

Merrill Area Public School District
Merrill, Wisconsin

ANNUAL FINANCIAL REPORT

June 30, 2019



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Merrill Area Public School District

Merrill, Wisconsin

JUNE 30, 2019

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Merrill Area Public School District

Merrill, Wisconsin

JUNE 30, 2019

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

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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 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, 2019, 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 from material misstatement.

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 34 through 38 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and schedule of expenditures of state awards 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Summarized Financial Information

The 2018 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated December 1, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, the major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, 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.

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

CliftonLarsonAllen LLP

Green Bay, Wisconsin
November 27, 2019

BASIC FINANCIAL STATEMENTS

Merrill Area Public School District

Merrill, Wisconsin

STATEMENT OF NET POSITION

JUNE 30, 2019

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

| | Governmental Activities | |
|---|--------------------------------|----------------------|
| | 2019 | 2018 |
| ASSETS | | |
| Cash and investments | \$ 7,970,791 | \$ 6,009,991 |
| Receivables | | |
| Taxes | 2,759,637 | 2,669,708 |
| Accounts | 131,158 | 109,870 |
| Due from other governments | 2,098,255 | 1,453,292 |
| Inventories and prepaid items | 16,148 | 2,196 |
| Net pension asset | - | 3,496,654 |
| Capital assets | | |
| Nondepreciable | 1,256,000 | 1,561,811 |
| Depreciable, net | 23,154,944 | 22,550,181 |
| Total assets | <u>37,386,933</u> | <u>37,853,703</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related amounts | 10,655,936 | 5,841,840 |
| Other postemployment related amounts | 1,823,837 | 873,382 |
| Total deferred outflows of resources | <u>12,479,773</u> | <u>6,715,222</u> |
| LIABILITIES | | |
| Short-term notes payable | 6,000,000 | 2,400,000 |
| Accounts payable | 1,097,502 | 1,039,001 |
| Accrued and other current liabilities | 171,473 | 486,383 |
| Accrued interest payable | 16,930 | 49,574 |
| Unearned revenues | 1,806 | 8,329 |
| Deposits payable | 124,095 | 109,438 |
| Long-term obligations | | |
| Due in one year | 498,299 | 245,000 |
| Due in more than one year | 2,617,971 | 2,339,713 |
| Other postemployment benefits liability | | |
| Due in one year | 770,000 | 1,085,000 |
| Due in more than one year | 4,481,835 | 3,918,350 |
| Net pension liability | 4,121,593 | - |
| Total liabilities | <u>19,901,504</u> | <u>11,680,788</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related amounts | 5,693,981 | 6,912,993 |
| Other postemployment related amounts | 584,511 | 645,202 |
| Total deferred inflows of resources | <u>6,278,492</u> | <u>7,558,195</u> |
| NET POSITION | | |
| Net investment in capital assets | 23,005,944 | 21,154,795 |
| Restricted | 540,580 | 3,760,200 |
| Unrestricted | 140,186 | 414,947 |
| Total net position | <u>\$ 23,686,710</u> | <u>\$ 25,329,942</u> |

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, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction | \$ 22,926,406 | \$ 58,651 | \$ 8,636,233 | \$ - |
| Support services | 18,819,512 | 639,241 | 1,909,626 | 22,000 |
| Community services | 68,762 | 14,141 | - | - |
| Non-program | 1,643,160 | 63,554 | 432,512 | - |
| Interest and fiscal charges | 172,433 | - | - | - |
| Total governmental activities | \$ 43,630,273 | \$ 775,587 | \$ 10,978,371 | \$ 22,000 |

General revenues
 Property taxes
 Other taxes
 State and federal aids not restricted to specific functions
 Interest and investment earnings
 Gain on disposal of capital assets
 Miscellaneous

Total general revenues

Change in net position

Net position - July 1

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

| 2019 | 2018 |
|----------------------|----------------------|
| \$ (14,231,522) | \$ (13,176,823) |
| (16,248,645) | (13,962,090) |
| (54,621) | (141,727) |
| (1,147,094) | (1,040,197) |
| (172,433) | (238,822) |
| <u>(31,854,315)</u> | <u>(28,559,659)</u> |
| 10,880,283 | 10,671,222 |
| 37,999 | 39,164 |
| 18,842,487 | 18,641,191 |
| 35,742 | 30,784 |
| 21,005 | - |
| 393,567 | 273,172 |
| <u>30,211,083</u> | <u>29,655,533</u> |
| (1,643,232) | 1,095,874 |
| <u>25,329,942</u> | <u>24,234,068</u> |
| <u>\$ 23,686,710</u> | <u>\$ 25,329,942</u> |

