	41,368	9,403	-	-
Food services	-	-	-	-	1,325,111	-
Central services	42,456	-	4,607	-	295	92
Insurance	-	-	650	-	-	-
Total Support Services	42,456	35,718	246,014	10,900	1,329,103	70,857
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Debt Service	-	-	-	-	-	-
Community Service						
	-	-	-	78,430	-	-
Non-program						
General tuition payments	-	-	6,531	-	-	-
Adjustments and refunds	-	-	-	-	1,211	-
Total Non-program	-	-	6,531	-	1,211	-
Total Expenditures	42,456	66,924	687,781	90,788	1,330,314	71,574
Excess of Revenues Over (Under)						
Expenditures	(42,456)	12,988	-	(76,008)	33,977	-
Other Financing Sources						
Transfers in	-	-	-	-	6,317	-
Net Change in Fund Balances	(42,456)	12,988	-	(76,008)	40,294	-
Fund Balances - July 1	42,764	46,200	-	127,847	-	-
Fund Balances - June 30	\$ 308	\$ 59,188	\$ -	\$ 51,839	\$ 40,294	\$ -

Debt Service Funds		Total Nonmajor Governmental Funds
Non- Referendum Debt Service	Referendum Debt Service	
\$ 314,383	\$ 1,522,049	\$ 2,412,553
86	141	102,419
-	-	64,074
-	-	21,854
-	-	1,454,097
<u>314,469</u>	<u>1,522,190</u>	<u>4,054,997</u>
-	-	443,546
-	-	400
-	-	24,671
-	-	<u>468,617</u>
-	-	23,164
-	-	95,262
-	-	117,434
-	-	2,453
-	-	61,940
-	-	61,584
-	-	1,325,111
-	-	47,450
-	-	650
-	-	<u>1,735,048</u>
210,000	1,410,000	1,620,000
107,721	124,245	231,966
<u>317,721</u>	<u>1,534,245</u>	<u>1,851,966</u>
-	-	78,430
-	-	6,531
-	-	1,211
-	-	7,742
<u>317,721</u>	<u>1,534,245</u>	<u>4,141,803</u>
<u>(3,252)</u>	<u>(12,055)</u>	<u>(86,806)</u>
-	-	6,317
<u>(3,252)</u>	<u>(12,055)</u>	<u>(80,489)</u>
<u>73,538</u>	<u>119,810</u>	<u>410,159</u>
<u>\$ 70,286</u>	<u>\$ 107,755</u>	<u>\$ 329,670</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Pupil Activity Fund
Schedule of Changes in Assets and Liabilities
For the Year Ended June 30, 2015

	Balance 7/1/14	Additions	Deletions	Balance 6/30/15
ASSETS				
Cash and cash equivalents	\$ 166,323	\$ 309,323	\$ 275,329	\$ 200,317
Accounts receivable	-	488	152	336
TOTAL ASSETS	\$ 166,323	\$ 309,811	\$ 275,481	\$ 200,653
LIABILITIES				
Due to student organizations				
Middle schools	\$ 43,102	\$ 85,900	\$ 75,953	\$ 53,049
Senior high school	123,221	223,911	199,528	147,604
TOTAL LIABILITIES	\$ 166,323	\$ 309,811	\$ 275,481	\$ 200,653

**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, 2015, and the related notes to the financial statements, which collectively comprise the Merrill Area Public School District's basic financial statements, and have issued our report thereon, which included emphasis of matter paragraphs as indicated on page 2 dated November 30, 2015.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Merrill Area Public School District's Response to Finding

The Merrill Area Public School District's response to the finding identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. The 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 the 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 30, 2015

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, 2015. 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, 2015.

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 or 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 30, 2015

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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, 2013 - June 30, 2014

July 1, 2014 - June 30, 2015

National School Lunch Program

July 1, 2013 - June 30, 2014

July 1, 2014 - June 30, 2015

Commodities

Total National School Lunch Program

Summer Food Service Program

July 1, 2013 - June 30, 2014

July 1, 2014 - June 30, 2015

Total Child Nutrition Cluster

Wisconsin Department of Public Instruction

Child and Adult Care Food Program

July 1, 2013 - June 30, 2014

July 1, 2014 - June 30, 2015

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, 2013 - June 30, 2014

July 1, 2014 - June 30, 2015

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, 2013 - June 30, 2014

July 1, 2014 - June 30, 2015

Wisconsin Department of Public Instruction

Special Education Cluster (IDEA)

Special Education - Grants to States

July 1, 2013 - June 30, 2014

July 1, 2014 - June 30, 2015

Special Education - Preschool Grants

July 1, 2013 - June 30, 2014

July 1, 2014 - June 30, 2015

Total Special Education Cluster (IDEA)

Wisconsin Department of Public Instruction

(Continued)

