

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Merrill Area Public School District  
Merrill, Wisconsin

### Report on the Audit of the Financial Statements

#### ***Opinions***

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, Merrill, Wisconsin (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules relating to pensions and other postemployment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### ***Supplementary 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 combining nonmajor governmental fund financial statements, the schedule of charter school authorizer services and costs, and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor governmental fund financial statements, the schedule of charter school authorizer services and costs and the schedules of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Wausau, Wisconsin  
December 7, 2023

## **BASIC FINANCIAL STATEMENTS**

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>                            |                            |
| Cash and Investments                     | \$ 13,662,266              |
| Receivables:                             |                            |
| Taxes                                    | 1,676,837                  |
| Accounts                                 | 54,492                     |
| Due from Other Governments               | 2,633,417                  |
| Inventories and Prepaid Items            | 805                        |
| Capital Assets:                          |                            |
| Not Being Depreciated                    | 1,256,000                  |
| Being Depreciated and Amortized, Net     | 20,935,670                 |
| Total Assets                             | 40,219,487                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>    |                            |
| Pension Related Amounts                  | 22,159,145                 |
| Other Postemployment Related Amounts     | 1,516,422                  |
| Total Deferred Outflows of Resources     | 23,675,567                 |
| <b>LIABILITIES</b>                       |                            |
| Short-Term Notes Payable                 | 5,100,000                  |
| Accounts Payable                         | 145,543                    |
| Accrued and Other Current Liabilities    | 343,302                    |
| Accrued Interest Payable                 | 19,967                     |
| Deposits Payable                         | 33,348                     |
| Long-Term Obligations:                   |                            |
| Due in One Year                          | 99,397                     |
| Due in More Than One Year                | 835,771                    |
| Other Postemployment Benefits Liability: |                            |
| Due in One Year                          | 783,951                    |
| Due in More Than One Year                | 1,622,234                  |
| Net Pension Liability                    | 6,113,040                  |
| Total Liabilities                        | 15,096,553                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>     |                            |
| Pension Related Amounts                  | 12,793,798                 |
| Other Postemployment Related Amounts     | 338,478                    |
| Total Deferred Inflows of Resources      | 13,132,276                 |
| <b>NET POSITION</b>                      |                            |
| Net Investment in Capital Assets         | 22,017,703                 |
| Restricted:                              |                            |
| Capital Projects                         | 1,628,747                  |
| Scholarships and Donations               | 1,586,085                  |
| Food Service                             | 485,309                    |
| Debt Service                             | 59,524                     |
| Unrestricted                             | 9,888,857                  |
| Total Net Position                       | \$ 35,666,225              |

See accompanying Notes to Basic Financial Statements.



**MERRILL AREA PUBLIC SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

| Functions/Programs  | Expenses             | Program Revenues     |                                    |                                  | Net (Expense)                       |
|---|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
|   |                      |                      |                                    |                                  | Governmental Activities             |
| <b>GOVERNMENTAL ACTIVITIES</b>                              |                      |                      |                                    |                                  |                                     |
| Instruction   | \$ 23,334,625        | \$ 429,051           | \$ 10,193,019                      | \$ -                             | \$ (12,712,555)                     |
| Support Services  | 20,247,860           | 501,294              | 3,378,599                          | 40,500                           | (16,327,467)                        |
| Community Services  | 246,987              | 22,794               | -                                  | -                                | (224,193)                           |
| Nonprogram  | 2,550,754            | 262,927              | 52,039                             | -                                | (2,235,788)                         |
| Interest and Fiscal Charges                                 | 71,928               | -                    | -                                  | -                                | (71,928)                            |
| Total Governmental Activities                               | <u>\$ 46,452,154</u> | <u>\$ 1,216,066</u>  | <u>\$ 13,623,657</u>               | <u>\$ 40,500</u>                 | (31,571,931)                        |
| <b>GENERAL REVENUES</b>                                     |                      |                      |                                    |                                  |                                     |
| Property Taxes  |                      |                      |                                    |                                  | 7,715,777                           |
| Other Taxes   |                      |                      |                                    |                                  | 16,305                              |
| State and Federal Aids not Restricted to Specific Functions |                      |                      |                                    |                                  | 21,177,188                          |
| Interest and Investment Earnings                            |                      |                      |                                    |                                  | 262,265                             |
| Miscellaneous   |                      |                      |                                    |                                  | 154,774                             |
| Total General Revenues                                      |                      |                      |                                    |                                  | <u>29,326,309</u>                   |
| <b>CHANGE IN NET POSITION</b>                               |                      |                      |                                    |                                  |                                     |
|   |                      |                      |                                    |                                  | (2,245,622)                         |
| Net Position - Beginning of Year                            |                      |                      |                                    |                                  | <u>37,911,847</u>                   |
| <b>NET POSITION - END OF YEAR</b>                           |                      |                      |                                    |                                  |                                     |
|   |                      |                      |                                    |                                  | <u>\$ 35,666,225</u>                |

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
BALANCE SHEET — GOVERNMENTAL FUNDS  
JUNE 30, 2023**

| <b>ASSETS</b>                            | General              | Head Start<br>Project | Other<br>Governmental<br>Funds | Total                |
|--|----------------------|-----------------------|--------------------------------|----------------------|
| Cash and Investments                     | \$ 10,432,449        | \$ -                  | \$ 3,229,817                   | \$ 13,662,266        |
| Receivables:                             |                      |                       |                                |                      |
| Taxes                                    | 1,676,837            | -                     | -                              | 1,676,837            |
| Accounts                                 | 35,344               | -                     | 19,148                         | 54,492               |
| Due from Other Funds                     | 1,006,806            | -                     | 500,000                        | 1,506,806            |
| Due from Other Governments               | 1,636,341            | 986,368               | 10,708                         | 2,633,417            |
| Prepaid Items                            | 725                  | 80                    | -                              | 805                  |
|  | <u>14,788,502</u>    | <u>986,448</u>        | <u>3,759,673</u>               | <u>19,534,623</u>    |
| Total Assets                             | <u>\$ 14,788,502</u> | <u>\$ 986,448</u>     | <u>\$ 3,759,673</u>            | <u>\$ 19,534,623</u> |
| <br><b>LIABILITIES AND FUND BALANCES</b> |                      |                       |                                |                      |
| <b>LIABILITIES</b>                       |                      |                       |                                |                      |
| Short-Term Notes Payable                 | \$ 5,100,000         | \$ -                  | \$ -                           | \$ 5,100,000         |
| Accounts Payable                         | 144,980              | 563                   | -                              | 145,543              |
| Accrued and Other Current Liabilities    | 332,925              | -                     | 10,377                         | 343,302              |
| Accrued Interest Payable                 | 19,967               | -                     | -                              | 19,967               |
| Due to Other Funds                       | 500,000              | 985,885               | 20,921                         | 1,506,806            |
| Deposits Payable                         | 33,340               | -                     | 8                              | 33,348               |
| Total Liabilities                        | <u>6,131,212</u>     | <u>986,448</u>        | <u>31,306</u>                  | <u>7,148,966</u>     |
| <br><b>FUND BALANCES</b>                 |                      |                       |                                |                      |
| Nonspendable                             | 725                  | 80                    | -                              | 805                  |
| Restricted                               | -                    | -                     | 3,759,665                      | 3,759,665            |
| Unassigned                               | 8,656,565            | (80)                  | (31,298)                       | 8,625,187            |
| Total Fund Balances                      | <u>8,657,290</u>     | <u>-</u>              | <u>3,728,367</u>               | <u>12,385,657</u>    |
|  | <u>\$ 14,788,502</u> | <u>\$ 986,448</u>     | <u>\$ 3,759,673</u>            | <u>\$ 19,534,623</u> |
| Total Liabilities and Fund Balances      | <u>\$ 14,788,502</u> | <u>\$ 986,448</u>     | <u>\$ 3,759,673</u>            | <u>\$ 19,534,623</u> |

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

|   |                      |
|---|----------------------|
| Total Fund Balances as Shown on Previous Page   | \$ 12,385,657        |
| Amounts reported for governmental activities in the Statement of Net Position are different because:                            |                      |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. | 22,191,670           |
| Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.     |                      |
| Deferred Outflows Related to Pensions   | 22,159,145           |
| Deferred Inflows Related to Pensions  | (12,793,798)         |
| Deferred Outflows Related to Other Postemployment Benefits  | 1,516,422            |
| Deferred Inflows Related to Other Postemployment Benefits   | (338,478)            |
| Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:              |                      |
| Lease Liability   | (173,967)            |
| Compensated Absences  | (761,201)            |
| Other Postemployment Benefits Liability   | (2,406,185)          |
| Net Pension Liability   | <u>(6,113,040)</u>   |
| Net Position of Governmental Activities as Reported on the Statement of Net Position  | <u>\$ 35,666,225</u> |

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

|                                     | General           | Head Start<br>Project | Other<br>Governmental<br>Funds | Total             |
|-------------------------------------|-------------------|-----------------------|--------------------------------|-------------------|
| <b>REVENUES</b>                     |                   |                       |                                |                   |
| Property Taxes                      | \$ 7,490,777      | \$ -                  | \$ 225,000                     | \$ 7,715,777      |
| Other Local Sources                 | 504,650           | -                     | 1,070,260                      | 1,574,910         |
| Interdistrict Sources               | 6,246,664         | -                     | -                              | 6,246,664         |
| Intermediate Sources                | 494,926           | -                     | -                              | 494,926           |
| State Sources                       | 23,243,764        | 27,832                | 14,492                         | 23,286,088        |
| Federal Sources                     | 3,059,788         | 958,536               | 787,405                        | 4,805,729         |
| Other Sources                       | 73,884            | -                     | 425                            | 74,309            |
| Total Revenues                      | <u>41,114,453</u> | <u>986,368</u>        | <u>2,097,582</u>               | <u>44,198,403</u> |
| <b>EXPENDITURES</b>                 |                   |                       |                                |                   |
| Instruction:                        |                   |                       |                                |                   |
| Regular Instruction                 | 12,854,608        | 540,081               | 42,229                         | 13,436,918        |
| Vocational Instruction              | 1,010,461         | -                     | 48,921                         | 1,059,382         |
| Special Education Instruction       | 5,150,018         | -                     | -                              | 5,150,018         |
| Other Instruction                   | 2,139,597         | 577                   | 261,965                        | 2,402,139         |
| Total Instruction                   | <u>21,154,684</u> | <u>540,658</u>        | <u>353,115</u>                 | <u>22,048,457</u> |
| Support Services:                   |                   |                       |                                |                   |
| Pupil Services                      | 2,056,369         | 154,170               | 11,333                         | 2,221,872         |
| Instructional Staff Services        | 3,064,434         | 14,246                | -                              | 3,078,680         |
| General Administration Services     | 507,367           | 693                   | -                              | 508,060           |
| School Administration Services      | 2,089,314         | 55,299                | 7,055                          | 2,151,668         |
| Business Services                   | 562,596           | -                     | -                              | 562,596           |
| Operations and Maintenance of Plant | 3,404,836         | 178,682               | 863,796                        | 4,447,314         |
| Pupil Transportation Services       | 2,472,076         | 36,262                | 17,159                         | 2,525,497         |
| Food Services                       | -                 | -                     | 1,321,288                      | 1,321,288         |
| Central Services                    | 749,114           | 2,460                 | 10                             | 751,584           |
| Insurance                           | 315,305           | -                     | -                              | 315,305           |
| Other Support Services              | 1,286,033         | 3,898                 | -                              | 1,289,931         |
| Total Support Services              | <u>16,507,444</u> | <u>445,710</u>        | <u>2,220,641</u>               | <u>19,173,795</u> |
| Debt Service:                       |                   |                       |                                |                   |
| Principal                           | 99,184            | -                     | 109,386                        | 208,570           |
| Interest and Fiscal Charges         | 70,388            | -                     | 1,540                          | 71,928            |
| Total Debt Service                  | <u>169,572</u>    | <u>-</u>              | <u>110,926</u>                 | <u>280,498</u>    |
| Community Service                   | -                 | -                     | 245,990                        | 245,990           |
| Nonprogram:                         |                   |                       |                                |                   |
| General Tuition Payments            | 1,629,704         | -                     | -                              | 1,629,704         |
| Special Education Tuition Payments  | 160,339           | -                     | -                              | 160,339           |
| Adjustments and Refunds             | 56,764            | -                     | 39,396                         | 96,160            |
| Voucher Payments                    | 771,151           | -                     | -                              | 771,151           |
| Revenue Transits to Others          | -                 | -                     | 73,050                         | 73,050            |
| Total Nonprogram                    | <u>2,617,958</u>  | <u>-</u>              | <u>112,446</u>                 | <u>2,730,404</u>  |
| Total Expenditures                  | <u>40,449,658</u> | <u>986,368</u>        | <u>3,043,118</u>               | <u>44,479,144</u> |