Merrill Area Public School District

Merrill, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

| | General | Other Governmental Funds | Totals | |
|---------------------------------------|-----------------------------|--------------------------------|-----------------------------|-----------------------------|
| | | | 2019 | 2018 |
| ASSETS | | | | |
| Cash and investments | \$ 7,061,226 | \$ 909,565 | \$ 7,970,791 | \$ 6,009,991 |
| Receivables | | | | |
| Taxes | 2,759,637 | - | 2,759,637 | 2,669,708 |
| Accounts | 79,191 | 51,967 | 131,158 | 109,870 |
| Due from other funds | 566,517 | 40,826 | 607,343 | 411,180 |
| Due from other governments | 1,457,109 | 641,146 | 2,098,255 | 1,453,292 |
| Inventories and prepaid items | 16,068 | 80 | 16,148 | 2,196 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 11,939,748</u> | <u>\$ 1,643,584</u> | <u>\$ 13,583,332</u> | <u>\$ 10,656,237</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Short-term notes payable | \$ 6,000,000 | \$ - | \$ 6,000,000 | \$ 2,400,000 |
| Accounts payable | 582,329 | 515,173 | 1,097,502 | 1,039,001 |
| Accrued and other current liabilities | 169,156 | 2,317 | 171,473 | 486,383 |
| Accrued interest payable | - | - | - | 30,133 |
| Due to other funds | 40,826 | 566,517 | 607,343 | 411,180 |
| Unearned revenues | 1,806 | - | 1,806 | 8,329 |
| Deposits payable | 122,028 | 2,067 | 124,095 | 109,438 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>6,916,145</u> | <u>1,086,074</u> | <u>8,002,219</u> | <u>4,484,464</u> |
| Fund balances | | | | |
| Nonspendable | 16,068 | 80 | 16,148 | 2,196 |
| Restricted | - | 557,510 | 557,510 | 409,356 |
| Committed | - | - | - | 151,590 |
| Assigned | 110,831 | - | 110,831 | 755,275 |
| Unassigned | 4,896,704 | (80) | 4,896,624 | 4,853,356 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>5,023,603</u> | <u>557,510</u> | <u>5,581,113</u> | <u>6,171,773</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 11,939,748</u> | <u>\$ 1,643,584</u> | <u>\$ 13,583,332</u> | <u>\$ 10,656,237</u> |

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

Merrill Area Public School District

Merrill, Wisconsin

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

| RECONCILIATION TO THE STATEMENT OF NET POSITION | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Total fund balances as shown on previous page | \$ 5,581,113 | \$ 6,171,773 |
| 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. | 24,410,944 | 24,111,992 |
| 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 | 10,655,936 | 5,841,840 |
| Deferred inflows related to pensions | (5,693,981) | (6,912,993) |
| Deferred outflows related to other postemployment benefits | 1,823,837 | 873,382 |
| Deferred inflows related to other postemployment benefits | (584,511) | (645,202) |
| Long-term asset is not considered available; therefore, is not reported in the funds: | | |
| Net pension asset | - | 3,496,654 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| Bonds and notes payable | (2,266,307) | (1,650,000) |
| Compensated absences | (849,963) | (934,713) |
| Other postemployment benefits liability | (5,251,835) | (5,003,350) |
| Net pension liability | (4,121,593) | - |
| Accrued interest on long-term obligations | (16,930) | (19,441) |
| Net position of governmental activities as reported on the statement of net position (see page 4) | <u>\$ 23,686,710</u> | <u>\$ 25,329,942</u> |

