

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

June 30, 2016

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MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

June 30, 2016

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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, 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, 2016, 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, each major fund, and the aggregate remaining fund information of the Merrill Area Public School District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note C.5, the District implemented GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to these matters.

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 33 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 2015 financial statements, and our report dated November 30, 2015, 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, 2016, 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 January 18, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
January 18, 2017

BASIC FINANCIAL STATEMENTS

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Statement of Net Position
June 30, 2016
(With summarized financial information as of June 30, 2015)

	Governmental Activities	
	2016	2015
ASSETS		
Cash and investments	\$ 7,872,820	\$ 7,031,314
Receivables		
Taxes	2,973,924	3,098,853
Accounts	427,651	537,198
Due from other governments	2,056,482	2,336,052
Prepaid items	916,416	819,687
Other assets		
Net pension asset	-	2,893,604
Capital assets		
Land	1,256,000	1,256,000
Construction work in progress	134,926	-
Land improvements	1,648,109	1,648,109
Buildings	45,601,158	45,601,158
Machinery and equipment	2,036,678	1,946,771
Less: Accumulated depreciation	(27,305,373)	(26,413,024)
TOTAL ASSETS	37,618,791	40,755,722
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	13,157	19,733
Deferred outflows related to pension	10,242,588	2,716,970
Deferred outflows related to other post employment benefits	1,241,142	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,496,887	2,736,703
LIABILITIES		
Short-term notes payable	5,650,000	6,000,000
Accounts payable	793,612	780,521
Accrued payroll liabilities	394,054	679,914
Accrued interest payable	81,032	73,517
Unearned revenues	506	-
Deposits and other fund liabilities	52,357	13,229
Long-term obligations		
Due within one year	1,973,257	1,675,209
Due in more than one year	4,116,870	6,092,770
Other post-employment benefits liability	6,204,855	6,279,740
Net pension liability	1,934,555	-
TOTAL LIABILITIES	21,201,098	21,594,900
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	4,071,239	-
NET POSITION		
Net investment in capital assets	20,409,498	19,644,014
Restricted for		
Debt service	120,407	127,373
TEACH program	308	308
Community services and programs	-	51,839
Food service program	99,147	40,294
Pension benefits	-	2,893,604
Unrestricted (deficit)	3,213,981	(859,907)
TOTAL NET POSITION	\$ 23,843,341	\$ 21,897,525

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, 2016
(With summarized financial information for the year ended June 30, 2015)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities		Business-type Activities
				2016	2015	2015
Governmental Activities						
Instruction	\$ 20,817,654	\$ 20,847	\$ 7,168,561	\$ (13,628,246)	\$ (13,780,281)	\$ -
Support services	16,010,350	600,780	2,878,411	(12,531,159)	(12,882,438)	-
Interest and fiscal charges	256,377	-	-	(256,377)	(239,194)	-
Community services	88,042	15,537	-	(72,505)	(72,365)	-
Non-program	2,046,422	-	452,740	(1,593,682)	(1,138,966)	-
Total School District	\$ 39,218,845	\$ 637,164	\$ 10,499,712	(28,081,969)	(28,113,244)	-
General revenues						
Property taxes				11,115,354	11,622,445	-
Other taxes				23,675	20,809	-
State and federal aids not restricted to specific functions				17,767,893	17,515,577	-
Interest and investment earnings				9,689	5,346	-
Miscellaneous				648,863	533,413	-
Transfers				-	15,699	(15,699)
Total General Revenues and Transfers				29,565,474	29,713,289	(15,699)
Change in net position				1,483,505	1,600,045	(15,699)
Net position - July 1, as originally reported				21,897,525	20,297,480	15,699
Cumulative effect of change in accounting principle				462,311	-	-
Net position - July 1, restated				22,359,836	20,297,480	15,699
Net position - June 30				\$ 23,843,341	\$ 21,897,525	\$ -

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

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2016

(With summarized financial information as of June 30, 2015)

	General	Other Governmental Funds	Total Governmental Funds	
			2016	2015
ASSETS				
Cash and investments	\$ 6,697,089	\$ 1,175,731	\$ 7,872,820	\$ 7,031,314
Receivables				
Taxes	2,973,924	-	2,973,924	3,098,853
Accounts	404,503	23,148	427,651	537,198
Due from other funds	352,709	-	352,709	175,195
Due from other governments	1,598,560	457,922	2,056,482	2,336,052
Prepaid items	916,416	-	916,416	819,687
TOTAL ASSETS	\$ 12,943,201	\$ 1,656,801	\$ 14,600,002	\$ 13,998,299
LIABILITIES AND FUND BALANCES				
Liabilities				
Short-term notes payable	\$ 5,650,000	\$ -	\$ 5,650,000	\$ 6,000,000
Accounts payable	760,291	33,321	793,612	780,521
Accrued payroll liabilities	391,477	2,577	394,054	679,914
Accrued interest payable	37,587	-	37,587	22,849
Due to other funds	-	352,709	352,709	175,195
Unearned revenues	-	506	506	-
Deposits and other fund liabilities	51,582	775	52,357	13,229
Total Liabilities	6,890,937	389,888	7,280,825	7,671,708
Fund Balances				
Nonspendable				
Prepaid items	916,416	-	916,416	819,687
Restricted				
Debt service	-	163,852	163,852	178,041
TEACH program	-	308	308	308
Community services and programs	-	-	-	51,839
Food service programs	-	99,147	99,147	32,371
Committed for Bridges Virtual Academy	295,378	-	295,378	334,220
Assigned				
Equipment and other	-	1,003,606	1,003,606	59,188
School forest	-	-	-	2,304
Unassigned, reported in				
General fund	4,840,470	-	4,840,470	4,848,633
Total Fund Balances	6,052,264	1,266,913	7,319,177	6,326,591
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,943,201	\$ 1,656,801	\$ 14,600,002	\$ 13,998,299

(Continued)

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Balance Sheet (Continued)
Governmental Funds
June 30, 2016
(With summarized financial information as of June 30, 2015)