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —  
GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

|   | General             | Head Start<br>Project | Other<br>Governmental<br>Funds | Total                |
|---|---------------------|-----------------------|--------------------------------|----------------------|
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | \$ 664,795          | \$ -                  | \$ (945,536)                   | \$ (280,741)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                     |                       |                                |                      |
| Transfers In  | -                   | -                     | 650,483                        | 650,483              |
| Transfers Out   | (650,483)           | -                     | -                              | (650,483)            |
| Total Other Financing Sources (Uses)                    | (650,483)           | -                     | 650,483                        | -                    |
| <b>NET CHANGE IN FUND BALANCES</b>                      | 14,312              | -                     | (295,053)                      | (280,741)            |
| Fund Balances - Beginning of Year                       | 8,642,978           | -                     | 4,023,420                      | 12,666,398           |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ 8,657,290</u> | <u>\$ -</u>           | <u>\$ 3,728,367</u>            | <u>\$ 12,385,657</u> |

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances as Shown on Previous Page \$ (280,741)

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 and amortization expense.

|   |             |
|---|-------------|
| Capital Assets Reported as Expenditures in the Governmental Fund Statements   | 167,110     |
| Depreciation and Amortization Expense Reported in the Statement of Activities | (1,013,066) |
| Net Book Value of Disposals   | (3,847)     |

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

|                                |         |
|--------------------------------|---------|
| Lease Principal Repaid         | 99,184  |
| Bond and Note Principal Repaid | 109,386 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

|   |             |
|---|-------------|
| Compensated Absences  | (122,502)   |
| Net Pension Liability (Asset)   | (9,403,652) |
| Deferred Outflows of Resources Related to Pensions                      | 4,411,118   |
| Deferred Inflows of Resources Related to Pensions                       | 9,342,666   |
| Other Postemployment Benefits   | 772,305     |
| Deferred Outflows of Resources Related to Other Postemployment Benefits | (253,622)   |
| Deferred Inflows of Resources Related to Other Postemployment Benefits  | 43,079      |
|   | 43,079      |

|  |                              |
|--|------------------------------|
| Change in Net Position of Governmental Activities as Reported in the Statement of Activities | <u><u>\$ (2,245,622)</u></u> |
|--|------------------------------|

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2023**

|                               | <u>Custodial</u><br><u>Pupil Activity</u> |
|-------------------------------|---|
| <b>ASSETS</b>                 |   |
| Cash and Investments          | <u>\$ -</u>                               |
| <b>NET POSITION</b>           |   |
| Restricted for Pupil Activity | <u>\$ -</u>                               |

*See accompanying Notes to Basic Financial Statements.*

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2023**

|   | Custodial<br>Pupil Activity |
|---|-----------------------------|
| <b>DEDUCTIONS</b>                           |                             |
| Administrative Expenditures                 | \$ 1,923                    |
| Total Deductions                            | 1,923                       |
| <b>CHANGE IN NET POSITION</b>               | (1,923)                     |
| Net Position - July 1, as Originally Stated | 1,923                       |
| Net Position - Beginning of Year            | 1,923                       |
| <b>NET POSITION - END OF YEAR</b>           | \$ -                        |

See accompanying Notes to Basic Financial Statements.



**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Merrill Area Public School District, Merrill, Wisconsin (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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:

**A. Reporting Entity**

The District is organized as a common school district. The District, governed by an elected nine-member board, operates grades K through 12 and is comprised of all or parts of fourteen taxing districts. In accordance with U.S. GAAP, the basic financial statements are required to include the District 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.

**B. District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

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 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. 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 primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. District-Wide and Fund Financial Statements (Continued)**

**Head Start Project Fund**

This fund is used to account for the operation of the District's Head Start program. Significant revenues include federal and state grants.

Additionally, the District reports the following fund types:

- The District accounts for assets held as an agent for various student and parent organizations in a *custodial fund*.

**C. Measurement Focus and Basis of Accounting**

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 lease liabilities, 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, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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.

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

**1. 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.

**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 nonpayment of a scheduled installment, and full receipt of the entire levy is assured within 60 days of fiscal year-end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

**3. Accounts Receivable**

Accounts receivable are recorded at gross amounts 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**4. 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.

**5. Inventories**

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**6. Prepaid Items**

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

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

**7. 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 a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**7. Capital Assets (Continued)**

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

| Assets   | Governmental<br>Activities |
|--|----------------------------|
| Land Improvements                                  | 20 Years                   |
| Buildings and Improvements                         | 20 to 50 Years             |
| Machinery and Equipment                            | 5 to 20 Years              |
| Right-to-Use Lease Asset - Machinery and Equipment | 3 to 5 Years               |

**8. 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 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 PTO (up to 90 days) is determined at retirement and a monetary amount is calculated based on ending pay rate multiplied by the days of PTO. The amount determined is deposited into an HRA which can be used to pay for medical expenses for the employee {and/or surviving spouse) until the credit is exhausted or the death of retiree and any surviving spouse.

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

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**9. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources are a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

**10. 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 bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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.

**11. Leases Payable**

The District determines if an arrangement is a lease at inception. Leases are included in right-to-use (lease assets) and lease liabilities in the statement of net position.

Lease assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**11. Leases Payable (Continued)**

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District recognizes payments for short-term leases with a lease term of 12 months or less, including options to extend, as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the District has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

The District accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the District treats the components as a single lease unit.

**12. Pensions**

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset)
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
- Pension Expense (Revenue)

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**13. Other Postemployment Benefits Other Than Pensions (OPEB)**

Qualifying teachers and administrators are provided with other postemployment benefits. The OPEB is a single employer defined benefit plan administered by the District. For purposes of measuring the OPEB liability, related deferred outflows and inflows and OPEB expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with benefit terms.

**14. 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 Director of Finance to assign fund balance.

**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  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**14. Fund Equity (Continued)**

**District-Wide Financial 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 or amortization, 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.

**E. 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.

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The debt service funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

The carrying amount of the District's cash and investments totaled \$13,662,266 on June 30, 2023 as summarized below:

|   |    |               |
|---|----|---------------|
| Petty Cash Funds                            | \$ | 2,907         |
| Deposits with Financial Institutions        |    | 12,735,427    |
| Investments:                                |    |               |
| Wisconsin Investment Series Cooperative CMS |    | 751,019       |
| U.S. Treasury Securities                    |    | 172,913       |
| Total                                       |    | \$ 13,662,266 |

Reconciliation to the basic financial statements:

|   |    |            |
|---|----|------------|
| Government-Wide Statement of Net Position |    |            |
| Cash and Investments                      | \$ | 13,662,266 |

**Fair Value Measurements**

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. At June 30, 2023, the District categorizations of investment fair value measurements were as follows:

|                          | Fair Value Measurements Using: |         |         |
|--------------------------|--------------------------------|---------|---------|
|                          | Level 1                        | Level 2 | Level 3 |
| Investments:             |                                |         |         |
| U.S. Treasury Securities | \$ 172,913                     | \$ -    | \$ -    |

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

**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. The custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 policy.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

**Custodial Credit Risk (Continued)**

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 of all 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 the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. 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. This coverage has been considered in determining custodial credit risk.

As of June 30, 2023, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

**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 investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. At June 30, 2023, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Cash and Investments (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

| <u>Investment Type</u>   | <u>Amount</u>     | <u>Remaining Maturity (in Months)</u> |                            |                            |                                |
|--------------------------|-------------------|---------------------------------------|----------------------------|----------------------------|--------------------------------|
|                          |                   | <u>12 Months<br/>or Less</u>          | <u>13 to 24<br/>Months</u> | <u>25 to 60<br/>Months</u> | <u>More Than<br/>60 Months</u> |
| WISC CMS                 | \$ 751,019        | \$ 751,019                            | \$ -                       | \$ -                       | \$ -                           |
| U.S. Treasury Securities | 172,913           | 172,913                               | -                          | -                          | -                              |
| Totals                   | <u>\$ 923,932</u> | <u>\$ 923,932</u>                     | <u>\$ -</u>                | <u>\$ -</u>                | <u>\$ -</u>                    |

**Investment in Wisconsin Investment Series Cooperation**

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$751,019 invested in the Cash Management Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is 90 days or less. The Cash Management Series has received a credit rating of AAA by a nationally recognized statistical rating organization.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin International Cooperate Statute, Wisconsin Statute, Section 66.031. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates fair value.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Capital Assets**

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

|  | Beginning<br>Balance | Increases    | Decreases | Ending<br>Balance |
|--|----------------------|--------------|-----------|-------------------|
| <b>Governmental Activities</b>                             |                      |              |           |                   |
| Capital Assets, Nondepreciable:                            |                      |              |           |                   |
| Land   | \$ 1,256,000         | \$ -         | \$ -      | \$ 1,256,000      |
| Capital Assets Being Depreciated and Amortized:            |                      |              |           |                   |
| Land Improvements  | 3,430,920            | -            | -         | 3,430,920         |
| Buildings and Improvements                                 | 47,161,321           | -            | -         | 47,161,321        |
| Machinery and Equipment                                    | 2,838,892            | 167,110      | 13,578    | 2,992,424         |
| Right-to-Use Lease Assets:                                 |                      |              |           |                   |
| Machinery and Equipment                                    | 370,066              | -            | -         | 370,066           |
| Subtotals  | 53,801,199           | 167,110      | 13,578    | 53,954,731        |
| Less: Accumulated Depreciation and Amortization for:       |                      |              |           |                   |
| Land Improvements  | 1,241,309            | 9,247        | -         | 1,250,556         |
| Buildings and Improvements                                 | 28,880,999           | 792,819      | -         | 29,673,818        |
| Machinery and Equipment                                    | 1,792,427            | 110,009      | 9,731     | 1,892,705         |
| Right-to-Use Lease Assets:                                 |                      |              |           |                   |
| Machinery and Equipment                                    | 100,991              | 100,991      | -         | 201,982           |
| Subtotals  | 32,015,726           | 1,013,066    | 9,731     | 33,019,061        |
| Total Capital Assets, Being Depreciated and Amortized, Net | 21,785,473           | (845,956)    | 3,847     | 20,935,670        |
| Governmental Activities Capital Assets, Net                | \$ 23,041,473        | \$ (845,956) | \$ 3,847  | 22,191,670        |
| Capital Related Debt:                                      |                      |              |           |                   |
| Less: Lease Liability                                      |                      |              |           | (173,967)         |
| Net Investment in Capital Assets                           |                      |              |           | \$ 22,017,703     |