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

Merrill Area Public School District

Merrill, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

| | General | Other Governmental Funds | Totals | |
|--|---------------|--------------------------------|---------------|---------------|
| | | | 2019 | 2018 |
| REVENUES | | | | |
| Property taxes | \$ 10,423,795 | \$ 456,488 | \$ 10,880,283 | \$ 10,671,222 |
| Other local sources | 269,404 | 733,771 | 1,003,175 | 1,944,065 |
| Interdistrict sources | 5,151,481 | 49,407 | 5,200,888 | 4,981,803 |
| Intermediate sources | 349,417 | - | 349,417 | 292,679 |
| State sources | 21,646,986 | 17,472 | 21,664,458 | 21,306,923 |
| Federal sources | 1,145,239 | 1,469,154 | 2,614,393 | 2,868,000 |
| Other sources | 253,422 | - | 253,422 | 227,177 |
| Total revenues | 39,239,744 | 2,726,292 | 41,966,036 | 42,291,869 |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular instruction | 13,762,800 | 495,981 | 14,258,781 | 14,091,659 |
| Vocational instruction | 1,103,892 | - | 1,103,892 | 844,303 |
| Special education instruction | 4,538,546 | - | 4,538,546 | 4,484,513 |
| Other instruction | 1,751,620 | 93,167 | 1,844,787 | 1,690,477 |
| Total instruction | 21,156,858 | 589,148 | 21,746,006 | 21,110,952 |
| Support services | | | | |
| Pupil services | 1,352,377 | 23,295 | 1,375,672 | 1,395,461 |
| Instructional staff services | 1,665,874 | 86,674 | 1,752,548 | 1,849,790 |
| General administration services | 1,154,486 | 101,199 | 1,255,685 | 1,284,776 |
| School administration services | 1,797,662 | 982 | 1,798,644 | 1,778,309 |
| Business services | 390,132 | - | 390,132 | 376,616 |
| Operations and maintenance of plant | 4,124,593 | 1,807,791 | 5,932,384 | 4,104,937 |
| Pupil transportation services | 2,209,620 | 64,703 | 2,274,323 | 2,244,845 |
| Food services | - | 1,312,085 | 1,312,085 | 1,264,774 |
| Central services | 588,782 | 2,988 | 591,770 | 2,243,693 |
| Insurance | 260,247 | 650 | 260,897 | 281,813 |
| Other support services | 2,619,752 | 1,453 | 2,621,205 | 4,371 |
| Total support services | 16,163,525 | 3,401,820 | 19,565,345 | 16,829,385 |
| Debt service | | | | |
| Principal | - | 383,693 | 383,693 | 1,735,000 |
| Interest and fiscal charges | 81,210 | 93,734 | 174,944 | 245,752 |
| Total debt service | 81,210 | 477,427 | 558,637 | 1,980,752 |
| Community service | - | 64,553 | 64,553 | 153,516 |
| Non-program | | | | |
| General tuition payments | 1,056,140 | - | 1,056,140 | 1,112,196 |
| Special education tuition payments | 321,814 | - | 321,814 | 331,884 |
| Adjustments and refunds | 15,786 | - | 15,786 | 4,211 |
| Voucher payments | 249,420 | - | 249,420 | 180,720 |
| Total non-program | 1,643,160 | - | 1,643,160 | 1,629,011 |
| Total expenditures | 39,044,753 | 4,532,948 | 43,577,701 | 41,703,616 |
| Excess of revenues over (under) expenditures | 194,991 | (1,806,656) | (1,611,665) | 588,253 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term debt issued | - | 1,000,000 | 1,000,000 | - |
| Proceeds from sale of capital assets | 5,255 | 15,750 | 21,005 | - |
| Transfers in | - | 183,785 | 183,785 | 143,899 |
| Transfers out | (183,785) | - | (183,785) | (143,899) |
| Total other financing sources (uses) | (178,530) | 1,199,535 | 1,021,005 | - |
| Net change in fund balances | 16,461 | (607,121) | (590,660) | 588,253 |
| Fund balances - July 1 | 5,007,142 | 1,164,631 | 6,171,773 | 5,583,520 |
| Fund balances - June 30 | \$ 5,023,603 | \$ 557,510 | \$ 5,581,113 | \$ 6,171,773 |

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

Merrill Area Public School District

Merrill, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------|---------------------|
| RECONCILIATION TO THE STATEMENT OF ACTIVITIES | | |
| Net change in fund balances as shown on previous page | \$ (590,660) | \$ 588,253 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital assets reported as capital outlay reported in governmental fund statements | 1,180,219 | 438,443 |
| Depreciation expense reported in the statement of activities | (881,267) | (859,665) |
| Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| Long-term debt issued | (1,000,000) | - |
| Principal repaid | 383,693 | 1,735,000 |
| 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: | | |
| Accrued interest on long-term debt | 2,511 | 13,511 |
| Amortization of loss on advance refunding | - | (6,581) |
| Compensated absences | 84,750 | (38,116) |
| Net pension asset | (3,496,654) | 3,496,654 |
| Net pension liability | (4,121,593) | 976,929 |
| Deferred outflows of resources related to pensions | 4,814,096 | (1,095,900) |
| Deferred inflows of resources related to pensions | 1,219,012 | (3,819,806) |
| Other postemployment benefits | (248,485) | 343,175 |
| Deferred outflows of resources related to other postemployment benefits | 950,455 | (35,426) |
| Deferred inflows of resources related to other postemployment benefits | 60,691 | (640,597) |
| Change in net position of governmental activities as reported in the statement of activities (see pages 5 - 6) | <u>\$ (1,643,232)</u> | <u>\$ 1,095,874</u> |

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

Merrill Area Public School District

Merrill, Wisconsin

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

| | Private Purpose Trust | Employee Benefit Trust | Agency Pupil Activity | Totals | |
|------------------------------|-----------------------------|------------------------------|--------------------------|--------------|--------------|
| | | | | 2019 | 2018 |
| ASSETS | | | | | |
| Cash and investments | \$ 1,020,713 | \$ 17 | \$ 266,015 | \$ 1,286,745 | \$ 1,094,411 |
| Accounts receivable | - | - | 504 | 504 | 504 |
| Total assets | 1,020,713 | 17 | 266,519 | 1,287,249 | 1,094,915 |
| LIABILITIES | | | | | |
| Due to district | - | - | - | - | 25,985 |
| Due to student organizations | - | - | 266,519 | 266,519 | 206,836 |
| Total liabilities | - | - | 266,519 | 266,519 | 232,821 |
| NET POSITION | | | | | |
| Restricted | \$ 1,020,713 | \$ 17 | \$ - | \$ 1,020,730 | \$ 862,094 |

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

Merrill Area Public School District

Merrill, Wisconsin

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

| | Private Purpose Trust | Employee Benefit Trust | Totals | |
|-------------------------------|-----------------------------|------------------------------|---------------------|-------------------|
| | | | 2019 | 2018 |
| ADDITIONS | | | | |
| Other local sources | \$ 194,177 | \$ - | \$ 194,177 | \$ 298,342 |
| Investment earnings | 21,120 | 17 | 21,137 | 58,784 |
| Total additions | <u>215,297</u> | <u>17</u> | <u>215,314</u> | <u>357,126</u> |
| DEDUCTIONS | | | | |
| Trust fund disbursements | <u>56,678</u> | <u>-</u> | <u>56,678</u> | <u>807,031</u> |
| Change in net position | 158,619 | 17 | 158,636 | (449,905) |
| Net position - July 1 | <u>862,094</u> | <u>-</u> | <u>862,094</u> | <u>1,311,999</u> |
| Net position - June 30 | <u>\$ 1,020,713</u> | <u>\$ 17</u> | <u>\$ 1,020,730</u> | <u>\$ 862,094</u> |

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

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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 (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 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 fund:

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.

Additionally, the District reports the following fund types:

- ▶ The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.
- ▶ The *employee benefit trust fund* is used to account for resources legally held in trust for other postemployment benefits.
- ▶ The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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 is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 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.

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

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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.

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

| <u>Assets</u> | <u>Governmental Activities Years</u> |
|----------------------------|--|
| Land improvements | 20 |
| Buildings and improvements | 20 - 50 |
| Machinery and equipment | 5 - 20 |

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.

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

District policy allows employees to continue in the District's health insurance program after retirement as discussed below.

Support Staff: Unused accumulated sick leave (up to 90 days) is determined at retirement and a dollar amount is calculated based on ending pay rate. The amount determined is used to purchase insurance for the employee (and/or surviving spouse) until the employee becomes Medicare eligible or reaches age 65 whichever comes first.

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

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

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position 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. **Pensions**

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

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

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

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

13. 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. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

District-wide 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, 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.

F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

G. RECLASSIFICATIONS

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

NOTE 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. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

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

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

The carrying amount of the District's cash and investments totaled \$9,257,875 on June 30, 2019 as summarized below:

| | |
|---|---------------------|
| Deposits with financial institutions | \$ 9,257,180 |
| Investments | |
| Wisconsin Investment Series Cooperative | 339 |
| Fixed interest annuities | 17 |
| | <u>\$ 9,257,536</u> |

Reconciliation to the basic financial statements:

| | |
|---|---------------------|
| Government-wide statement of net position | |
| Cash and investments | \$ 7,970,791 |
| Fiduciary fund statement of net position | |
| Private purpose trust | 1,020,713 |
| Employee benefit trust | 17 |
| Agency fund | 266,015 |
| | <u>\$ 9,257,536</u> |

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. The District currently has no investments that are subject to fair value measurement.

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.

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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. 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, 2019, \$9,337 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

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. The District has no investments subject to credit risk.

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, 2019, 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.

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.