Federal CFDA Number	Revenues				Total Expenditures
	(Accrued) or Deferred Revenue 7/1/14	Cash Received	Accrued or (Deferred) Revenue 6/30/15	Total Revenues	
10.553	\$ (2,598)	\$ 2,598	\$ -	\$ -	\$ -
	-	92,215	-	92,215	92,215
10.555	(14,013)	14,013	-	-	-
	-	548,802	-	548,802	548,802
	-	94,204	7,091	101,295	101,295
	<u>(14,013)</u>	<u>657,019</u>	<u>7,091</u>	<u>650,097</u>	<u>650,097</u>
10.559	(10,221)	10,221	-	-	-
	-	-	9,257	9,257	9,257
	<u>(26,832)</u>	<u>762,053</u>	<u>16,348</u>	<u>751,569</u>	<u>751,569</u>
10.558	(428)	428	-	-	-
	-	14,531	216	14,747	14,747
	<u>(27,260)</u>	<u>777,012</u>	<u>16,564</u>	<u>766,316</u>	<u>766,316</u>
84.010	(213,657)	213,657	-	-	-
	-	-	505,276	505,276	505,276
	<u>(213,657)</u>	<u>213,657</u>	<u>505,276</u>	<u>505,276</u>	<u>505,276</u>
84.048	(25,217)	25,217	-	-	-
	-	-	25,767	25,767	25,767
84.027	(206,972)	206,972	-	-	-
	-	-	550,790	550,790	550,790
84.173	(20,104)	20,104	-	-	-
	-	-	21,180	21,180	21,180
	<u>(227,076)</u>	<u>227,076</u>	<u>571,970</u>	<u>571,970</u>	<u>571,970</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Grantor Agency/Cluster or Grant Title/Grant Period	Pass-through Agency
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U.S. DEPARTMENT OF EDUCATION (Continued)

Twenty-First Century Community Learning Centers July 1, 2013 - June 30, 2014 July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction
Improving Teacher Quality State Grants July 1, 2013 - June 30, 2014 July 1, 2014 - June 30, 2015	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, 2013 - June 30, 2014 July 1, 2014 - June 30, 2015	Direct Program Direct Program
Medical Assistance - School Based Services Benefit July 1, 2014 - June 30, 2015	Cooperative Educational Services Agency (CESA) # 9

TOTAL FEDERAL AWARDS

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

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

Federal CFDA Number	Revenues			Total Revenues	Total Expenditures
	(Accrued) or Deferred Revenue 7/1/14	Cash Received	Accrued or (Deferred) Revenue 6/30/15		
84.287	(229,134)	229,134	-	-	-
	-	-	218,900	218,900	218,900
84.367	(85,619)	85,619	-	-	-
	-	-	61,451	61,451	61,451
	<u>(780,703)</u>	<u>780,703</u>	<u>1,383,364</u>	<u>1,383,364</u>	<u>1,383,364</u>
93.600	(198,804)	198,804	-	-	-
	-	510,509	177,272	687,781	687,781
93.778	-	18,638	240,742	259,380	259,380
	<u>(198,804)</u>	<u>727,951</u>	<u>418,014</u>	<u>947,161</u>	<u>947,161</u>
	<u>\$ (1,006,767)</u>	<u>\$ 2,285,666</u>	<u>\$ 1,817,942</u>	<u>\$ 3,096,841</u>	<u>\$ 3,096,841</u>

\$ 2,837,461
259,380
\$ 3,096,841

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Schedule of State Financial Assistance

For the Year Ended June 30, 2015

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
Special Education and School Age Parents	CESA #9	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, 2013 - June 30, 2014	Direct Program	
July 1, 2014 - June 30, 2015	Direct Program	
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
Career and Technical Education Incentive Grants	Direct Program	255.950
Total Wisconsin Department of Public Instruction		

TOTAL STATE FINANCIAL ASSISTANCE

Reconciliation to Basic Financial Statements

Governmental Funds
State sources
State awards reported with intermediate 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 7/1/14	Cash Received	Accrued or (Deferred) Revenue 6/30/15	Total Revenues	

\$ -	\$ 1,067,120	\$ -	\$ 1,067,120	\$ 1,067,120
-	20,546	-	20,546	20,546
-	15,721	-	15,721	15,721
-	108,795	-	108,795	108,795
-	165,952	-	165,952	165,952
(314,297)	314,297	-	-	-
-	16,746,305	299,386	17,045,691	17,045,691
(28,875)	28,875	28,875	28,875	28,875
-	6,133	-	6,133	6,133
-	742,944	-	742,944	742,944
(17,440)	17,440	18,720	18,720	18,720
-	425,775	-	425,775	425,775
-	60,854	-	60,854	60,854
-	37,000	-	37,000	37,000
<u>(360,612)</u>	<u>19,757,757</u>	<u>346,981</u>	<u>19,744,126</u>	<u>19,744,126</u>

\$ (360,612) \$ 19,757,757 \$ 346,981 \$ 19,744,126 \$ 19,744,126

\$ 19,874,608
20,546

(44,111)
(106,917)
\$ 19,744,126

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, 2015

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 2014-2015 eligible costs under the State Special Education Program as reported by the District are \$4,291,063.

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, 2015

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
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education - Grants to State
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
255.201	Equalization Aids

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, 2015

Section II – Financial Statement Findings

Finding No.	Control Deficiency
2015-001	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, 2015.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2015

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

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 30, 2015

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2015

Status of Prior Year Audit Finding

The findings noted in the 2014 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 prior to issuance

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
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2015-001 Preparation of Annual Financial Report

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.