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

|   |              |
|---|--------------|
| <b>Governmental Activities</b>  |              |
| Instruction   | \$ 42,630    |
| Support Services  | 970,436      |
| Total Depreciation and Amortization Expense - Governmental Activities | \$ 1,013,066 |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Interfund Receivables, Payables, and Transfers**

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2023 are detailed below:

|  | Interfund<br>Receivables | Interfund<br>Payables |
|--|--------------------------|-----------------------|
| Operating Accounts Between Funds:            |                          |                       |
| General                                      | \$ -                     | \$ 500,000            |
| Long-Term Capital Improvement Trust          | 500,000                  | -                     |
| Temporary Cash Advances to Finance Operating |                          |                       |
| Cash Deficits of Other Funds:                |                          |                       |
| General                                      | \$ 1,006,806             | \$ -                  |
| Head Start Project                           | -                        | 985,885               |
| Community Service                            | -                        | 20,921                |
| Totals                                       | \$ 1,506,806             | \$ 1,506,806          |

Interfund transfers for the year ended June 30, 2023 were as follows:

| Funds                         | Transfer<br>In | Transfer<br>Out |
|-------------------------------|----------------|-----------------|
| General                       | \$ -           | \$ 650,483      |
| Long-Term Capital Improvement | 500,000        | -               |
| Food Service                  | 39,730         | -               |
| Non-Referendum Debt Service   | 110,753        | -               |
| Totals                        | \$ 650,483     | \$ 650,483      |

Interfund transfers were made for the following purposes:

|   |            |
|---|------------|
| Fund Future Capital Improvement Projects                    | \$ 500,000 |
| Reimburse Prior Year Uncollectible Food Service<br>Accounts | 39,730     |
| Non-Referendum Debt Service Expenditures                    | 110,753    |
| Total   | \$ 650,483 |

**D. Short-Term Obligations**

The District issued tax and revenue anticipation promissory notes in advance of property tax collections. The notes are needed because District expenditures for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2023 was as follows:

|                                    | Outstanding<br>Beginning<br>of Year | Issued       | Retired      | Outstanding<br>End of Year |
|------------------------------------|-------------------------------------|--------------|--------------|----------------------------|
| Tax and Revenue Anticipation Notes | \$ 6,400,000                        | \$ 5,100,000 | \$ 6,400,000 | \$ 5,100,000               |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Short-Term Obligations (Continued)**

Short-term notes payable consist of the following issue:

|                                    | Date of<br>Issue | Final<br>Maturity | Interest<br>Rates | Original<br>Indebtedness | Balance<br>6/30/22 |
|------------------------------------|------------------|-------------------|-------------------|--------------------------|--------------------|
| Tax and Revenue Anticipation Notes | 10/28/22         | 9/27/23           | 4.00%             | \$ 5,100,000             | \$ 5,100,000       |

Total interest paid for the year on short-term debt totaled \$124,800.

**E. Long-Term Obligations**

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2023:

|  | Beginning<br>Balance | Issued            | Retired           | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------|-------------------|-------------------|-------------------|------------------------|
| <b>Governmental Activities</b>                   |                      |                   |                   |                   |                        |
| Direct Borrowing:                                |                      |                   |                   |                   |                        |
| Notes  | \$ 109,386           | \$ -              | \$ 109,386        | \$ -              | \$ -                   |
| Compensated Absences                             | 638,699              | 122,502           | -                 | 761,201           | -                      |
| Lease Liability                                  | 273,151              | -                 | 99,184            | 173,967           | 99,397                 |
| Governmental Activities<br>Long-Term Obligations | <u>\$ 1,021,236</u>  | <u>\$ 122,502</u> | <u>\$ 208,570</u> | <u>\$ 935,168</u> | <u>\$ 99,397</u>       |

Total interest paid during the year on long-term debt totaled \$799.

At June 30, 2023, \$305,000 of outstanding general obligations bonds are considered defeased and will come due on April 1, 2024.

**Legal Margin for New Debt**

The District's legal margin for creation of additional general obligation debt on June 30, 2023 was \$158,218,827 as follows:

|                                     |                       |
|-------------------------------------|-----------------------|
| Equalized Valuation of the District | \$ 1,582,188,271      |
| Statutory Limitation Percentage     | <u>(x) 10%</u>        |
| Legal Margin for New Debt           | <u>\$ 158,218,827</u> |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Leases Payable**

The District leases various machinery and equipment for various terms under long-term, non-cancelable lease agreements.

A summary of the District's lease terms and interest rates is as follows:

Governmental Activities:

Various vehicle leases with monthly installments between \$292 and \$451, including interest at 2.00%, due dates ranging from 2023-2025

Tower lease. Monthly installments totaling \$300, including interest at 2.00%, due dates ranging from 2023-2027

Copier lease. Monthly installments totaling \$5,215, including interest at 2.00%, due dates ranging from 2023-2025

Total future minimum lease payments under lease agreements are as follows:

| <u>Year Ending June 30,</u>  | <u>Governmental Activities</u> |                 |                   |
|------------------------------|--------------------------------|-----------------|-------------------|
|                              | <u>Principal</u>               | <u>Interest</u> | <u>Total</u>      |
| 2024                         | \$ 99,397                      | \$ 2,557        | \$ 101,954        |
| 2025                         | 69,839                         | 816             | 70,655            |
| 2026                         | 3,538                          | 62              | 3,600             |
| 2027                         | 1,193                          | 5               | 1,198             |
| Total Minimum Lease Payments | <u>\$ 173,967</u>              | <u>\$ 3,440</u> | <u>\$ 177,407</u> |

Right-to-use assets acquired through outstanding leases are showing in Note 2.B.

**G. Pension Plan**

**WRS Pension 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, expected to work at least 1,200 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.

ETF issued a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.



**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**WRS Pension Plan Description (Continued)**

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 occupations and 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**Postretirement 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:

| <u>Year Ending June 30,</u> | <u>Core Fund<br/>Adjustment %</u> | <u>Variable Fund<br/>Adjustment %</u> |
|-----------------------------|-----------------------------------|---------------------------------------|
| 2013                        | (9.6)                             | 9                                     |
| 2014                        | 4.7                               | 25                                    |
| 2015                        | 2.9                               | 2                                     |
| 2016                        | 0.5                               | (5)                                   |
| 2017                        | 2.0                               | 4                                     |
| 2018                        | 2.4                               | 17                                    |
| 2019                        | 0.0                               | (10)                                  |
| 2020                        | 1.7                               | 21                                    |
| 2021                        | 5.1                               | 13                                    |
| 2022                        | 7.4                               | 15                                    |

**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, executives, and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. 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 year ending June 30, 2023, the WRS recognized \$1,359,176 in contributions from the District.

Contribution rates as of June 30, 2023 are:

| <u>Employee Category</u>  | <u>Employee</u> | <u>Employer</u> |
|---|-----------------|-----------------|
| General (Including Teachers, Executives, and Elected Officials) | 6.80%           | 6.80%           |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**Pension Assets, Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2023, the District reported a liability of \$6,113,040 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022. 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, 2021, the District's proportion was 0.11539038%, which was a decrease 0.00127758% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$3,120,976.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience  | \$ 9,736,179                         | \$ 12,791,153                       |
| Net Differences Between Projected and Actual  |                                      |                                     |
| Earnings on Pension Plan Investments  | 10,384,645                           | -                                   |
| Changes in Assumptions  | 1,202,076                            | -                                   |
| Changes in Proportion and Differences Between<br>Employer Contributions and Proportionate Share<br>of Contributions | 16,892                               | 2,645                               |
| Employer Contributions Subsequent to the<br>Measurement Date  | 819,353                              | -                                   |
| Total   | \$ 22,159,145                        | \$ 12,793,798                       |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**Pension Assets, Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

\$819,353 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as an addition to the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Expense</u>      |
|-----------------------------|---------------------|
| 2024                        | \$ 357,491          |
| 2025                        | 1,770,202           |
| 2026                        | 1,816,113           |
| 2027                        | 4,602,188           |
| Total                       | <u>\$ 8,545,994</u> |

**Actuarial Assumptions**

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|   |  |
|---|--|
| Actuarial Valuation Date                  | December 31, 2021  |
| Measurement Date of Net Pension Liability | December 31, 2022  |
| Experience Study                          | January 1, 2018 – December 31, 2020<br>Published November 19, 2021 |
| Actuarial Cost Method                     | Entry Age Normal   |
| Asset Valuation Method                    | Fair Value   |
| Long-Term Expected Rate of Return         | 6.8%   |
| Discount Rate                             | 6.8%   |
| Salary Increases:                         |  |
| Wage Inflation                            | 3.0%   |
| Seniority/Merit                           | 0.1% - 5.6%  |
| Mortality                                 | 2020 WRS Experience Mortality Table                                |
| Post-Retirement Adjustments*              | 1.7%   |

*\* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2021. The total pension liability for December 31, 2022 is based upon a roll-forward of the liability calculated from the December 31, 2021 actuarial valuation.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**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 geometric real rates of return for each major asset class are summarized in the following table:

|                            | Current Asset<br>Allocation<br>Percent | Long-Term<br>Expected<br>Nominal Rate<br>of Return<br>Percent | Long-Term<br>Expected<br>Real Rate<br>of Return<br>Percent |
|----------------------------|--|---|--|
| Core Fund Asset Class:     |  |   |  |
| Public Equity              | 48.0%                                  | 7.6%  | 5.0%   |
| Public Fixed Income        | 25.0                                   | 5.3%  | 2.7%   |
| Inflation Sensitive        | 19.0                                   | 3.6%  | 1.1%   |
| Real Estate                | 8.0                                    | 5.2%  | 2.6%   |
| Private Equity/Debt        | 15.0                                   | 9.3%  | 6.9%   |
| Cash                       | -15.0                                  | N/A   | N/A  |
| Total Core Fund            | <u>100.0%</u>                          | 7.4%  | 4.8%   |
| Variable Fund Asset Class: |  |   |  |
| U.S. Equities              | 70.0%                                  | 7.2%  | 4.6%   |
| International Equities     | 30.0%                                  | 8.1%  | 5.5%   |
| Total Variable Fund        | <u>100.0%</u>                          | 7.7%  | 5.1%   |

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Pension Plan (Continued)**

**Single Discount Rate**

A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.05%. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2022. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.7% 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 municipal bond 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 6.80%, 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 (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

|   | 1% Decrease<br>to Discount<br>Rate<br>(5.80%) | Current<br>Discount<br>Rate<br>(6.80%) | 1% Increase<br>to Discount<br>Rate<br>(7.80%) |
|---|---|--|---|
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ 20,288,982                                 | \$ 6,113,040                           | \$ (3,638,791)                                |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

**Payable to the Pension Plan**

The District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan for the year ended June 30, 2023.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The Wisconsin Deferred Compensation Plan (the Plan), available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to this Plan are entirely from employee voluntary contributions. Employees can elect to contribute to the Plan by selecting a specific percentage of their salary or selecting a dollar amount. Annual amounts to be contributed by the employee may not exceed IRS limits. The District makes no employer contributions to this Plan. Wisconsin Department of Employee Trust Funds is the administrator of the Wisconsin Deferred Compensation Plan. The deferred compensation Plan assets are placed in trust for the sole benefit of employees and beneficiaries participating in the Plan and, therefore, are not recorded on these financial statements.