	2016	2015
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances as shown above	\$ 7,319,177	\$ 6,326,591
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.	23,371,498	24,039,014
Deferred outflow of resources is reported in the statement of net position for the loss on advance refunding.	13,157	19,733
Other postemployment benefit contributions made subsequent to the measurement date are reported as a deferred outflow of resources	1,241,142	-
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	10,242,588	2,716,970
Net pension liability	(1,934,555)	-
Deferred inflows or resources	(4,071,239)	-
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	(5,070,000)	(6,725,000)
Debt premium	(15,157)	(35,366)
Compensated absences	(1,004,970)	(1,007,613)
Other post-employment benefits	(6,204,855)	(6,279,740)
Accrued interest on long-term obligations	(43,445)	(50,668)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 23,843,341</u>	<u>\$ 21,897,525</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, 2016
(With summarized financial information for the year ended June 30, 2015)

	General	Other Governmental Funds	Total Governmental Funds	
			2016	2015
Revenues				
Property taxes	\$ 9,196,128	\$ 2,468,343	\$ 11,664,471	\$ 12,198,566
Other local sources	170,666	1,184,087	1,354,753	413,038
Interdistrict sources	3,798,221	61,953	3,860,174	4,009,273
Intermediate sources	191,172	-	191,172	315,139
State sources	20,282,454	20,494	20,302,948	19,874,608
Federal sources	1,427,507	1,437,707	2,865,214	2,837,461
Other sources	462,838	-	462,838	210,132
Total Revenues	35,528,986	5,172,584	40,701,570	39,858,217
Expenditures				
Instruction				
Regular instruction	13,278,735	491,848	13,770,583	14,976,338
Vocational instruction	827,016	31,570	858,586	904,501
Special education instruction	3,956,438	-	3,956,438	3,871,509
Other instruction	1,756,290	74,944	1,831,234	1,818,619
Total Instruction	19,818,479	598,362	20,416,841	21,570,967
Support Services				
Pupil services	1,394,279	18,835	1,413,114	1,651,201
Instructional staff services	1,277,729	76,902	1,354,631	1,320,408
General administration services	1,191,711	108,490	1,300,201	1,085,248
School administration services	1,876,941	1,960	1,878,901	1,895,025
Business services	346,151	-	346,151	365,993
Operation and maintenance of plant	3,043,668	173,316	3,216,984	3,698,880
Pupil transportation services	1,970,102	54,514	2,024,616	2,052,285
Food services	-	1,260,420	1,260,420	1,325,111
Central services	2,136,854	3,500	2,140,354	1,371,561
Insurance	295,313	-	295,313	268,842
Other support services	2,214	-	2,214	1,110
Total Support Services	13,534,962	1,697,937	15,232,899	15,035,664
Debt Service				
Principal	-	1,655,000	1,655,000	1,620,000
Interest	74,560	202,673	277,233	259,707
Total Debt Service	74,560	1,857,673	1,932,233	1,879,707
Community Service				
	-	81,369	81,369	78,430
Non-program				
General tuition payments	1,215,210	-	1,215,210	1,012,930
Private school voucher payments	122,638	-	122,638	-
Special education tuition payments	704,419	-	704,419	128,260
Revenue transits to others	-	-	-	103
Adjustments and refunds	4,155	-	4,155	4,053
Total Non-program	2,046,422	-	2,046,422	1,145,346
Total Expenditures	35,474,423	4,235,341	39,709,764	39,710,114
Excess of Revenues Over Expenditures	54,563	937,243	991,806	148,103
Other Financing Sources (Uses)				
Sale of capital assets	780	-	780	8,103
Transfers in	-	-	-	6,317
Transfers out	-	-	-	(6,317)
Total Other Financing Sources (Uses)	780	-	780	8,103
Net Change in Fund Balances	55,343	937,243	992,586	156,206
Fund Balances - July 1	5,996,921	329,670	6,326,591	6,170,385
Fund Balances - June 30	\$ 6,052,264	\$ 1,266,913	\$ 7,319,177	\$ 6,326,591

(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, 2016
(With summarized financial information for the year ended June 30, 2015)

	2016	2015
Reconciliation to the Statement of Activities		
Net Change in Fund Balances from previous page	\$ 992,586	\$ 156,206
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	\$ 224,833	
Depreciation expense reported in the statement of activities	<u>(892,349)</u>	
Amount in which depreciation is greater than capital outlays	(667,516)	(688,116)
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:	2,643	425,160
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:	1,655,000	1,620,000
Change in the OPEB and related deferred outflows of resources as a result of employer contributions and related other post-employment costs of the plan	853,716	-
Change in the net pension liability (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	(1,373,780)	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.	7,223	6,880
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)	(6,576)
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 page 5)	<u>\$ 1,483,505</u>	<u>\$ 1,600,045</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, 2016

(With summarized financial information as of June 30, 2015)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
				2016	2015
ASSETS					
Cash and cash equivalents	\$ 567,937	\$ 924,669	\$ 164,253	\$ 1,656,859	\$ 1,690,282
Accounts receivable	-	-	504	504	336
Due from District	-	379,456	-	379,456	507,060
TOTAL ASSETS	567,937	1,304,125	164,757	2,036,819	2,197,678
LIABILITIES					
Due to District	-	379,456	-	379,456	507,060
Due to student organizations	-	-	164,757	164,757	200,653
TOTAL LIABILITIES	-	379,456	164,757	544,213	707,713
NET POSITION					
Restricted for					
Scholarships	567,937	-	-	567,937	582,299
Other postemployment benefits	-	924,669	-	924,669	907,666
TOTAL NET POSITION	\$ 567,937	\$ 924,669	\$ -	\$ 1,492,606	\$ 1,489,965

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, 2016
(With summarized financial information for the year ended June 30, 2015)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Totals	
			2016	2015
ADDITIONS				
Private donations	\$ 17,250	\$ -	\$ 17,250	\$ 15,780
Investment income	1,387	17,003	18,390	26,790
Other local sources	-	1,253,841	1,253,841	1,146,675
Total Additions	18,637	1,270,844	1,289,481	1,189,245
DEDUCTIONS				
Trust fund disbursements	32,999	-	32,999	35,350
Benefit payments	-	1,253,841	1,253,841	1,112,463
Total Deductions	32,999	1,253,841	1,286,840	1,147,813
Change in Net Position	(14,362)	17,003	2,641	41,432
Net Position - July 1	582,299	907,666	1,489,965	1,448,533
Net Position - June 30	\$ 567,937	\$ 924,669	\$ 1,492,606	\$ 1,489,965

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, 2016

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.