Investment in Fixed Interest Annuities

The District has established an employee benefit trust fund to pay retiree's post-retirement benefits. The trust has \$17 invested in the fixed interest annuities with American United Life Insurance Company® (AUL), a OneAmerica® company. These fixed interest annuities are back by AUL's general account assets. AUL bears the investment risk for the AUL Fixed Interest Account values and for paying interest.

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

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Investment in Wisconsin Investment Series Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$339 invested in the Investment Series. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

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 Cooperative 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 market value.

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|-------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, nondepreciable: | | | | |
| Land | \$ 1,256,000 | \$ - | \$ - | \$ 1,256,000 |
| Construction in progress | 305,811 | - | 305,811 | - |
| Total capital assets, nondepreciable | <u>1,561,811</u> | <u>-</u> | <u>305,811</u> | <u>1,256,000</u> |
| Capital assets, depreciable: | | | | |
| Land improvements | 3,339,152 | - | - | 3,339,152 |
| Buildings and improvements | 45,601,158 | 1,207,814 | - | 46,808,972 |
| Machinery and equipment | 2,355,809 | 278,216 | - | 2,634,025 |
| Subtotals | <u>51,296,119</u> | <u>1,486,030</u> | <u>-</u> | <u>52,782,149</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,257,755 | 5,870 | - | 1,263,625 |
| Buildings and improvements | 25,711,042 | 788,366 | - | 26,499,408 |
| Machinery and equipment | 1,777,141 | 87,031 | - | 1,864,172 |
| Subtotals | <u>28,745,938</u> | <u>881,267</u> | <u>-</u> | <u>29,627,205</u> |
| Total capital assets, depreciable, net | <u>22,550,181</u> | <u>604,763</u> | <u>-</u> | <u>23,154,944</u> |
| Governmental activities capital assets, net | <u>\$ 24,111,992</u> | <u>\$ 604,763</u> | <u>\$ 305,811</u> | 24,410,944 |
| Less: Capital related debt | | | | <u>(1,405,000)</u> |
| Net investment in capital assets | | | | <u>\$ 23,005,944</u> |

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

| | |
|--|-------------------|
| Governmental activities | |
| Instruction | \$ 6,169 |
| Support services | 875,098 |
| Total depreciation expense - governmental activities | <u>\$ 881,267</u> |

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019 are detailed below:

| | Interfund Receivables | Interfund Payables |
|---|--------------------------|-----------------------|
| Operating accounts between funds | | |
| General Fund | \$ - | \$ 2,390 |
| Community Service | 2,390 | - |
| Temporary cash advances to finance operating cash deficits of other funds | | |
| General Fund | 566,517 | - |
| Head Start Project | - | 562,744 |
| Package & Co-op Program | - | 3,773 |
| Cash transfer subsequent to year end | | |
| General Fund | - | 38,436 |
| Long Term Capital Improvement Trust fund | 38,436 | - |
| Totals | <u>\$ 607,343</u> | <u>\$ 607,343</u> |

Interfund transfers for the year ended June 30, 2019 were as follows:

| Fund | Transfer In | Transfer Out |
|-------------------------------|-------------------|-------------------|
| General | \$ - | \$ 183,785 |
| Long-term Capital Improvement | 38,436 | - |
| Food Service | 16 | - |
| Package & Co-op Program | 12,766 | - |
| Non-Referendum Debt Service | 132,567 | - |
| | <u>\$ 183,785</u> | <u>\$ 183,785</u> |

Interfund transfers were made for the following purposes:

| | |
|---|-------------------|
| Fund future capital improvement projects | \$ 38,436 |
| Reimburse prior year uncollectible food service accounts | 16 |
| District's portion of operating costs in the package & co-op fund | 12,766 |
| To cover non-referendum debt service expenditures | 132,567 |
| | <u>\$ 183,785</u> |

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 expenses for the year begin in July whereas tax collections are not received until January.

Short-term debt activity for the year ended June 30, 2019 was as follows:

| | Outstanding 7/1/18 | Issued | Retired | Outstanding 6/30/19 |
|------------------------------------|-----------------------|----------------------|----------------------|------------------------|
| Tax and revenue anticipation notes | <u>\$ 2,400,000</u> | <u>\$ 19,057,000</u> | <u>\$ 15,457,000</u> | <u>\$ 6,000,000</u> |

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Short-term notes payable at June 30, 2019 of \$6,000,000 consist of the following tax and revenue anticipation promissory notes:

| | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balance 6/30/18</u> |
|------------------------------------|----------------------|-----------------------|-----------------------|------------------------------|------------------------|
| Tax and revenue anticipation notes | 10/3/18 | 10/2/19 | 2.35% | \$ 5,000,000 | \$ 5,000,000 |
| Tax and revenue anticipation notes | 11/14/18 | 11/13/18 | 5.25-5.50% | 1,000,000 | 1,000,000 |
| Total short-term promissory notes | | | | | <u>\$ 6,000,000</u> |

Total interest paid for the year on short-term debt totaled \$78,360.

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2019:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Retired</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|--------------------------|---------------------|-------------------|-----------------------|----------------------------|
| Governmental activities: | | | | | |
| General obligation debt | | | | | |
| Bonds | \$ 1,650,000 | \$ - | \$ 245,000 | \$ 1,405,000 | \$ 255,000 |
| Notes | - | 1,000,000 | 138,693 | 861,307 | 243,299 |
| Total general obligation debt | 1,650,000 | 1,000,000 | 383,693 | 2,266,307 | 498,299 |
| Compensated absences | 934,713 | - | 84,750 | 849,963 | - |
| Governmental activities | | | | | |
| Long-term obligations | <u>\$ 2,584,713</u> | <u>\$ 1,000,000</u> | <u>\$ 468,443</u> | <u>\$ 3,116,270</u> | <u>\$ 498,299</u> |

Total interest paid during the year on long-term debt totaled \$93,734.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

| | <u>Date of Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Original Indebtedness</u> | <u>Balance 6/30/19</u> |
|---|----------------------|-----------------------|-----------------------|------------------------------|------------------------|
| General obligation bonds | 2/3/11 | 4/1/24 | 2.00 - 5.20% | \$ 3,390,000 | \$ 1,405,000 |
| General obligation note | 11/14/18 | 11/13/22 | 2.91% | 1,000,000 | 861,307 |
| Total outstanding general obligation debt | | | | | <u>\$ 2,266,307</u> |

Annual principal and interest maturities of the outstanding general obligation debt of \$2,666,307 on June 30, 2019 are detailed below:

| <u>Year Ended June 30,</u> | <u>Governmental Activities</u> | | |
|----------------------------|--------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2020 | \$ 498,299 | \$ 89,556 | \$ 587,855 |
| 2021 | 515,474 | 71,161 | 586,635 |
| 2022 | 537,861 | 51,584 | 589,445 |
| 2023 | 404,673 | 31,669 | 436,342 |
| 2024 | 310,000 | 16,120 | 326,120 |
| | <u>\$ 2,266,307</u> | <u>\$ 260,090</u> | <u>\$ 2,526,397</u> |

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2019 was \$123,699,016 as follows:

| | | |
|---|---------------|------------------------------|
| Equalized valuation of the District | | \$ 1,259,041,782 |
| Statutory limitation percentage | | (x) 10% |
| General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes | | <u>125,904,178</u> |
| Total outstanding general obligation debt applicable to debt limitation | \$ 2,266,307 | |
| Less: Amounts available for financing general obligation debt | | |
| Debt service fund, less interest payment on 10/1 | <u>61,145</u> | |
| Net outstanding general obligation debt applicable to debt limitation | | <u>2,205,162</u> |
| Legal margin for new debt | | <u><u>\$ 123,699,016</u></u> |

F. OPERATING LEASES

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

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---------------------------------|-------------------------|
| 2020 | \$ 10,725 |
| 2021 | 10,725 |
| 2022 | 10,725 |
| 2023 | 10,725 |
| 2024 | 8,938 |
| Total minimum payments required | <u><u>\$ 51,838</u></u> |

Rent expense under all operating leases for the year ended June 30, 2019 amounted to \$1,788.

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, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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.

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Employees who retire at or after age 65 (54 for protective occupations, 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.

Post-Retirement Adjustments

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

| <u>Year</u> | <u>Core Fund Adjustment</u> | <u>Variable Fund Adjustment</u> |
|-------------|-----------------------------|---------------------------------|
| 2009 | (2.1)% | (42)% |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |
| 2016 | 0.5 | (5) |
| 2017 | 2.0 | 4 |
| 2018 | 2.4 | 17 |

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.

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During the year ending June 30, 2019, the WRS recognized \$1,202,403 in contributions from the District.

Contribution rates as of June 30, 2019 are:

| <u>Employee Category</u> | <u>Employee</u> | <u>Employer</u> |
|--|-----------------|-----------------|
| General (including teachers, executives and elected officials) | 6.7% | 6.7% |
| Protective with Social Security | 6.7% | 10.7% |
| Protective without Social Security | 6.7% | 14.9% |

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

At June 30, 2019, the District reported a liability of \$4,121,593 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the District's proportion was 0.11585038%, which was a decrease of 0.00191704% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,789,455.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 3,210,095 | \$ 5,674,296 |
| Net differences between projected and actual earnings on pension plan investments | 6,019,304 | - |
| Changes in assumptions | 694,749 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 35,157 | 19,685 |
| Employer contributions subsequent to the measurement date | 696,631 | - |
| Total | <u>\$ 10,655,936</u> | <u>\$ 5,693,981</u> |

\$696,631 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2020. 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 Ended June 30,</u> | <u>Expense</u> |
|--------------------------------|---------------------|
| 2020 | \$ 1,539,002 |
| 2021 | 389,614 |
| 2022 | 679,725 |
| 2023 | 1,656,983 |
| Total | <u>\$ 4,265,324</u> |

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JUNE 30, 2019

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------------------------|--------------------------------|
| Actuarial valuation date: | December 31, 2017 |
| Actuarial cost method: | Entry Age |
| Asset valuation method: | Fair Value |
| Long-term expected rate of return: | 7.0% |
| Discount rate: | 7.0% |
| Salary increases: | |
| Inflation | 3.0% |
| Seniority/Merit | 0.1% - 5.6% |
| Mortality | Wisconsin 2018 Mortality Table |
| Post-retirement adjustments* | 1.9% |

* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from the prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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

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| | <u>Current Asset Allocation %</u> | <u>Long-term Expected Nominal Rate of Return %</u> | <u>Long-term Expected Real Rate of Return %</u> |
|----------------------------------|---------------------------------------|--|---|
| Core Fund Asset Class | | | |
| Global equities | 49% | 8.1% | 5.5% |
| Fixed income | 24.5% | 4.0% | 1.5% |
| Inflation sensitive assets | 15.5% | 3.8% | 1.3% |
| Real estate | 9% | 6.5% | 3.9% |
| Private equity/debt | 8% | 9.4% | 6.7% |
| Multi-asset | 4% | 6.7% | 4.1% |
| Total Core Fund | 110% | 7.3% | 4.7% |
| Variable Fund Asset Class | | | |
| U.S. equities | 70% | 7.6% | 5.0% |
| International equities | 30% | 8.5% | 5.9% |
| Total Variable Fund | 100% | 8.0% | 5.4% |

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 members 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 7.00 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | <u>1% Decrease to Discount Rate (6.00%)</u> | <u>Current Discount Rate (7.00%)</u> | <u>1% Increase to Discount Rate (8.00%)</u> |
|---|---|--|---|
| District's proportionate share of the net pension liability (asset) | \$ 16,379,643 | \$ 4,121,593 | \$ (4,993,217) |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2019.

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H. 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, 2017, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefit payments | 32 |
| Inactive employees entitled to but not yet receiving benefit payments | 21 |
| Active employees | 202 |
| | 255 |

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/ postemployment benefits | |

Administrators

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

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

Support Staff

Unused sick leave accumulated upon retirement will be converted at the retiree's final per diem rate. Maximum number of days varies based on state date and job title. The resulting funds will be contributed to an HRA to be used for eligible expenses such as continued coverage in the District's group medical plan. 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, retire employees may self-pay the full (100%) of required premiums to remain on the school district's plan.

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Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|---|
| Inflation: | 2.5% |
| Salary increases: | Ranges from 0.2% to 5.6% |
| Investment rate of return: | 3.8% |
| Healthcare cost trend rates: | 7.5% for 2017 decreasing by 0.5% per year down to 6.5%, then by 0.1% per year 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 December 2012 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experiences study for the period July 1, 2014 - June 30, 2015. The total OPEB liability for June 30, 2018 is based upon a roll-forward of the liability calculated from the June 30, 2017 actuarial valuation.

The long-term expected rate of return on OPEB plan investments was valued at 3.75%. A blend of expected earnings on District funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

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

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|--------------------------------|---------------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2018 | \$ 5,752,820 | \$ 749,470 | \$ 5,003,350 |
| Changes for the year: | | | |
| Service cost | 115,724 | - | 115,724 |
| Interest | 189,890 | - | 189,890 |
| Differences between expected and actual experience | | | |
| Changes of assumptions or other inputs | (36,086) | - | (36,086) |
| Contributions - employer | - | 20,532 | (20,532) |
| Net investment income | - | 511 | (511) |
| Benefit payments | (770,513) | (770,513) | - |
| Net changes | (500,985) | (749,470) | 248,485 |
| Balance at June 30, 2019 | <u>\$ 5,251,835</u> | <u>\$ -</u> | <u>\$ 5,251,835</u> |

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

| | 1% Decrease to Discount Rate (2.75%) | Current Discount Rate (3.75%) | 1% Increase to Discount Rate (4.75%) |
|--------------------|--|-------------------------------------|--|
| Net OPEB liability | \$ 5,396,547 | \$ 5,251,835 | \$ 5,108,362 |

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

| | 1% Decrease (6.5% decreasing to 4.0%) | Healthcare Cost Trend Rates (7.5% decreasing to 5.0%) | 1% Increase (8.5% decreasing to 6.0%) |
|--------------------|---|--|---|
| Net OPEB liability | \$ 5,156,781 | \$ 5,251,835 | \$ 5,353,226 |

OPEB plan fiduciary net position. Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements. Separate financial statements are not issued for the Plan.

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$322,831. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 715,861 | \$ - |
| Changes in assumptions | - | 584,511 |
| Net difference between projected and actual earnings on OPEB plan investments | 22,484 | - |
| District contributions subsequent to the measurement date | 1,085,492 | - |
| Total | <u>\$ 1,823,837</u> | <u>\$ 584,511</u> |

\$1,085,492 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, 2020.

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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:

| Year Ended June 30, | Expense |
|------------------------|-------------------|
| 2020 | \$ 30,324 |
| 2021 | 30,323 |
| 2022 | 26,916 |
| 2023 | 25,053 |
| 2024 | 22,534 |
| Thereafter | 18,684 |
| Total | <u>\$ 153,834</u> |

Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2019.

I. 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, 2019, nonspendable fund balance was as follows:

| | |
|---------------------------------|------------------|
| General | |
| Inventories and prepaid items | \$ 16,068 |
| Head Start | |
| Inventories and prepaid items | <u>80</u> |
| Total nonspendable fund balance | <u>\$ 16,148</u> |

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, 2019, restricted fund balance was as follows:

| | |
|-------------------------------------|-------------------|
| Special Revenue Funds | |
| Restricted for | |
| Food service programs | \$ 191,440 |
| Donations | 110,806 |
| | <u>302,246</u> |
| Debt Service Funds | |
| Restricted for | |
| Non-referendum debt service | 35,481 |
| Referendum debt service | 59,099 |
| | <u>94,580</u> |
| Capital Projects Fund | |
| Restricted for | |
| Long-term Capital Improvement Trust | <u>160,684</u> |
| Total restricted fund balance | <u>\$ 557,510</u> |

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JUNE 30, 2019

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2019, fund balance was assigned as follows:

| | | |
|---------------|----|----------------|
| General Fund | | |
| Assigned for | | |
| Fab lab | \$ | 100,440 |
| School forest | | 10,391 |
| Total | \$ | <u>110,831</u> |

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:

| | | |
|--|----|------------------|
| Budgeted 2019-2020 General Fund expenditures | \$ | 38,196,431 |
| Minimum fund balance % | | (x) 14% |
| Minimum fund balance amount | \$ | <u>5,347,500</u> |

The District's committed, assigned, and unassigned General Fund balance of \$5,007,535 is below the minimum fund balance amount.

Restricted Fiduciary Fund Net Position

In the fund financial statements, portions of fiduciary fund net position are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2019, restricted fiduciary fund net position was as follows:

| | | |
|---|----|------------------|
| Fiduciary Fund | | |
| Restricted for | | |
| Scholarships | \$ | 1,020,713 |
| Postemployment benefits | | 17 |
| Total restricted fiduciary fund balance | \$ | <u>1,020,730</u> |

Net Position

The District reports restricted net position at June 30, 2019 as follows:

| | | |
|---|----|----------------|
| Governmental activities | | |
| Restricted for | | |
| Food service programs | \$ | 191,440 |
| Donations | | 110,806 |
| Debt service | | 77,650 |
| Capital improvements | | 160,684 |
| Total governmental activities restricted net position | \$ | <u>540,580</u> |

Merrill Area Public School District

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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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.

D. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after December 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

E. SUBSEQUENT EVENTS

The District issued \$1,165,000 Taxable General Obligation Refunding Bonds, Series 2019, dated October 24, 2019 for the purpose of providing funds sufficient to refund the 2021 through 2024 maturities of the \$3,390,000 Taxable General Obligation Refunding Bonds, Series 2011, dated February 3, 2011. The refunding was undertaken to reduce interest costs paid by the District.

REQUIRED SUPPLEMENTARY INFORMATION

Merrill Area Public School District

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

| | Budget | | