

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

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2013**

**MERRILL AREA PUBLIC SCHOOL DISTRICT**

Merrill, Wisconsin

June 30, 2013

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**MERRILL AREA PUBLIC SCHOOL DISTRICT**

Merrill, Wisconsin

June 30, 2013

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## **Opinions**

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

## **Emphasis of Matter**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 32 through 35 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

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

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

### **Report on Summarized Financial Information**

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

### **Report Issued in Accordance with *Government Auditing Standards***

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



Certified Public Accountants  
Green Bay, Wisconsin  
January 6, 2014

## **BASIC FINANCIAL STATEMENTS**

**MERRILL AREA PUBLIC SCHOOL DISTRICT**

Merrill, Wisconsin

Statement of Net Position

June 30, 2013

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

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

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

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

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

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

Change in net position

Net position - July 1, restated

Cumulative effect of change in accounting principle

Net position - June 30

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

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

**MERRILL AREA PUBLIC SCHOOL DISTRICT**

Merrill, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2013

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

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

(Continued)