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. The District has no proprietary funds. Major individual governmental 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.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

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 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.

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, 2016

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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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, 2016

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 three 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. The third is related to District contributions made to the other postemployment benefit trust subsequent to the measurement date. These contributions will be expensed in the subsequent fiscal year.

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 has one item that qualifies for reporting in this category. The item 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.

h. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond. Issuance costs are expensed during the current period.

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, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Merrill Area Public School District Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

j. Pensions

For purposes of measuring the net pension liability (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.

k. 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.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DISTRICT-WIDE 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.
- 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, 2015, from which the summarized information was derived.

7. Reclassifications

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

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

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

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

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

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the District's cash and investments totaled \$9,529,679 on June 30, 2016 as summarized below:

Deposits with financial institutions	\$ 8,605,010
Investments	
Fixed interest annuities	924,669
	<u>\$ 9,529,679</u>

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 7,872,820
Fiduciary funds Statement of Net Position	
Private-purpose trust fund	567,937
Employee benefit trust fund	924,669
Agency fund	164,253
Total Cash and Investments	<u>\$ 9,529,679</u>

Fair Value Measurements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2016. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

The District currently has no investments subject to fair value measurements.

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

Custodial Credit Risk

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, 2016, \$7,399,282 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. \$4,233,117 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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 \$924,669 invested in the fixed interest annuities with American United Life Insurance Company® (AUL), a OneAmerica® company. These fixed interest annuities are backed by AUL's general account assets. AUL bears the investment risk for the AUL Fixed Interest Account values and for paying interest.

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

2. Property Taxes

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

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

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,256,000	\$ -	\$ -	\$ 1,256,000
Construction work in progress	-	134,926	-	134,926
Total capital assets, not being depreciated	1,256,000	134,926	-	1,390,926
Capital assets, being depreciated:				
Land improvements	1,648,109	-	-	1,648,109
Buildings	45,601,158	-	-	45,601,158
Machinery and equipment	1,946,771	89,907	-	2,036,678
Subtotals	49,196,038	89,907	-	49,285,945
Less accumulated depreciation for:				
Land improvements	1,403,145	55,942	-	1,459,087
Buildings	23,447,981	757,127	-	24,205,108
Machinery and equipment	1,561,898	79,280	-	1,641,178
Subtotals	26,413,024	892,349	-	27,305,373
Total capital assets, being depreciated, net	22,783,014	(802,442)	-	21,980,572
Governmental activities capital assets, net	\$24,039,014	\$ (667,516)	\$ -	23,371,498
Less: related long-term debt outstanding				(2,960,000)
Less: premium on capital related debt				(15,157)
Plus: deferred charge on refunding on capital related debt				13,157
Net investment in capital assets				\$20,409,498

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

Governmental activities	
Instruction	\$ 7,506
Support services	884,843
Total depreciation expense - governmental activities	\$ 892,349

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

4. Interfund Transfers and Due To/Due From

The General Fund provided temporary cash advances to the following fund for the year ended June 30, 2016.

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 352,709	\$ -
Community Service Fund	-	194
Head Start Project	-	352,515
Totals	<u>\$ 352,709</u>	<u>\$ 352,709</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, 2016 was as follows:

	Outstanding 7/1/2015	Issued	Redeemed	Outstanding 6/30/2016
Tax Anticipation Notes	\$ 6,000,000	\$ 5,650,000	\$ 6,000,000	\$ 5,650,000

Total interest paid during the year on short-term debt totaled \$58,000.

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
2017	\$ 537,247
2018	323,558
2019	231,708
	<u>\$ 1,092,513</u>

Rent expense under all operating leases for the year ended June 30, 2016 amounted to \$537,247.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2016:

	Outstanding 7/1/2015	Issued	Retired	Outstanding 6/30/2016	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 6,725,000	\$ -	\$ 1,655,000	\$ 5,070,000	\$ 1,685,000
Premium on long-term debt	35,366	-	20,209	15,157	15,157
Compensated absences	1,007,613	352,394	355,037	1,004,970	273,100
Governmental activities					
Long-term obligations	<u>\$ 7,767,979</u>	<u>\$ 352,394</u>	<u>\$ 2,030,246</u>	<u>\$ 6,090,127</u>	<u>\$ 1,973,257</u>

Total interest paid during the year on long-term debt totaled \$202,673.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$3,765,000 issued 1/5/12; \$690,000 due in 2017; interest at 2.00%	\$ 690,000
\$2,980,000 issued 3/15/05; \$450,000 to \$995,000 due annually through 2018; interest 3.85% to 3.95%	1,445,000
\$3,390,000 issued 2/3/11; \$225,000 to \$310,000 due annually through 2024; interest 2.75% to 5.20%	2,110,000
\$2,185,000 issued 1/7/14; \$320,000 to \$505,000 due annually through 2018; interest 1.00% to 1.15%	<u>825,000</u>
Total Outstanding General Obligation Debt	<u><u>\$ 5,070,000</u></u>

Annual principal and interest maturities of the outstanding general obligation debt of \$5,070,000 on June 30, 2016 are detailed below:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
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	265,000	56,500	321,500
2022-2024	885,000	91,300	976,300
	<u>\$ 5,070,000</u>	<u>\$ 598,870</u>	<u>\$ 5,668,870</u>

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

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2016 was \$112,019,244 as follows:

Equalized valuation of the District		\$ 1,170,122,816
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		117,012,282
Total outstanding general obligation debt applicable to debt limitation	\$ 5,070,000	
Less: Amounts available in debt service funds (1)	<u>76,962</u>	
		<u>4,993,038</u>
Legal Margin for New Debt		<u>\$ 112,019,244</u>

(1) \$86,890 of the District's debt service fund balance is restricted for interest payments due in the 2016-17 fiscal year

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.

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.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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
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%
2015	2.9%	2%

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.

During the reporting period, the WRS recognized \$1,185,614 in contributions from the District.

Contribution rates as of June 30, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

At June 30, 2016, the District reported a liability of \$1,934,555 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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 liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.11905099%, which was an increase of 0.00124635% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,344,012.

At June 30, 2016, 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	\$ 323,846	\$ 4,071,239
Changes in assumptions	1,353,499	-
Net differences between projected and actual earnings on pension plan investments	7,909,500	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,453	-
Employer contributions subsequent to the measurement date	613,290	-
Total	\$ 10,242,588	\$ 4,071,239

The \$613,290 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 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
2016	\$ 2,499,762	\$ 985,247
2017	2,499,762	985,247.00
2018	2,499,762	985,247.00
2019	2,086,138	985,247.00
2020	43,874	130,251.00
Total	\$ 9,629,298	\$ 4,071,239

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability:	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
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, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>				
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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 3.57%. 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)	\$ 13,569,009	\$ 1,934,555	\$ (7,152,160)
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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://etf.wi.gov/publications/cafr.htm>.

f. Payable to the WRS

At June 30, 2016 the District reported a payable of \$362,426 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2016.

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 2015-16 General Fund Expenditures	\$ 35,334,861
Minimum Fund Balance %	(x) 10%
Minimum Fund Balance Amount	<u>\$ 3,533,486</u>

The District's committed, assigned, and unassigned general fund balance of \$5,135,848 is above the range of the above minimum fund balance amount.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE C - OTHER INFORMATION

1. Other Postemployment Benefits Other Than Pension Benefits (OPEB)

a. 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.

b. Benefits Provided

The District shall make contributions to individual HRA accounts based upon sick leave balances upon retirement and years of service. The balance is to be used for eligible expenses such as continued coverage in the District's group medical plan.

c. Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	41
Inactive employees entitled to but not yet receiving benefit payments	17
Active employees	206
	264

d. Contributions
Teachers

Receiving a prior benefit - Continued HRA contributions frozen at 87.4% of the annual medical and dental premiums at time of retirement (90% if retired prior to 2011-12 school year) annually until Medicare eligibility. Funds may be used for continued coverage in the District's group medical plan.

Eligible to Retire as of (Date)	Amount of Contribution	Length of Contribution
6/30/2017	\$ 12,500	7 years
7/1/2017 - 6/30/2020	\$ 10,000	6 years
7/1/2020 - 6/30/2023	\$ 7,000	5 years
7/1/2023 or thereafter	No early retirement / postemployment benefits	

Administrators Receiving a prior benefit - District will contribute 90% of the medical premiums and 75% of the dental premiums on behalf of the retiree until Medicare-eligibility.

Actively-Funded benefit - District shall make annual contributions up to \$2,000 to the vendor selected by the Administrator in the District's 403(b) plan.

Support Staff Unused sick leave accumulated upon retirement will be converted at the retiree's final per diem rate. Maximum number of days varies based on state date and job title. The resulting funds will be contributed to an HRA to be used for eligible expenses such as continued coverage in the District's group medical plan.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

e. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2015, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total OPEB liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.0 percent
Salary Increases:	Ranges from 0.2 percent to 5.8 percent
Investment Rate of Return:	3.75 percent
	7.50 percent decreasing by 0.50 percent per year down to 6.50 percent, then by 0.10 percent per year down to 5.0 percent, and level thereafter
Healthcare cost trend rates:	

Mortality rates are the same as those used in the December 31, 2014 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30 2015.

The long-term expected rate of return on OPEB plan investments was valued at 3.75%. The 20 year tax-exempt AA Municipal bond rate as of the measurement date was used for all years of benefit payments.

Discount rate. The discount rate used to measure the total OPEB liability was 3.75 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

f. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 6/30/14	\$ 7,792,012	\$ 852,859	\$ 6,939,153
Changes for the year:			
Service cost	158,655	-	158,655
Interest	274,317	-	274,317
Contributions - employer	-	1,146,675	(1,146,675)
Net investment income	-	20,595	(20,595)
Benefit payments	(1,112,463)	(1,112,463)	-
Net changes	(679,491)	54,807	(734,298)
Balance at 6/30/15	\$ 7,112,521	\$ 907,666	\$ 6,204,855

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease to Discount Rate (2.75%)	Current Discount Rate (3.75%)	1% Increase to Discount Rate (4.75%)
Net OPEB liability	\$ 6,453,072	\$ 6,204,855	\$ 5,961,137

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 6,042,379	\$ 6,204,855	\$ 6,378,138

OPEB plan fiduciary net position. Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements.

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

- g. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2016, the District recognized OPEB expense of \$412,377. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,241,142	\$ -

\$1,241,142 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2017.

- h. Payable to the OPEB Plan

At June 30, 2016, the District reported a payable of \$379,456 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2016.

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.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

5. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These statements revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended June 30, 2015 have not been restated.

The cumulative effect of this change was to increase the June 30, 2015 net position by \$462,311 as follows:

Other post-employment liability		
Balance previously reported	\$ 6,279,740	
Actuarially determined balance	<u>6,939,153</u>	
Change in other post-employment liability		\$ (659,413)
Deferred outflows of resources		
Employer contributions subsequent to the measurement date		<u>1,121,724</u>
		<u><u>\$ 462,311</u></u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 9,255,718	\$ 9,196,128	\$ 9,196,128	\$ -
Other local sources	126,011	160,434	170,666	10,232
Interdistrict sources	3,910,052	3,770,499	3,777,735	7,236
Intermediate sources	49,220	49,470	20,762	(28,708)
State sources	18,706,383	19,090,623	19,145,924	55,301
Federal sources	736,701	712,663	646,261	(66,402)
Other sources	221,421	472,286	462,838	(9,448)
Total Revenues	33,005,506	33,452,103	33,420,314	(31,789)
Expenditures				
Instruction				
Regular instruction	14,274,314	13,541,464	13,278,735	262,729
Vocational instruction	878,646	785,331	797,342	(12,011)
Other instruction	1,770,367	1,721,283	1,746,682	(25,399)
Total Instruction	16,923,327	16,048,078	15,822,759	225,319
Support Services				
Pupil services	994,945	991,321	979,696	11,625
Instructional staff services	879,669	1,026,768	1,032,716	(5,948)
General administration services	1,041,094	1,024,250	1,191,711	(167,461)
School administration services	1,906,909	1,849,031	1,876,941	(27,910)
Business services	335,288	338,220	346,151	(7,931)
Operation and maintenance of plant	2,963,799	2,889,976	3,043,668	(153,692)
Pupil transportation services	1,997,453	1,879,484	1,869,236	10,248
Central services	1,049,774	2,101,102	2,113,751	(12,649)
Insurance	284,224	283,607	295,313	(11,706)
Other support services	-	-	2,214	(2,214)
Total Support Services	11,453,155	12,383,759	12,751,397	(367,638)
Debt Service				
Principal	405,179	-	-	-
Interest	47,282	37,000	74,560	(37,560)
Total Debt Service	452,461	37,000	74,560	(37,560)
Non-program				
General tuition payments	893,974	1,235,534	1,215,210	20,324
Private School Voucher Payments	-	122,638	122,638	-
Adjustments and refunds	-	1,977	4,155	(2,178)
Total Non-program	893,974	1,360,149	1,342,003	18,146
Total Expenditures	29,722,917	29,828,986	29,990,719	(161,733)
Excess of Revenues Over Expenditures	3,282,589	3,623,117	3,429,595	(193,522)
Other Financing Sources (Uses)				
Sale of capital assets	-	-	780	780
Transfers out	(3,274,382)	(3,347,816)	(3,375,032)	(27,216)
Total Other Financing Sources (Uses)	(3,274,382)	(3,347,816)	(3,374,252)	(26,436)
Net Change in Fund Balance	8,207	275,301	55,343	(219,958)
Fund Balance - July 1	5,996,921	5,996,921	5,996,921	-
Fund Balance - June 30	\$ 6,005,128	\$ 6,272,222	\$ 6,052,264	\$ (219,958)

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 5,000	\$ 21,162	\$ 20,486	\$ (676)
Intermediate sources	210,000	228,367	170,410	(57,957)
State sources	1,117,485	1,136,530	1,136,530	-
Federal sources	686,415	772,000	781,246	9,246
Total Revenues	2,018,900	2,158,059	2,108,672	(49,387)
Expenditures				
Instruction				
Vocational instruction	31,058	29,443	29,674	(231)
Special education instruction	4,081,411	4,027,182	3,956,438	70,744
Other instruction	10,044	9,206	9,608	(402)
Total Instruction	4,122,513	4,065,831	3,995,720	70,111
Support Services				
Pupil services	818,485	435,287	414,583	20,704
Instructional staff services	259,962	249,649	245,013	4,636
Operation and maintenance of plant	3,328	-	-	-
Pupil transportation services	55,600	77,425	100,866	(23,441)
Central services	3,394	23,681	23,103	578
Total Support Services	1,140,769	786,042	783,565	2,477
Non-program				
Special education tuition payments	30,000	654,002	704,419	(50,417)
Total Expenditures	5,293,282	5,505,875	5,483,704	22,171
Excess of Revenues Under Expenditures	(3,274,382)	(3,347,816)	(3,375,032)	(27,216)
Other Financing Sources				
Transfers in	3,274,382	3,347,816	3,375,032	27,216
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 Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

	2016
Total OPEB Liability	
Service cost	\$ 158,655
Interest	274,317
Benefit payments	(1,112,463)
Net change in total OPEB liability	(679,491)
Total OPEB liability - beginning	7,792,012
Total OPEB liability - ending (a)	\$ 7,112,521
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,146,675
Net investment income	20,595
Benefit payments	(1,112,463)
Net change in plan fiduciary net position	54,807
Plan fiduciary net position - beginning	852,859
Plan fiduciary net position - ending (b)	\$ 907,666
District's net OPEB liability - ending (a) - (b)	\$ 6,204,855
Plan fiduciary net position as a percentage of the total OPEB liability	12.76%
Covered-employee payroll	\$ 7,987,968
District's net OPEB liability as a percentage of covered-employee payroll	77.68%

* The amounts presented for each fiscal year were determined as of the prior fiscal year end. Amounts for prior years was not available.

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 Postemployment Benefits
Last 10 Fiscal Years

	2016
Actuarially determined contribution (ADC)	\$ 1,105,206
Contributions in relation to the ADC	1,146,675
Contribution deficiency (excess)	\$ (41,469)
 Covered-employee payroll	\$ 7,987,968
 Contributions as a percentage of covered-employee payroll	14.36%

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Unit Credit
Asset valuation method	Market Value
Amortization method	10 year Level Dollar
Discount rate	5.00%
Inflation	3.00%

* The amounts presented for each fiscal year were determined as of the prior fiscal year end.
Amounts for prior years were not available.

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 Liability (Asset)
Wisconsin Retirement System
Last 10 Fiscal Years*

	2015	2016
Proportion of the net pension liability (asset)	0.11780464%	0.11905099%
Proportionate share of the net pension liability (asset)	\$ (2,893,604)	\$ 1,934,555
Covered-employee payroll	\$ 16,428,345	\$ 17,435,499
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. 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	2016
Contractually required contributions	\$ 1,149,985	\$ 1,185,614
Contributions in relation to the contractually required contributions	\$ 1,149,985	\$ 1,185,614
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 16,428,645	\$ 17,435,499
Contributions as a percentage of covered-employee payroll	7.00%	6.80%

* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. 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, 2016

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 75

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2016. Information for prior years is not available.

NOTE B - 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, 2016.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

NOTE C - 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)	\$ 33,420,314	\$ 2,108,672
Reclassification of special education	2,108,672	(2,108,672)
Total Revenues	35,528,986	-
Expenditures		
Actual amounts (budgetary basis)	29,990,719	5,483,704
Reclassification of special education	5,483,704	(5,483,704)
Total Expenditures	35,474,423	-
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	3,429,595	(3,375,032)
Reclassification of special education	(3,375,032)	3,375,032
Excess of Revenues Over (Under) Expenditures	54,563	-
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(3,374,252)	3,375,032
Reclassification of special education	3,375,032	(3,375,032)
Total Other Financing Sources (Uses)	780	-
Net Change in Fund Balance		
Actual amounts (budgetary basis)	55,343	-
Fund Balance - July 1		
Actual amounts (budgetary basis)	5,996,921	-
Fund Balance - June 30		
Actual amounts (budgetary basis)	\$ 6,052,264	\$ -

NOTE D - 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, 2016

	Special Revenue Funds					
	TEACH	Special Revenue Trust	Head Start Project	Community Service	Food Service	Package & Co-op Program
ASSETS						
Cash and investments	\$ 308	\$ 1,003,606	\$ -	\$ -	\$ 5,408	\$ 2,132
Receivables						
Accounts	-	-	-	846	22,302	-
Due from other governments	-	-	353,681	-	104,241	-
TOTAL ASSETS	\$ 308	\$ 1,003,606	\$ 353,681	\$ 846	\$ 131,951	\$ 2,132
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 472	\$ -	\$ 30,676	\$ 1,748
Accrued payroll liabilities	-	-	694	652	847	384
Due to other funds	-	-	352,515	194	-	-
Unearned revenues	-	-	-	-	506	-
Deposits and other fund liabilities	-	-	-	-	775	-
Total Liabilities	-	-	353,681	846	32,804	2,132
Fund Balances						
Restricted						
Debt service	-	-	-	-	-	-
TEACH program	308	-	-	-	-	-
Community service programs	-	-	-	-	-	-
Food service programs	-	-	-	-	99,147	-
Assigned						
Equipment and other	-	1,003,606	-	-	-	-
Total Fund Balances	308	1,003,606	-	-	99,147	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 308	\$ 1,003,606	\$ 353,681	\$ 846	\$ 131,951	\$ 2,132

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

\$ 66,792 \$ 97,485 \$ 1,175,731

- - 23,148

- - 457,922

\$ 66,792 \$ 97,485 \$ 1,656,801

\$ - \$ 425 \$ 33,321

- - 2,577

- - 352,709

- - 506

- - 775

- 425 389,888

66,792 97,060 163,852

- - 308

- - -

- - 99,147

- - 1,003,606

66,792 97,060 1,266,913

\$ 66,792 \$ 97,485 \$ 1,656,801

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, 2016

	Special Revenue Funds					
	TEACH	Special Revenue Trust	Head Start Project	Community Service	Food Service	Package & Co-op Program
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ 76,000	\$ 549,117	\$ -
Other local sources	-	1,168,292	-	15,537	-	-
Interdistrict sources	-	-	-	-	-	61,953
State sources	-	-	-	-	20,494	-
Federal sources	-	-	687,781	-	749,926	-
Total Revenues	-	1,168,292	687,781	91,537	1,319,537	61,953
Expenditures						
Instruction						
Regular instruction	-	22,508	469,340	-	-	-
Vocational instruction	-	31,570	-	-	-	-
Other Instruction	-	7,000	13,524	54,420	-	-
Total Instruction	-	61,078	482,864	54,420	-	-
Support Services						
Pupil services	-	495	18,340	-	-	-
Instructional staff services	-	-	15,670	-	-	61,232
General administration services	-	-	107,856	-	-	634
School administration services	-	1,960	-	-	-	-
Operation and maintenance of plant	-	150,695	22,621	-	-	-
Pupil transportation services	-	9,646	37,281	7,587	-	-
Food services	-	-	-	-	1,260,420	-
Central services	-	-	3,149	-	264	87
Total Support Services	-	162,796	204,917	7,587	1,260,684	61,953
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Debt Service	-	-	-	-	-	-
Community Service	-	-	-	81,369	-	-
Total Expenditures	-	223,874	687,781	143,376	1,260,684	61,953
Net Change in Fund Balances	-	944,418	-	(51,839)	58,853	-
Fund Balances - July 1	308	59,188	-	51,839	40,294	-
Fund Balances - June 30	\$ 308	\$ 1,003,606	\$ -	\$ -	\$ 99,147	\$ -

Debt Service Funds		Total Nonmajor Governmental Funds
Non- Referendum Debt Service	Referendum Debt Service	
\$ 317,920	\$ 1,525,306	\$ 2,468,343
81	177	1,184,087
-	-	61,953
-	-	20,494
-	-	1,437,707
<u>318,001</u>	<u>1,525,483</u>	<u>5,172,584</u>
-	-	491,848
-	-	31,570
-	-	74,944
-	-	<u>598,362</u>
-	-	18,835
-	-	76,902
-	-	108,490
-	-	1,960
-	-	173,316
-	-	54,514
-	-	1,260,420
-	-	3,500
-	-	<u>1,697,937</u>
220,000	1,435,000	1,655,000
101,495	101,178	202,673
<u>321,495</u>	<u>1,536,178</u>	<u>1,857,673</u>
-	-	81,369
<u>321,495</u>	<u>1,536,178</u>	<u>4,235,341</u>
(3,494)	(10,695)	937,243
<u>70,286</u>	<u>107,755</u>	<u>329,670</u>
<u>\$ 66,792</u>	<u>\$ 97,060</u>	<u>\$ 1,266,913</u>

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Pupil Activity Fund
Schedule of Changes in Assets and Liabilities
For the Year Ended June 30, 2016

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
ASSETS				
Cash and cash equivalents	\$ 200,317	\$ 434,102	\$ 470,166	\$ 164,253
Accounts receivable	336	168	-	504
TOTAL ASSETS	\$ 200,653	\$ 434,270	\$ 470,166	\$ 164,757
LIABILITIES				
Due to student organizations				
Middle schools	\$ 53,049	\$ 88,040	\$ 93,300	\$ 47,789
Senior high school	147,604	346,230	376,866	116,968
TOTAL LIABILITIES	\$ 200,653	\$ 434,270	\$ 470,166	\$ 164,757

**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, 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, 2016, and the related notes to the financial statements, which collectively comprise the Merrill Area Public School District's basic financial statements, and have issued our report thereon, which included an emphasis of matter paragraph as indicated on page 2 dated January 18, 2017.

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
January 18, 2017

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 THE UNIFORM GUIDANCE 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) 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, 2016. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, the Uniform Guidance 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003 to be significant deficiencies.

The Merrill Area Public School District's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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



Certified Public Accountants
Green Bay, Wisconsin
January 18, 2017

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Grantor Agency/Cluster or Grant Title/Grant Period	Pass-through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction	10.553	A546-00000-353500
National School Lunch Program July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction	10.555	A547-00000-353500
Commodities Total National School Lunch Program	Wisconsin Department of Public Instruction		
Summer Food Service Program July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction	10.559	A586-00000-353500
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
<i>Total Child Nutrition Cluster</i>			
Child and Adult Care Food Program July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction	10.558	A551-00000-353500
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Total U.S. Department of Agriculture			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Title I Grants to Local Educational Agencies July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction	84.010	A141-00000-353500
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Total Title I Grants to Local Educational Agencies			
Career and Technical Education - Basic Grants to States July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction	84.048	A400-00000-353500
July 1, 2015 - June 30, 2016			
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction	84.027	A341-00000-353500
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Special Education - Preschool Grants July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction	84.173	A347-00000-353500
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
<i>Total Special Education Cluster (IDEA)</i>			

(Continued)

Revenues				Total Expenditures
(Accrued) or Deferred Revenue 7/1/15	Cash Received	Accrued or (Deferred) Revenue 6/30/16	Total Revenues	
\$ -	\$ 76,170	\$ 13,597	\$ 89,767	\$ 89,767
-	461,223	79,104	540,327	540,327
(7,091)	102,852	-	95,761	95,761
(7,091)	564,075	79,104	636,088	636,088
(9,257)	9,257	-	-	-
-	-	9,260	9,260	9,260
(16,348)	649,502	101,961	735,115	735,115
(216)	216	-	-	-
-	12,531	2,279	14,810	14,810
(16,564)	662,249	104,240	749,925	749,925
(505,276)	505,276	-	-	-
-	200,234	218,473	418,707	418,707
(505,276)	705,510	218,473	418,707	418,707
(25,767)	25,767	-	-	-
-	-	25,476	25,476	25,476
(550,790)	550,790	-	-	-
-	597,615	162,661	760,276	760,276
(21,180)	21,180	-	-	-
-	-	20,970	20,970	20,970
(571,970)	1,169,585	183,631	781,246	781,246

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Grantor Agency/Cluster or Grant Title/Grant Period	Pass-through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>			
Twenty-First Century Community Learning Centers July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.287	A367-00000-353500
Improving Teacher Quality State Grants July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.367	A365-00000-353500
Total U.S. Department of Education			
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Direct Program Direct Program	93.600	n/a
<i>Medicaid Cluster</i> Medical Assistance - School Based Services Benefit July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Cooperative Educational Services Agency (CESA) # 9 Cooperative Educational Services Agency (CESA) # 9	93.778	Unknown
Total U.S. Department of Health and Human Services			
TOTAL FEDERAL AWARDS			
Reconciliation to Basic Financial Statements			
Governmental Funds			
Federal sources			
Federal awards reported with intermediate sources			
Federal awards reported as prior year revenue			
Total Federal 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 7/1/15	Cash Received	Accrued or (Deferred) Revenue 6/30/16	Total Revenues	
(218,900)	219,900	-	1,000	1,000
-	-	146,366	146,366	146,366
(61,451)	61,451	-	-	-
-	21,311	34,402	55,713	55,713
<u>(1,383,364)</u>	<u>2,203,524</u>	<u>608,348</u>	<u>1,428,508</u>	<u>1,428,508</u>
(177,272)	177,272	-	-	-
-	334,100	353,681	687,781	687,781
(240,742)	240,742	-	-	-
-	4,205	137,838	142,043	142,043
<u>(418,014)</u>	<u>756,319</u>	<u>491,519</u>	<u>829,824</u>	<u>829,824</u>
<u>\$ (1,817,942)</u>	<u>\$ 3,622,092</u>	<u>\$ 1,204,107</u>	<u>\$ 3,008,257</u>	<u>\$ 3,008,257</u>

\$ 2,865,214
 142,043

 1,000

\$ 3,008,257

MERRILL AREA PUBLIC SCHOOL DISTRICT

Merrill, Wisconsin

Schedule of State Financial Assistance

For the Year Ended June 30, 2016

Grantor Agency/Cluster or Grant Title/ Grant Period	Pass-through Agency	State ID Number	State Identifying Number
<u>WI DEPARTMENT OF PUBLIC INSTRUCTION</u>			
Special Education and School Age Parents	Direct Program	255.101	353500-100
Special Education and School Age Parents	CESA #9	255.101	Unknown
School Lunch	Direct Program	255.102	353500-102
Common School Fund Library Aid	Direct Program	255.103	353500-104
General Transportation Aid for Public and Private Pupils	Direct Program	255.107	353500-102
Equalization Aids	Direct Program	255.201	353500-116
July 1, 2014 - June 30, 2015	Direct Program		
July 1, 2015 - June 30, 2016	Direct Program		
Head Start	Direct Program	255.327	353500-145
School Breakfast Program	Direct Program	255.344	353500-108
Student Achievement Guarantee in Education (SAGE)	Direct Program	255.504	353500-160
Educator Effective Evaluation System	Direct Program	255.940	353500-154
Per Pupil Aid	Direct Program	255.945	353500-113
High Cost Transportation Aid	Direct Program	255.947	353500-114
Career and Technical Education Incentive Grants	Direct Program	255.950	353500-151
Total Wisconsin Department of Public Instruction			
<u>WI DEPARTMENT OF WORKFORCE DEVELOPMENT</u>			
Youth Apprenticeship Grant	Northcentral Technical College	455.112	1U

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 are an integral part of this schedule.

Revenues				Total Expenditures
(Accrued) or Deferred Revenue 7/1/15	Cash Received	Accrued or (Deferred) Revenue 6/30/16	Total Revenues	
\$ -	\$ 1,136,530	\$ -	\$ 1,136,530	\$ 1,136,530
-	28,367	-	28,367	28,367
-	15,213	-	15,213	15,213
-	117,205	-	117,205	117,205
-	183,381	-	183,381	183,381
(299,386)	299,386	-	-	-
-	17,007,471	303,842	17,311,313	17,311,313
(28,875)	28,875	28,875	28,875	28,875
-	5,281	-	5,281	5,281
-	786,147	-	786,147	786,147
(18,720)	18,720	18,720	18,720	18,720
-	-	417,450	417,450	417,450
-	106,435	-	106,435	106,435
-	41,179	-	41,179	41,179
(346,981)	19,774,190	768,887	20,196,096	20,196,096
-	20,512	-	20,512	20,512
<u>\$ (346,981)</u>	<u>\$ 19,794,702</u>	<u>\$ 768,887</u>	<u>\$ 20,216,608</u>	<u>\$ 20,216,608</u>

\$ 20,302,948
48,879

(38,724)

(96,495)

\$ 20,216,608

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, 2016

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. 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 2015-2016 eligible costs under the State Special Education Program as reported by the District are \$4,259,457.

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.

NOTE D - INDIRECT COSTS

The District has not elected to charge a de minimis indirect cost rate of 10% of modified total direct costs.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs/Cluster
93.600	Head Start

State I.D. Number	Name of State Programs
255.107	Pupil Transportation Aid
255.201	Equalization Aids

Audit threshold used to determine between Type A and Type B programs:	
Federal	\$750,000
State	\$250,000
Auditee qualified as low-risk auditee?	Yes

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

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.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

Section III - Federal and State Financial Assistance Findings and Questioned Costs

Finding No.	Uniform Guidance and State Single Audit Findings
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2016-001 Uniform Grant Guidance Implementation

Federal CFDA – All

Condition: The District has various policies and procedures in place to safeguard its assets and establish related controls over receipts, disbursements, payroll transactions and general ledger maintenance. Federal awards received and disbursed by the District are managed through these District-wide policies and procedures; however, the policies and procedures have not been evaluated to ensure compliance with the requirements of Uniform Guidance.

Criteria: Uniform Guidance requires the District to maintain certain polices related to cash management, cost allowability, procurement, and conflict of interest provisions, along with appropriate financial management systems and internal controls over federal awards to safeguard federal funds.

Cause: The District has not finalized an assessment of its financial management system and related internal controls over federal awards, along with an evaluation of existing policies for compliance with Uniform Guidance by year end.

Effect: The District could become noncompliant with requirements of Uniform Guidance, resulting in future findings and questioned costs related to federal awards administered by the District. The District's 2016 audit in accordance with the requirements of Uniform Guidance did not identify any instances of noncompliance with respect to direct and material compliance requirements of its major federal award program.

Recommendation: We recommend the District finalize the assessment of its financial management system and related internal controls over federal awards during the 2016-17 fiscal year. This assessment should include evaluate existing policies and procedures to determine where additional enhancements should be made or new policies created, a plan to communicate these policies to District employees, and procedures to periodically review and update, as considered necessary.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

Finding No.	Uniform Guidance and State Single Audit Findings
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2016-002 Transportation Aid Reporting

State ID #: 255.107 Pupil Transportation Aid

Compliance
Requirements: Reporting

Condition: The District files claims to receive transportation aid. The number of students and the mileage category they are claimed in directly affects the amount of aid received by the District. Of the 30 students tested, five students were reported in the wrong mileage category.

Criteria: The Wisconsin Department of Public Instruction Audit Manual states that for purposes of reporting mileage, "One-Way mileage is required to be reported for pupils included in the regular or summer school transportation tables using the most direct usually traveled route."

Cause: The District relies on staff at each school to assess the student's mileage for accuracy and reasonableness. However the testing that was done was not thorough enough to uncover all errors in the mileage categories.

Effect: The District could over or under report mileage on the district claim.

Questioned
Costs: Not determined.

Recommendation: We recommend the District review their procedures over obtaining and testing the One-Way mileage for students transported. Someone other than the preparer should review the claim and supporting documentation for accuracy prior to submitting the claim to DPI.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

Section III - Federal and State Financial Assistance Findings and Questioned Costs (Continued)

Finding No.	Control Deficiency
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2016-003 Special Education Aid Allowable Costs

State ID #: 255.101

Condition: In 2015-16, the district had six educators appear on the "Educators Without Valid Licenses" list.

Criteria: The *State Single Audit Guidelines* requires educators and contractors must be appropriately licensed for a special education work assignment in order for their salary and benefits to be eligible for aid. In addition *State Single Audit Guidelines* require a finding for any District that has educators that appear on the "Educators Without Valid Licenses" list.

Cause: The District did not review throughout the year the teaching position of the educators to ensure they had an appropriate valid license for the position they were teaching.

Effect: The District may receive special education reimbursement for employees not appropriately licensed or in positions not directly related to the special education program.

Questioned Costs: Questioned costs of \$325,506 were reported to the Wisconsin Department of Public Instruction. The District adjusted \$180,116 from an 011 aidable coding when filing its annual special education report.

Recommendation: We recommend the District's human resources department develop procedures to ensure only employees with valid licenses and approval of the special education department are coded to special education positions. We also recommend the District consider creating an additional procedure to have a District employee familiar with the program, such as the special education director, review annually all employees coded to special education positions to evaluate their proper assignment.

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

Section IV - Other Issues

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

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

Wisconsin Department of Public Instruction Yes
Wisconsin Department of Workforce Development Yes

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

Name and signature of Shareholder



David L. Maccoux, CPA

Date of report

January 18, 2017

MERRILL AREA PUBLIC SCHOOL DISTRICT
Merrill, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2016

Status of Prior Year Audit Finding

The findings noted in the 2015 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
2015-001	<p>Preparation of Annual Financial Report</p> <p>The District is financially unable to either train or hire additional staff to completely prepare the report. The District's Director of Finance will undertake a final review of the financial statements prior to finalization by our auditors. If necessary additional assistance will be procured by the use of a third party certified public accountant to provide additional review and technical assistance to the Director of Finance.</p>
2016-001	<p>Uniform Grant Guidance Implementation</p> <p>The District will implement the recommendations of our audit firm and finalize an assessment of our financial management system and related internal controls over federal awards. To date, policies and procedures have been revised and/or adopted to conform to the requirements of the Uniform Guidance. The District has contracted with Neola, a policy services consulting firm which will assist the District in monitoring and revising these policies as necessary.</p>
2016-002	<p>Transportation Aid Reporting</p> <p>The District has reviewed its procedures for obtaining and testing the one-way mileage for students transported and will be implementing the recommendation to have another staff member review the claim and supporting documentation prior to submission of the report.</p>
2016-003	<p>Special Education Aid Allowable Costs</p> <p>The District will develop procedures for reviewing the licenses and assignments of special education staff by both the Human Resources Department and the Special Education Director. The Finance Director will work with both departments to ensure special education staff are correctly coded.</p>