**I. Other Postemployment Benefits**

**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.

**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.

**Employees Covered by Benefit Terms**

At June 30, 2021, the following employees were covered by the benefit terms:

|                                      |     |
|--------------------------------------|-----|
| Inactive Employees or Beneficiaries  |     |
| Currently Receiving Benefit Payments | 23  |
| Waived                               | 30  |
| Active Employees                     |     |
| Fully Eligible                       | 55  |
| Not Fully Eligible                   | 223 |
| Total                                | 331 |

Retirees reported as waived are receiving HRA contributions to use outside of the District's group medical plan.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. Other Postemployment Benefits (Continued)**

**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 retire prior to 2011-12 school year) annually until Medicare eligibility. Funds may be used for continued coverage in the District’s group medical plan.

| <u>Eligible to Retire as of (Date)</u> | <u>Amount of Contribution</u>                   | <u>Length of Contribution</u> |
|--|---|-------------------------------|
| 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/<br>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 start 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 pan. Upon retiree’s death, the surviving spouse may continue participation in the health insurance plan as long as there remains a balance in the fund. Upon exhaustion of the funds, retired employees may self-pay the full (100%) of required premiums to remain on the school district’s plan.

**Total OPEB Liability**

The District’s total OPEB liability was measured as of June 30, 2022, and was determined by as an actuarial valuation as of June 30, 2021. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.



**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. Other Postemployment Benefits (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                             |  |
|-----------------------------|--|
| Actuarial Cost Method       | Entry Age Normal – Level % of Salary                                   |
| Inflation                   | 2.50%  |
| Salary Increases            | Ranges from 0.1% to 5.6%   |
| Discount Rate               | 4.0%   |
| Healthcare Cost Trend Rates | 6.5% decreasing by 0.1% per year<br>down to 5.0%, and level thereafter |
| Dental Cost Trend Rates     | Level at 5.0%  |

Mortality rates are the same as those used in the Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015 - 2017.

**Single Discount Rate**

The discount rate used to measure the total OPEB liability was 4.0% (based on S&P Municipal Bond 20 Year High Grade Index as of the week of the measurement date). The projection of cash flows used to determine the single discount rate assumed that District contributions to the Plan would continue to be funded at the pay-as-you –go basis. Based on these assumptions, the 20-year AA municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Total OPEB Liability**

|  | Total OPEB<br>Liability |
|--|-------------------------|
| Balance - Beginning of Year                            | \$ 3,178,490            |
| Changes for the Year:                                  |                         |
| Service Cost   | 48,001                  |
| Interest   | 62,212                  |
| Differences Between Expected and<br>Actual Experience: | 65,187                  |
| Changes of Assumptions or<br>Other Inputs              | (72,698)                |
| Benefit Payments                                       | (875,007)               |
| Net Changes  | <u>(772,305)</u>        |
| Balance - End of Year                                  | <u>\$ 2,406,185</u>     |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. Other Postemployment Benefits (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current rate:

|                      | 1% Decrease<br>to Discount<br>Rate<br><u>(3.00%)</u> | Current<br>Discount<br>Rate<br><u>(4.00%)</u> | 1% Increase<br>to Discount<br>Rate<br><u>(5.00%)</u> |
|----------------------|--|---|--|
| Total OPEB Liability | \$ 2,447,632   | \$ 2,406,185                                  | \$ 2,364,375   |

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% decreasing to 4.0%) or 1-percentage-point higher (7.5% decreasing to 6.0%) than the current healthcare cost trend rates:

|                      | 1% Decrease<br>(5.5%<br>Decreasing<br>to 4.0%) | Healthcare<br>Cost Trend<br>Rates (6.5%<br>Decreasing<br>to 5.0%) | 1% Increase<br>(7.5%<br>Decreasing<br>to 6.0%) |
|----------------------|--|---|--|
| Total OPEB Liability | \$ 2,385,614                                   | \$ 2,406,185  | \$ 2,428,012                                   |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the District recognized OPEB expense of \$222,189. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience           | \$ 602,002                           | \$ -                                |
| Changes in Assumptions                                       | 130,469                              | 338,478                             |
| District Contributions Subsequent to the<br>Measurement Date | 783,951                              | -                                   |
| Total  | \$ 1,516,422                         | \$ 338,478                          |

\$783,951 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. Other Postemployment Benefits (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

| <u>Year Ending June 30,</u> | <u>Expense</u>    |
|-----------------------------|-------------------|
| 2024                        | \$ 109,457        |
| 2025                        | 110,116           |
| 2026                        | 82,409            |
| 2027                        | 36,650            |
| 2028                        | 18,730            |
| Thereafter                  | 36,631            |
| Total                       | <u>\$ 393,993</u> |

**Payable to the OPEB Plan**

At June 30, 2023, the District reported a payable of \$-0- for the outstanding amount of contribution to the Plan required for the year ended June 30, 2023.

**J. Fund Equity**

**Nonspendable Fund Balance**

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2023, nonspendable fund balance was as follows:

|                                 |               |
|---------------------------------|---------------|
| General:                        |               |
| Prepaid Items                   | \$ 725        |
| Head Start:                     |               |
| Prepaid Items                   | 80            |
| Total Nonspendable Fund Balance | <u>\$ 805</u> |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**J. Fund Equity (Continued)**

**Restricted Fund Balance**

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2023, restricted fund balance was as follows:

**Special Revenue Funds**

|                             |    |                  |
|-----------------------------|----|------------------|
| Restricted for:             |    |                  |
| Food Service Programs       | \$ | 485,309          |
| Scholarships and Donations  |    | 1,586,085        |
| Total Special Revenue Funds |    | <u>2,071,394</u> |

**Debt Service Funds**

|                         |  |        |
|-------------------------|--|--------|
| Restricted for:         |  |        |
| Referendum Debt Service |  | 59,524 |

**Capital Projects Fund**

|                                     |    |                         |
|-------------------------------------|----|-------------------------|
| Restricted for:                     |    |                         |
| Long-Term Capital Improvement Trust |    | <u>1,628,747</u>        |
| Total Restricted Fund Balance       | \$ | <u><u>3,759,665</u></u> |

**Deficit Fund Balance**

As of June 30, 2023, the Community Service special revenue fund has a deficit fund balance of \$31,298. The District intends to fund this deficit with future revenues of the fund.

**Minimum General Fund Balance Policy**

The District has also adopted a minimum fund balance policy in the amount of 14% of the operating budget for the General Fund (Fund 10) to 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:

|                                     |    |                         |
|-------------------------------------|----|-------------------------|
| 2022-2023 General Fund Expenditures | \$ | 40,449,658              |
| Minimum Fund Balance Percent        |    | (x) 14%                 |
| Minimum Fund Balance Amount         | \$ | <u><u>5,662,952</u></u> |

The District's committed, assigned, and unassigned General Fund fund balance of \$8,657,290 is above the minimum fund balance amount.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 OTHER INFORMATION**

**A. 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. Settled claims have not exceeded coverage in any of the past three years.

**B. Contingencies**

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.

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 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.

**C. 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 resolution of the school board or by referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MERRILL AREA PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —**  
**BUDGET AND ACTUAL — GENERAL FUND — BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2023**

|   | Budget              |                     | Actual              | Variance                                 |
|---|---------------------|---------------------|---------------------|--|
|   | Original            | Final               |                     | Final Budget -<br>Positive<br>(Negative) |
| <b>REVENUES</b>                             |                     |                     |                     |  |
| Property Taxes                              | \$ 7,490,777        | \$ 7,490,777        | \$ 7,490,777        | \$ -                                     |
| Other Local Sources                         | 268,138             | 268,138             | 504,650             | 236,512                                  |
| Interdistrict Sources                       | 6,263,130           | 6,263,130           | 5,988,737           | (274,393)                                |
| Intermediate Sources                        | 144,404             | 144,404             | 247,329             | 102,925                                  |
| State Sources                               | 21,532,795          | 21,532,795          | 21,558,452          | 25,657                                   |
| Federal Sources                             | 3,642,096           | 3,642,096           | 2,205,152           | (1,436,944)                              |
| Other Sources                               | 144,500             | 144,500             | 73,884              | (70,616)                                 |
| Total Revenues                              | <u>39,485,840</u>   | <u>39,485,840</u>   | <u>38,068,981</u>   | <u>(1,416,859)</u>                       |
| <b>EXPENDITURES</b>                         |                     |                     |                     |  |
| Instruction:                                |                     |                     |                     |  |
| Regular Instruction                         | 12,904,552          | 12,888,736          | 12,854,608          | 34,128                                   |
| Vocational Instruction                      | 1,123,819           | 1,123,318           | 1,010,461           | 112,857                                  |
| Other Instruction                           | 2,212,746           | 2,212,694           | 2,139,597           | 73,097                                   |
| Total Instruction                           | <u>16,241,118</u>   | <u>16,224,748</u>   | <u>16,004,666</u>   | <u>220,082</u>                           |
| Support Services:                           |                     |                     |                     |  |
| Pupil Services                              | 1,511,417           | 1,509,729           | 1,506,030           | 3,699                                    |
| Instructional Staff Services                | 3,490,955           | 3,488,167           | 2,667,085           | 821,082                                  |
| General Administration Services             | 591,983             | 591,983             | 507,367             | 84,616                                   |
| School Administration Services              | 2,104,669           | 2,108,550           | 2,089,314           | 19,236                                   |
| Business Services                           | 555,963             | 556,463             | 538,692             | 17,771                                   |
| Operations and Maintenance of Plant         | 3,191,346           | 3,197,678           | 3,404,836           | (207,158)                                |
| Pupil Transportation Services               | 1,976,464           | 1,982,332           | 2,021,206           | (38,874)                                 |
| Central Services                            | 964,994             | 962,758             | 748,889             | 213,869                                  |
| Insurance                                   | 317,178             | 317,178             | 315,305             | 1,873                                    |
| Other Support Services                      | 1,617,884           | 1,617,384           | 1,284,783           | 332,601                                  |
| Total Support Services                      | <u>16,322,853</u>   | <u>16,332,222</u>   | <u>15,083,507</u>   | <u>1,248,715</u>                         |
| Debt Service:                               |                     |                     |                     |  |
| Principal                                   | -                   | -                   | 99,184              | (99,184)                                 |
| Interest and Fiscal Charges                 | 185,000             | 185,000             | 70,388              | 114,612                                  |
| Total Debt Service                          | <u>185,000</u>      | <u>185,000</u>      | <u>169,572</u>      | <u>15,428</u>                            |
| Nonprogram:                                 |                     |                     |                     |  |
| General Tuition Payments                    | 1,642,962           | 1,649,962           | 1,629,704           | 20,258                                   |
| Adjustments and Refunds                     | 11,001              | 11,001              | 56,764              | (45,763)                                 |
| Voucher Payments                            | 640,100             | 640,100             | 771,151             | (131,051)                                |
| Total Nonprogram                            | <u>2,294,063</u>    | <u>2,301,063</u>    | <u>2,457,619</u>    | <u>(156,556)</u>                         |
| Total Expenditures                          | <u>35,043,034</u>   | <u>35,043,033</u>   | <u>33,715,364</u>   | <u>1,327,669</u>                         |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | 4,442,807           | 4,442,807           | 4,353,617           | (89,190)                                 |
| <b>OTHER FINANCING USES</b>                 |                     |                     |                     |  |
| Transfers Out                               | (4,442,807)         | (4,442,807)         | (4,339,305)         | 103,502                                  |
| <b>NET CHANGE IN FUND BALANCE</b>           | -                   | -                   | 14,312              | 14,312                                   |
| Fund Balance - Beginning of Year            | 8,642,978           | 8,642,978           | 8,642,978           | -  |
| <b>FUND BALANCE - END OF YEAR</b>           | <u>\$ 8,642,978</u> | <u>\$ 8,642,978</u> | <u>\$ 8,657,290</u> | <u>\$ 14,312</u>                         |

See accompanying Notes to Required Supplementary Information.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —  
BUDGET AND ACTUAL — SPECIAL EDUCATION FUND — BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2023**

|   | Budget           |                  | Actual           | Variance                                 |
|---|------------------|------------------|------------------|--|
|   | Original         | Final            |                  | Final Budget -<br>Positive<br>(Negative) |
| <b>REVENUES</b>   |                  |                  |                  |  |
| Interdistrict Sources                                   | \$ 210,000       | \$ 210,000       | \$ 257,927       | \$ 47,927                                |
| Intermediate Sources                                    | 162,500          | 162,500          | 247,597          | 85,097                                   |
| State Sources   | 1,600,000        | 1,600,000        | 1,685,312        | 85,312                                   |
| Federal Sources   | 823,658          | 823,658          | 854,636          | 30,978                                   |
| Other Sources   | 1,000            | 1,000            | -                | (1,000)                                  |
| Total Revenues  | <u>2,797,158</u> | <u>2,797,158</u> | <u>3,045,472</u> | <u>248,314</u>                           |
| <b>EXPENDITURES</b>                                     |                  |                  |                  |  |
| Instruction:  |                  |                  |                  |  |
| Special Education Instruction                           | 5,194,699        | 5,194,699        | 5,150,018        | 44,681                                   |
| Support Services:                                       |                  |                  |                  |  |
| Pupil Services  | 611,858          | 611,858          | 550,339          | 61,519                                   |
| Instructional Staff Services                            | 427,276          | 427,276          | 397,349          | 29,927                                   |
| Business Services                                       | -                | -                | 23,904           | (23,904)                                 |
| Pupil Transportation Services                           | 508,500          | 508,500          | 450,870          | 57,630                                   |
| Central Services  | 2,000            | 2,000            | 225              | 1,775                                    |
| Other Support Services                                  | 12,000           | 12,000           | 1,250            | 10,750                                   |
| Total Support Services                                  | <u>1,561,634</u> | <u>1,561,634</u> | <u>1,423,937</u> | <u>137,697</u>                           |
| Nonprogram:   |                  |                  |                  |  |
| Special Education Tuition Payments                      | 88,637           | 88,637           | 160,339          | (71,702)                                 |
| Revenue Transits to Others                              | 10,000           | 10,000           | -                | 10,000                                   |
| Total Nonprogram  | <u>98,637</u>    | <u>98,637</u>    | <u>160,339</u>   | <u>(61,702)</u>                          |
| Total Expenditures                                      | <u>6,854,970</u> | <u>6,854,970</u> | <u>6,734,294</u> | <u>120,676</u>                           |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (4,057,812)      | (4,057,812)      | (3,688,822)      | 368,990                                  |
| <b>OTHER FINANCING SOURCES</b>                          |                  |                  |                  |  |
| Transfers In  | 4,057,812        | 4,057,812        | 3,688,822        | (368,990)                                |
| <b>NET CHANGE IN FUND BALANCE</b>                       | -                | -                | -                | -  |
| Fund Balance - Beginning of Year                        | -                | -                | -                | -  |
| <b>FUND BALANCE - END OF YEAR</b>                       | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>                              |



**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —  
BUDGET AND ACTUAL — HEAD START PROJECT FUND  
YEAR ENDED JUNE 30, 2023**

|                                     | Budget            |                   | Actual           | Variance                                 |
|-------------------------------------|-------------------|-------------------|------------------|--|
|                                     | Original          | Final             |                  | Final Budget -<br>Positive<br>(Negative) |
| <b>REVENUES</b>                     |                   |                   |                  |  |
| State Sources                       | \$ 27,832         | \$ 27,832         | \$ 27,832        | \$ -                                     |
| Federal Sources                     | 958,536           | 958,537           | 958,536          | (1)                                      |
| Total Revenues                      | <u>986,368</u>    | <u>986,369</u>    | <u>986,368</u>   | <u>(1)</u>                               |
| <b>EXPENDITURES</b>                 |                   |                   |                  |  |
| Instruction:                        |                   |                   |                  |  |
| Regular Instruction                 | 466,759           | 495,199           | 540,081          | (44,882)                                 |
| Special Education Instruction       | 28,440            | -                 | -                | -  |
| Total Instruction                   | <u>495,199</u>    | <u>495,199</u>    | <u>540,081</u>   | <u>(44,882)</u>                          |
| Support Services:                   |                   |                   |                  |  |
| Pupil Services                      | 179,113           | 151,113           | 154,170          | (3,057)                                  |
| Instructional Staff Services        | 9,300             | 9,300             | 14,246           | (4,946)                                  |
| Operations and Maintenance of Plant | 100,246           | 128,246           | 178,682          | (50,436)                                 |
| Pupil Transportation Services       | 67,554            | 67,554            | 36,262           | 31,292                                   |
| Central Services                    | 11,031            | 11,031            | 2,460            | 8,571                                    |
| Other Support Services              | 3,100             | 3,100             | 3,898            | (798)                                    |
| Total Support Services              | <u>370,344</u>    | <u>370,344</u>    | <u>389,718</u>   | <u>(19,374)</u>                          |
| Total Expenditures                  | <u>865,543</u>    | <u>865,543</u>    | <u>929,799</u>   | <u>(64,256)</u>                          |
| <b>NET CHANGE IN FUND BALANCE</b>   | 120,825           | 120,826           | 56,569           | (64,257)                                 |
| Fund Balance - Beginning of Year    | <u>-</u>          | <u>-</u>          | <u>-</u>         | <u>-</u>                                 |
| <b>FUND BALANCE - END OF YEAR</b>   | <u>\$ 120,825</u> | <u>\$ 120,826</u> | <u>\$ 56,569</u> | <u>\$ (64,257)</u>                       |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS  
LAST TEN MEASUREMENT YEARS**

|   | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability  |                     |                     |                     |                     |                     |                     |                     |                     |
| Service Cost  | \$ 48,001           | \$ 90,037           | \$ 74,283           | \$ 111,434          | \$ 115,724          | \$ 171,523          | \$ 158,655          | \$ 158,655          |
| Interest  | 62,212              | 86,704              | 157,301             | 181,674             | 189,890             | 174,420             | 246,423             | 274,317             |
| Changes of Benefit Terms  | -                   | (490,959)           | -                   | -                   | -                   | -                   | -                   | -                   |
| Differences Between Expected and Actual Experience                        | 65,187              | 274,386             | -                   | 214,729             | -                   | 954,481             | -                   | -                   |
| Changes of Assumptions  | (72,698)            | (98,299)            | 125,434             | 137,184             | (36,086)            | (732,863)           | (5,263)             | -                   |
| Benefit Payments  | (875,007)           | (983,708)           | (1,027,740)         | (925,805)           | (770,513)           | (1,085,935)         | (1,241,142)         | (1,112,463)         |
| Net Change in Total OPEB Liability  | (772,305)           | (1,121,839)         | (670,722)           | (280,784)           | (500,985)           | (518,374)           | (841,327)           | (679,491)           |
| Total OPEB Liability - Beginning  | 3,178,490           | 4,300,329           | 4,971,051           | 5,251,835           | 5,752,820           | 6,271,194           | 7,112,521           | 7,792,012           |
| Total OPEB Liability - Ending (A)   | <u>\$ 2,406,185</u> | <u>\$ 3,178,490</u> | <u>\$ 4,300,329</u> | <u>\$ 4,971,051</u> | <u>\$ 5,251,835</u> | <u>\$ 5,752,820</u> | <u>\$ 6,271,194</u> | <u>\$ 7,112,521</u> |
| Plan Fiduciary Net Position   |                     |                     |                     |                     |                     |                     |                     |                     |
| Contributions - Employer  | \$ -                | \$ -                | \$ -                | \$ -                | \$ 20,532           | \$ 895,181          | \$ 1,241,142        | \$ 1,146,675        |
| Net Investment Income   | -                   | -                   | -                   | -                   | 511                 | 15,555              | 17,003              | 20,595              |
| Benefit Payments  | -                   | -                   | -                   | -                   | (770,513)           | (1,085,935)         | (1,241,142)         | (1,112,463)         |
| Administrative Expenses   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Net Change in Plan Fiduciary Net Position                                 | -                   | -                   | -                   | -                   | (749,470)           | (175,199)           | 17,003              | 54,807              |
| Plan Fiduciary Net Position - Beginning                                   | -                   | -                   | -                   | -                   | 749,470             | 924,669             | 907,666             | 852,859             |
| Plan Fiduciary Net Position - Ending (B)                                  | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 749,470</u>   | <u>\$ 924,669</u>   | <u>\$ 907,666</u>   |
| District's Net OPEB Liability - Ending (A) - (B)                          | <u>\$ 2,406,185</u> | <u>\$ 3,178,490</u> | <u>\$ 4,300,329</u> | <u>\$ 4,971,051</u> | <u>\$ 5,251,835</u> | <u>\$ 5,003,350</u> | <u>\$ 5,346,525</u> | <u>\$ 6,204,855</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability   | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 13.03%              | 14.74%              | 12.76%              |
| Covered-Employee Payroll  | \$ 19,519,895       | \$ 19,519,895       | \$ 17,986,435       | \$ 17,986,435       | \$ 9,714,910        | \$ 9,714,910        | \$ 8,544,948        | \$ 7,987,968        |
| District's Net OPEB Liability as a Percentage of Covered-Employee Payroll | 12.33%              | 16.28%              | 23.91%              | 27.64%              | 54.06%              | 51.50%              | 62.57%              | 77.68%              |

The amounts in the schedule were measured as of the prior year.

See accompanying Notes to Required Supplementary Information.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) —  
WISCONSIN RETIREMENT SYSTEM  
LAST TEN MEASUREMENT PERIODS**

| Measurement<br>Period<br>Ending | Proportion of<br>the Net Pension<br>Liability (Asset) | Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset) | Covered<br>Payroll | Proportionate<br>Share of the Net<br>Pension Liability<br>(Asset) as a<br>Percentage of<br>Covered Payroll | Plan Fiduciary<br>Net Position as a<br>Percentage of the<br>Total Pension<br>Liability (Asset) |
|---------------------------------|---|---|--------------------|--|--|
| 12/31/14                        | 0.11780464 %  | \$ (2,893,604)  | \$ 16,428,345      | 17.61 %  | 102.74 %   |
| 12/31/15                        | 0.11905099 %  | 1,934,555   | 17,435,499         | 11.10 %  | 98.20 %  |
| 12/31/16                        | 0.11852503 %  | 976,929   | 16,689,563         | 5.85 %   | 99.12 %  |
| 12/31/17                        | 0.11776742 %  | (3,496,654)   | 17,119,429         | 20.43 %  | 102.93 %   |
| 12/31/18                        | 0.11585038 %  | 4,121,593   | 17,963,455         | 22.94 %  | 96.45 %  |
| 12/31/19                        | 0.11603036 %  | (3,741,348)   | 18,575,012         | 20.14 %  | 102.96 %   |
| 12/31/20                        | 0.11631161 %  | (7,261,495)   | 19,384,418         | 37.46 %  | 105.26 %   |
| 12/31/21                        | 0.11666796 %  | (9,403,652)   | 20,326,632         | 46.26 %  | 106.02 %   |
| 12/31/22                        | 0.11539038 %  | 6,113,040   | 20,361,399         | 30.02 %  | 95.72 %  |

**SCHEDULE OF CONTRIBUTIONS —  
WISCONSIN RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

| Fiscal<br>Year Ending | Contractually<br>Required<br>Contributions | Contributions in<br>Relation to the<br>Contractually<br>Required<br>Contributions | Contribution<br>Deficiency<br>(Excess) | Covered<br>Payroll | Contributions as<br>a Percentage<br>of Covered<br>Covered Payroll |
|-----------------------|--|---|--|--------------------|---|
| 6/30/15               | \$ 1,141,630                               | \$ 1,141,630  | \$ -                                   | \$ 16,587,420      | 6.88 %  |
| 6/30/16               | 1,320,446                                  | 1,320,446   | -                                      | 19,543,591         | 6.76 %  |
| 6/30/17               | 1,151,287                                  | 1,151,287   | -                                      | 17,259,844         | 6.67 %  |
| 6/30/18               | 1,202,001                                  | 1,202,001   | -                                      | 17,879,643         | 6.72 %  |
| 6/30/19               | 1,202,403                                  | 1,202,403   | -                                      | 18,184,419         | 6.61 %  |
| 6/30/20               | 1,268,494                                  | 1,268,494   | -                                      | 19,371,067         | 6.55 %  |
| 6/30/21               | 1,364,928                                  | 1,364,928   | -                                      | 20,221,040         | 6.75 %  |
| 6/30/22               | 1,353,485                                  | 1,353,485   | -                                      | 20,501,349         | 6.60 %  |
| 6/30/23               | 1,359,176                                  | 1,359,176   | -                                      | 20,369,103         | 6.67 %  |

See accompanying Notes to Required Supplementary Information.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 1 OTHER POSTEMPLOYMENT BENEFITS**

**Changes of Benefit Terms**

There were no changes of benefit terms for the District's Other Postemployment Benefit Plan.

**Changes of Assumptions**

A discount rate of 2.25% was used to measure the total OPEB Liability for the measurement date of June 30, 2022, compared to a discount rate of 2.25% in the previous year. This change was due to changes in the S&P Municipal Bond 20 Year High Grade Index as of the week of the measurement date.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The District is required to present the last 10 fiscal years of data; however accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

**NOTE 2 WISCONSIN RETIREMENT SYSTEM**

**Changes of Benefit Terms**

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

**Changes of Assumptions**

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lower the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 2 WISCONSIN RETIREMENT SYSTEM (CONTINUED)**

**Changes of Assumptions (Continued)**

- Lowering the wage inflation rate from 3.2% to 3.0%
- Lower the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

The District is required to present the last 10 fiscal years of data; however accounting standards allow the presentation of as many years as are available until 10 fiscal years are presented.

**NOTE 3 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. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

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

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2023.

**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 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 U.S. GAAP General Fund basis is summarized below:

|   | General       | Special<br>Education<br>Fund |
|---|---------------|------------------------------|
| <b>Revenues</b>                                     |               |                              |
| Actual Amounts (Budgetary Basis)                    | \$ 38,068,981 | \$ 3,045,472                 |
| Reclassification of Special Education               | 3,045,472     | (3,045,472)                  |
| Total Revenues                                      | 41,114,453    | -                            |
| <b>Expenditures</b>                                 |               |                              |
| Actual Amounts (Budgetary Basis)                    | 33,715,364    | 6,734,294                    |
| Reclassification of Special Education               | 6,734,294     | (6,734,294)                  |
| Total Expenditures                                  | 40,449,658    | -                            |
| <b>Excess of Revenues Over (Under) Expenditures</b> |               |                              |
| Actual Amounts (Budgetary Basis)                    | 4,353,617     | (3,688,822)                  |
| Reclassification of Special Education               | (3,688,822)   | 3,688,822                    |
| Excess of Revenues Over (Under) Expenditures        | 664,795       | -                            |
| <b>Other Financing Sources (Uses)</b>               |               |                              |
| Actual Amounts (Budgetary Basis)                    | (4,339,305)   | 3,688,822                    |
| Reclassification of Special Education               | 3,688,822     | (3,688,822)                  |
| Total Other Financing Sources (Uses)                | (650,483)     | -                            |
| <b>Net Change in Fund Balance</b>                   |               |                              |
| Actual Amounts (Budgetary Basis)                    | 14,312        | -                            |
| <b>Fund Balance - Beginning of Year</b>             |               |                              |
| Actual Amounts (Budgetary Basis)                    | 8,642,978     | -                            |
| <b>Fund Balance - End of Year</b>                   |               |                              |
| Actual Amounts (Budgetary Basis)                    | \$ 8,657,290  | \$ -                         |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

**NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

**Excess of Expenditure over Budget Appropriations**

The Following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended June 30, 2023, as follows:

| Funds                               | Excess<br>Expenditures |
|-------------------------------------|------------------------|
| General Fund                        |                        |
| Support Services:                   |                        |
| Operations and Maintenance of Plant | \$ 207,158             |
| Pupil Transportation Services       | 38,874                 |
| Debt Service:                       |                        |
| Principal                           | 99,184                 |
| Nonprogram:                         |                        |
| Adjustments and Refunds             | 45,763                 |
| Voucher Payments                    | 131,051                |
| Special Education Fund              |                        |
| Support Services:                   |                        |
| Business Services                   | 23,904                 |
| Nonprogram:                         |                        |
| Special Education Tuition Payments  | 71,702                 |
| Head Start Project Fund             |                        |
| Instruction:                        |                        |
| Regular Instruction                 | 44,882                 |
| Support Services:                   |                        |
| Pupil Services                      | 3,057                  |
| Instructional Staff Services        | 4,946                  |
| Operations and Maintenance of Plant | 50,436                 |
| Other Support Services              | 798                    |

## **SUPPLEMENTARY INFORMATION**



**MERRILL AREA PUBLIC SCHOOL DISTRICT  
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

| ASSETS                                | Special Revenue |                      |                 |
|---------------------------------------|-----------------|----------------------|-----------------|
|                                       | Donations       | Community<br>Service | Food<br>Service |
| Cash and Investments                  | \$ 1,586,085    | \$ -                 | \$ 455,461      |
| Receivables                           | -               | -                    | 19,148          |
| Due from Other Funds                  | -               | -                    | -               |
| Due from Other Governments            | -               | -                    | 10,708          |
|                                       | \$ 1,586,085    | \$ -                 | \$ 485,317      |
| <b>LIABILITIES AND FUND BALANCES</b>  |                 |                      |                 |
| <b>LIABILITIES</b>                    |                 |                      |                 |
| Accrued and Other Current Liabilities | \$ -            | \$ 10,377            | \$ -            |
| Due to Other Funds                    | -               | 20,921               | -               |
| Deposits Payable                      | -               | -                    | 8               |
| Total Liabilities                     | -               | 31,298               | 8               |
| <b>FUND BALANCES</b>                  |                 |                      |                 |
| Restricted                            | 1,586,085       | -                    | 485,309         |
| Unassigned                            | -               | (31,298)             | -               |
| Total Fund Balances                   | 1,586,085       | (31,298)             | 485,309         |
| Total Liabilities and Fund Balances   | \$ 1,586,085    | \$ -                 | \$ 485,317      |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2023**

|                                       | Debt Service                  |                            | Long-Term<br>Capital<br>Improvement | Total<br>Nonmajor<br>Governmental<br>Funds |
|---------------------------------------|-------------------------------|----------------------------|-------------------------------------|--|
|                                       | Nonreferendum<br>Debt Service | Referendum<br>Debt Service |                                     |  |
| <b>ASSETS</b>                         |                               |                            |                                     |  |
| Cash and Investments                  | \$ -                          | \$ 59,524                  | \$ 1,128,747                        | \$ 3,229,817                               |
| Receivables                           | -                             | -                          | -                                   | 19,148                                     |
| Due from Other Funds                  | -                             | -                          | 500,000                             | 500,000                                    |
| Due from Other Governments            | -                             | -                          | -                                   | 10,708                                     |
|                                       | -                             | -                          | -                                   | 10,708                                     |
| Total Assets                          | \$ -                          | \$ 59,524                  | \$ 1,628,747                        | \$ 3,759,673                               |
| <b>LIABILITIES AND FUND BALANCES</b>  |                               |                            |                                     |  |
| <b>LIABILITIES</b>                    |                               |                            |                                     |  |
| Accrued and Other Current Liabilities | \$ -                          | \$ -                       | \$ -                                | \$ 10,377                                  |
| Due to Other Funds                    | -                             | -                          | -                                   | 20,921                                     |
| Deposits Payable                      | -                             | -                          | -                                   | 8  |
| Total Liabilities                     | -                             | -                          | -                                   | 31,306                                     |
| <b>FUND BALANCES</b>                  |                               |                            |                                     |  |
| Restricted                            | -                             | 59,524                     | 1,628,747                           | 3,759,665                                  |
| Unassigned                            | -                             | -                          | -                                   | (31,298)                                   |
| Total Fund Balances                   | -                             | 59,524                     | 1,628,747                           | 3,728,367                                  |
| Total Liabilities and Fund Balances   | \$ -                          | \$ 59,524                  | \$ 1,628,747                        | \$ 3,759,673                               |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023**

|   | Special Revenue     |                      |                   |
|---|---------------------|----------------------|-------------------|
|   | Donations           | Community<br>Service | Food<br>Service   |
| <b>REVENUES</b>   |                     |                      |                   |
| Property Taxes  | \$ -                | \$ 225,000           | \$ -              |
| Other Local Sources                                     | 506,125             | 22,794               | 484,385           |
| State Sources   | -                   | -                    | 14,492            |
| Federal Sources   | -                   | -                    | 787,405           |
| Other Sources   | -                   | -                    | -                 |
| Total Revenues  | <u>506,125</u>      | <u>247,794</u>       | <u>1,286,282</u>  |
| <b>EXPENDITURES</b>                                     |                     |                      |                   |
| Instruction:  |                     |                      |                   |
| Regular Instruction                                     | 42,229              | -                    | -                 |
| Vocational Instruction                                  | 48,921              | -                    | -                 |
| Other Instruction                                       | 261,965             | -                    | -                 |
| Total Instruction                                       | <u>353,115</u>      | <u>-</u>             | <u>-</u>          |
| Support Services:                                       |                     |                      |                   |
| Pupil Services  | 11,333              | -                    | -                 |
| School Administration Services                          | 7,055               | -                    | -                 |
| Operations and Maintenance of Plant                     | 9,655               | 29,602               | 15,556            |
| Pupil Transportation Services                           | 3,259               | 13,900               | -                 |
| Food Service  | -                   | -                    | 1,321,288         |
| Central Services  | -                   | -                    | 10                |
| Total Support Services                                  | <u>31,302</u>       | <u>43,502</u>        | <u>1,336,854</u>  |
| Debt Service:   |                     |                      |                   |
| Principal   | -                   | -                    | -                 |
| Interest and Fiscal Charges                             | -                   | -                    | -                 |
| Total Debt Service                                      | <u>-</u>            | <u>-</u>             | <u>-</u>          |
| Community Service                                       | -                   | 245,990              | -                 |
| Nonprogram:   |                     |                      |                   |
| Adjustments and Refunds                                 | -                   | -                    | 39,396            |
| Post-Secondary Scholarship Expenditures                 | 73,050              | -                    | -                 |
| Total Nonprogram  | <u>73,050</u>       | <u>-</u>             | <u>39,396</u>     |
| Total Expenditures                                      | <u>457,467</u>      | <u>289,492</u>       | <u>1,376,250</u>  |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | 48,658              | (41,698)             | (89,968)          |
| <b>OTHER FINANCING SOURCES</b>                          |                     |                      |                   |
| Transfers In  | -                   | -                    | 39,730            |
| <b>NET CHANGE IN FUND BALANCES</b>                      | 48,658              | (41,698)             | (50,238)          |
| Fund Balances - July 1                                  | <u>1,537,427</u>    | <u>10,400</u>        | <u>535,547</u>    |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ 1,586,085</u> | <u>\$ (31,298)</u>   | <u>\$ 485,309</u> |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

|   | Debt Service                  |                            |                                     | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-------------------------------|----------------------------|-------------------------------------|--|
|   | Nonreferendum<br>Debt Service | Referendum<br>Debt Service | Long-Term<br>Capital<br>Improvement |  |
| <b>REVENUES</b>   |                               |                            |                                     |  |
| Property Taxes  | \$ -                          | \$ -                       | \$ -                                | \$ 225,000                                 |
| Other Local Sources                                     | 173                           | -                          | 56,783                              | 1,070,260                                  |
| State Sources   | -                             | -                          | -                                   | 14,492                                     |
| Federal Sources   | -                             | -                          | -                                   | 787,405                                    |
| Other Sources   | -                             | 425                        | -                                   | 425  |
| Total Revenues  | 173                           | 425                        | 56,783                              | 2,097,582                                  |
| <b>EXPENDITURES</b>                                     |                               |                            |                                     |  |
| Instruction:  |                               |                            |                                     |  |
| Regular Instruction                                     | -                             | -                          | -                                   | 42,229                                     |
| Vocational Instruction                                  | -                             | -                          | -                                   | 48,921                                     |
| Other Instruction                                       | -                             | -                          | -                                   | 261,965                                    |
| Total Instruction                                       | -                             | -                          | -                                   | 353,115                                    |
| Support Services:                                       |                               |                            |                                     |  |
| Pupil Services  | -                             | -                          | -                                   | 11,333                                     |
| School Administration Services                          | -                             | -                          | -                                   | 7,055                                      |
| Operations and Maintenance of Plant                     | -                             | -                          | 808,983                             | 863,796                                    |
| Pupil Transportation Services                           | -                             | -                          | -                                   | 17,159                                     |
| Food Service  | -                             | -                          | -                                   | 1,321,288                                  |
| Central Services  | -                             | -                          | -                                   | 10   |
| Total Support Services                                  | -                             | -                          | 808,983                             | 2,220,641                                  |
| Debt Service:   |                               |                            |                                     |  |
| Principal   | 109,386                       | -                          | -                                   | 109,386                                    |
| Interest and Fiscal Charges                             | 1,540                         | -                          | -                                   | 1,540                                      |
| Total Debt Service                                      | 110,926                       | -                          | -                                   | 110,926                                    |
| Community Service                                       | -                             | -                          | -                                   | 245,990                                    |
| Nonprogram:   |                               |                            |                                     |  |
| Adjustments and Refunds                                 | -                             | -                          | -                                   | 39,396                                     |
| Post-Secondary Scholarship Expenditures                 | -                             | -                          | -                                   | 73,050                                     |
| Total Nonprogram  | -                             | -                          | -                                   | 112,446                                    |
| Total Expenditures                                      | 110,926                       | -                          | 808,983                             | 3,043,118                                  |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (110,753)                     | 425                        | (752,200)                           | (945,536)                                  |
| <b>OTHER FINANCING SOURCES</b>                          |                               |                            |                                     |  |
| Transfers In  | 110,753                       | -                          | 500,000                             | 650,483                                    |
| <b>NET CHANGE IN FUND BALANCES</b>                      | -                             | 425                        | (252,200)                           | (295,053)                                  |
| Fund Balances - July 1                                  | -                             | 59,099                     | 1,880,947                           | 4,023,420                                  |
| <b>FUND BALANCES - END OF YEAR</b>                      | \$ -                          | \$ 59,524                  | \$ 1,628,747                        | \$ 3,728,367                               |

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOL AUTHORIZER SERVICES AND COSTS  
YEAR ENDED JUNE 30, 2023**

|                              | Function |            |
|------------------------------|----------|------------|
| <b>SERVICES PROVIDED</b>     |          |            |
| Pupil Services               | 210000   | \$ 6,772   |
| Instructional Staff Services | 220000   | 33,700     |
| General Administration       | 230000   | 94,036     |
| Business Administration      | 250000   | 72,796     |
| Insurances                   | 270000   | 48,178     |
| Total Services Provided      |          | \$ 255,482 |
| <br>                         |          |            |
|                              | Object   |            |
| <b>OPERATING ACTIVITY</b>    |          |            |
| Employee Salaries            | 100      | \$ 117,140 |
| Employee Benefits            | 200      | 68,802     |
| Purchased Services           | 300      | 6,772      |
| Noncapital Objects           | 400      | 14,590     |
| Insurance                    | 700      | 48,178     |
| Total Operating Activity     |          | \$ 255,482 |

**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***

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 Merrill Area Public School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Merrill Area Public School District's basic financial statements, and have issued our report thereon dated December 7, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Merrill Area Public School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Merrill Area Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Merrill Area Public School District’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Merrill Area Public School District’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Merrill Area Public School District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Wausau, Wisconsin  
December 7, 2023



## **FEDERAL AND STATE AWARDS**



**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***

Board of Education  
Merrill Area Public School District  
Merrill, Wisconsin

**Report on Compliance for Each Major Federal and State Program**

***Opinion on Each Major Federal and State Program***

We have audited Merrill Area Public School District's compliance with the types of compliance requirements identified as subject to audit in the 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 Merrill Area Public School District's major federal and state programs for the year ended June 30, 2023. 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.

In our opinion, Merrill Area Public School District complied, in all material respects, with the 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, 2023.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Our responsibilities under those standards, the Uniform Guidance, and the *State Single Audit Guidelines* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *State Single Audit Guidelines* we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Merrill Area Public School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Merrill Area Public School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of Merrill Area Public School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

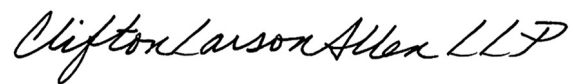
### **Report on Internal Control Over Compliance**

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

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

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Wausau, Wisconsin  
December 7, 2023

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

| Federal Grantor/Program or Cluster Title                | Federal Assistance Listing Number | Pass-Through Agency | Pass-Through Entity Identifying Number | (Accrued) Deferred Revenue 7/1/22 | Cash Received (Refunded) | Accrued (Deferred) Revenue 6/30/23 | Total Expenditures | Subrecipient Payments |
|---|-----------------------------------|---------------------|--|-----------------------------------|--------------------------|------------------------------------|--------------------|-----------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                   |                                   |                     |  |                                   |                          |                                    |                    |                       |
| <i>Child Nutrition Cluster</i>                          |                                   |                     |  |                                   |                          |                                    |                    |                       |
| School Breakfast Program                                | 10.553                            | WI DPI              | 2023-353500-DPI-SB-SERVE-546           | \$ -                              | \$ 95,903                | \$ -                               | \$ 95,903          | \$ -                  |
| National School Lunch Program                           | 10.555                            | WI DPI              | 2023-353500-DPI-NSL-547                | -                                 | 572,526                  | -                                  | 572,526            | -                     |
| National School Lunch Program                           | 10.555                            | WI DPI              | 2023-353500-DPI-SK_NSAL-566            | -                                 | 3,018                    | -                                  | 3,018              | -                     |
| National School Lunch Program - Donated Commodities     | 10.555                            | WI DPI              | N/A                                    | -                                 | 77,085                   | -                                  | 77,085             | -                     |
| Total National School Lunch Program                     |                                   |                     |  | -                                 | 652,629                  | -                                  | 652,629            | -                     |
| Summer Food Service Program for Children                | 10.559                            | WI DPI              | 2023-353500-DPI-SFSP-566               | (16,205)                          | 19,759                   | 10,708                             | 14,262             | -                     |
| Total Child Nutrition Cluster                           |                                   |                     |  | (16,205)                          | 768,291                  | 10,708                             | 762,794            | -                     |
| Child and Adult Care Food Program                       | 10.558                            | WI DPI              | 2022-353500-DPI-CCI-561                | -                                 | 24,611                   | -                                  | 24,611             | -                     |
| Total U.S. Department of Agriculture                    |                                   |                     |  | (16,205)                          | 792,902                  | 10,708                             | 787,405            | -                     |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                     |                                   |                     |  |                                   |                          |                                    |                    |                       |
| Title I Grants to Local Educational Agencies            | 84.010A                           | WI DPI              | 2023-353500-DPI-TI-A-141               | (208,551)                         | 348,534                  | 222,523                            | 362,506            | -                     |
| <i>Special Education Cluster (IDEA)</i>                 |                                   |                     |  |                                   |                          |                                    |                    |                       |
| Special Education Grants to States                      | 84.027A                           | WI DPI              | 2023-353500-DPI-Flow-341               | (1,048,771)                       | 1,048,771                | 668,389                            | 668,389            | -                     |
| COVID-19 Special Education Grants to States             | 84.027A                           | WI DPI              | 2023-353500-DPI-Flow-341               | (156,282)                         | 156,282                  | -                                  | -                  | -                     |
| Total Special Education Grants to States                |                                   |                     |  | (1,205,053)                       | 1,205,053                | 668,389                            | 668,389            | -                     |
| Special Education Preschool Grants                      | 84.173A                           | WI DPI              | 2023-353500-DPI-PRESCH-347             | (34,646)                          | 34,646                   | 26,578                             | 26,578             | -                     |
| Total Special Education Cluster (IDEA)                  |                                   |                     |  | (1,239,699)                       | 1,239,699                | 694,967                            | 694,967            | -                     |
| Career and Technical Education - Basic Grants to States | 84.048                            | WI DPI              | 2023-353500-DPI-CTE-400                | (15,534)                          | 26,886                   | 14,286                             | 25,638             | -                     |
| Twenty-First Century Community Learning Centers         | 84.287A                           | WI DPI              | 2023-353500-DPI-TIIA-365               | (103,045)                         | 103,045                  | 61,927                             | 61,927             | -                     |
| Supporting Effective Instruction State Grants           | 84.367A                           | WI DPI              | 2023-353500-DPI-TIIA-365               | (50,387)                          | 111,029                  | 42,314                             | 102,956            | -                     |
| Title IV-A Private                                      | 84.424A                           | WI DPI              | 2023-353500-DPI-TIVA-381               | (4,438)                           | 18,467                   | 16,294                             | 30,323             | -                     |
| COVID 19 - Education Stabilization Fund                 | 84.425D                           | WI DPI              | 2022-353500-DPI-ESSERF-160             | (5,170)                           | 5,253                    | -                                  | 83                 | -                     |
| COVID 19 - Education Stabilization Fund                 | 84.425D                           | WI DPI              | 2022-353500-DPI-ESSERFII-163           | (459,449)                         | 507,933                  | 92,567                             | 141,051            | -                     |
| COVID 19 - Education Stabilization Fund                 | 84.425U                           | WI DPI              | 2022-353500-DPI-ESSERFIII-165          | -                                 | 1,053,500                | 433,570                            | 1,487,070          | -                     |
| COVID 19 - Education Stabilization Fund                 | 84.425U                           | WI DPI              | 2023-353500-DPI-LETRS-165              | -                                 | -                        | 3,449                              | 3,449              | -                     |
| Total COVID 19 - Education Stabilization Fund           |                                   |                     |  | (464,619)                         | 1,566,686                | 529,586                            | 1,631,653          | -                     |
| Total U.S. Department of Education                      |                                   |                     |  | (2,086,273)                       | 3,414,346                | 1,581,897                          | 2,909,970          | -                     |

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

| Federal Grantor/Program or Cluster Title            | Federal Assistance Listing Number | Pass-Through Agency | Pass-Through Entity Identifying Number | (Accrued) Deferred Revenue 7/1/22 | Cash Received (Refunded) | Accrued (Deferred) Revenue 6/30/23 | Total Expenditures  | Subrecipient Payments |
|---|-----------------------------------|---------------------|--|-----------------------------------|--------------------------|------------------------------------|---------------------|-----------------------|
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> |                                   |                     |  |                                   |                          |                                    |                     |                       |
| <i>Head Start Cluster</i>                           |                                   |                     |  |                                   |                          |                                    |                     |                       |
| Head Start  | 93.600                            | Direct Program      | n/a                                    | \$ (816,555)                      | \$ 816,555               | \$ 844,865                         | \$ 844,865          | \$ -                  |
| <i>Medicaid Cluster</i>                             |                                   |                     |  |                                   |                          |                                    |                     |                       |
| Medical Assistance Program                          | 93.778                            | CESA #9             | 44236800                               | <u>(47,132)</u>                   | <u>427,233</u>           | -                                  | <u>380,101</u>      | -                     |
| Total U.S. Department of Health and Human Services  |                                   |                     |  | <u>(863,687)</u>                  | <u>1,243,788</u>         | <u>844,865</u>                     | <u>1,224,966</u>    | -                     |
| Total Expenditures of Federal Awards                |                                   |                     |  | <u>\$ (2,966,165)</u>             | <u>\$ 5,451,036</u>      | <u>\$ 2,437,470</u>                | <u>\$ 4,922,341</u> | <u>\$ -</u>           |
| Reconciliation to the Basic Financial Statements    |                                   |                     |  |                                   |                          |                                    |                     |                       |
| Federal Sources                                     |                                   |                     |  |                                   |                          |                                    | \$ 4,805,729        |                       |
| Federal Awards Included in Intermediate Sources     |                                   |                     |  |                                   |                          |                                    | 380,101             |                       |
| Less: Non - Single Audit Awards                     |                                   |                     |  |                                   |                          |                                    | <u>(263,489)</u>    |                       |
| Total Expenditures of Federal Awards                |                                   |                     |  |                                   |                          |                                    | <u>\$ 4,922,341</u> |                       |

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

| Grantor Agency/State Program Title                   | State I.D.<br>Number | Pass-Through<br>Agency         | State<br>Identifying<br>Number | (Accrued)<br>Deferred<br>Revenue<br>7/1/22 | Cash<br>Received<br>(Refunded) | Accrued<br>(Deferred)<br>Revenue<br>6/30/23 | Total<br>Expenditures | Subrecipient<br>Payments |
|--|----------------------|--------------------------------|--------------------------------|--|--------------------------------|---|-----------------------|--------------------------|
| <b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>    |                      |                                |                                |  |                                |   |                       |                          |
| Special Education and School Age Parents             | 255.101              | Direct Program                 | 353500-100                     | \$ -                                       | \$ 1,685,312                   | \$ -  | \$ 1,685,312          | \$ -                     |
| Special Education and School Age Parents             | 255.101              | CESA #9                        | 44236800                       | -  | 9,600                          | -   | 9,600                 | -                        |
| Total Special Education and School Age Parents       |                      |                                |                                | -  | 1,694,912                      | -   | 1,694,912             | -                        |
| State School Lunch Aid                               | 255.102              | Direct Program                 | 353500-107                     | -  | 10,630                         | -   | 10,630                | -                        |
| Common School Fund Library Aid                       | 255.103              | Direct Program                 | 353500-104                     | -  | 158,406                        | -   | 158,406               | -                        |
| General Transportation Aid                           | 255.107              | Direct Program                 | 353500-102                     | -  | 116,718                        | -   | 116,718               | -                        |
| Equalization Aids                                    | 255.201              | Direct Program                 | 353500-116                     | -  | 18,253,545                     | -   | 18,253,545            | -                        |
| Peer Review and Mentoring                            | 255.301              | Direct Program                 | 353500-141                     | -  | 25,000                         | -   | 25,000                | -                        |
| Head Start Supplement                                | 255.327              | Direct Program                 | 353500-145                     | (27,832)                                   | 27,832                         | 27,832                                      | 27,832                | -                        |
| State School Breakfast Aid                           | 255.344              | Direct Program                 | 353500-108                     | -  | 3,862                          | -   | 3,862                 | -                        |
| Early College Credit Program                         | 255.445              | Direct Program                 | 353500-178                     | -  | 4,773                          | -   | 4,773                 | -                        |
| Achievement Gap Reduction                            | 255.504              | Direct Program                 | 353500-160                     | -  | 708,011                        | -   | 708,011               | -                        |
| Educator Effective Evaluation System                 | 255.940              | Direct Program                 | 353500-154                     | -  | 22,000                         | -   | 22,000                | -                        |
| Per Pupil Aid  | 255.945              | Direct Program                 | 353500-113                     | -  | 1,744,442                      | -   | 1,744,442             | -                        |
| High Cost Transportation Aid                         | 255.947              | Direct Program                 | 353500-114                     | -  | 318,970                        | -   | 318,970               | -                        |
| Career and Technical Education Incentive Grants      | 255.950              | Direct Program                 | 353500-151                     | (41,353)                                   | 82,268                         | -   | 40,915                | -                        |
| Assessments of Reading Readiness                     | 255.956              | Direct Program                 | 353500-166                     | -  | 5,175                          | -   | 5,175                 | -                        |
| Total Wisconsin Department of Public Instruction     |                      |                                |                                | (69,185)                                   | 23,176,544                     | 27,832                                      | 23,135,191            | -                        |
| <b>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</b> |                      |                                |                                |  |                                |   |                       |                          |
| Youth Apprenticeship Grant                           | 445.112              | Northcentral Technical College | N/A                            | (63,556)                                   | 63,556                         | 91,300                                      | 91,300                | -                        |
| <b>WISCONSIN DEPARTMENT OF JUSTICE</b>               |                      |                                |                                |  |                                |   |                       |                          |
| School Safety Grant                                  | 455.206              | Direct Program                 | 12964                          | -  | 17,861                         | 17,861                                      | 35,722                | -                        |
| Total Expenditures of State Awards                   |                      |                                |                                | \$ (132,741)                               | \$ 23,257,961                  | \$ 136,993                                  | \$ 23,262,213         | \$ -                     |
| Reconciliation to the Basic Financial Statements     |                      |                                |                                |  |                                |   |                       |                          |
| State Sources  |                      |                                |                                |  |                                |   | \$ 23,286,088         |                          |
| Less: State Sources not Considered State Awards      |                      |                                |                                |  |                                |   | (124,775)             |                          |
| State Awards Included in Intermediate Sources        |                      |                                |                                |  |                                |   | 100,900               |                          |
| Total Expenditures of State awards                   |                      |                                |                                |  |                                |   | <u>\$ 23,262,213</u>  |                          |

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal and state awards for the Merrill Area Public School District are 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.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2023 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

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

**NOTE 3 FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

**NOTE 4 OVERSIGHT AGENCIES**

The federal and state oversight agencies for the District are as follows:

Federal – U.S. Department of Health and Human Services  
State – Wisconsin Department of Public Instruction

**NOTE 5 PASS-THROUGH ENTITIES**

Federal awards have been passed through the following entities:

WI DPI – Wisconsin Department of Public Instruction  
CESA #9 – Cooperative Educational Services Agency  
Northcentral Technical College



**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes       x       no
  - Significant deficiency(ies) identified?       x       yes \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes       x       no

**Federal Awards**

1. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes       x       no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes       x       none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes       x       no

**Identification of Major Federal Programs:**

**Assistance**

**Listing Number(s)**

10.553

10.555

10.559

84.425D

84.425U

**Name of Federal Program or Cluster**

*Child Nutrition Cluster (CNC)*

School Breakfast Program

National School Lunch Program

Summer Food Service Program for Children

Education Stabilization Fund

Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

      \$750,000      

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes       X       no

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2023**

**Section I – Summary of Auditors’ Results (Continued)**

**State Awards**

1. Internal control over state programs:

- Material weakness(es) identified?      \_\_\_\_\_ yes            x       no
- Significant deficiency(ies) identified      \_\_\_\_\_ yes            x       none reported

2. Type of auditors’ report issued on compliance for major state programs:      Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*?      \_\_\_\_\_ yes            x       no

**Identification of Major State Programs:**

**State ID Number(s)**

**Name of State Program**

|  |   |
|--|---|
| 255.101<br>255.201<br>255.107<br>255.504<br>255.945<br>255.947 | Special Education and School Age Parents<br>Equalization Aids<br>General Transportation Aid<br>Achievement Gap Reduction<br>Per Pupil Aid<br>High Cost Transportation |
|--|---|

Dollar threshold used to distinguish between Type A and Type B programs:      \$       250,000      

Auditee qualified as low-risk auditee?      \_\_\_\_\_ yes            x       no

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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***Section II – Financial Statement Findings***

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**2023-001 Preparation of Annual Financial Report**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**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 format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the District had implemented a comprehensive review procedure to ensure that the financial statements, including note disclosures, are complete and accurate.

**Criteria or Specific Requirement:** 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 or other required state financial reports.

**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.

**Repeat Finding:** Repeat of Finding 2022-002

**Recommendation:** We recommend the District continue reviewing the annual financial report. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the District's activities and operations. 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.

**Views of responsible officials and planned corrective actions:** Refer to the management response per the corrective action plan.

**MERRILL AREA PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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**Section III – Federal and State Award Findings and Questioned Costs**

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a) or *State Single Audit Guidelines*.

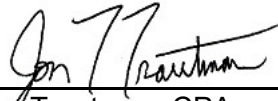
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**Section IV – Other Issues**

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1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No
2. Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
- |                                     |    |
|-------------------------------------|----|
| Department of Health Services       | No |
| Department of Public Instruction    | No |
| Department of Workforce Development | No |
| Department of Justice               | No |
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner

  
\_\_\_\_\_  
Jon Trautman, CPA

5. Date of report

December 7, 2023



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.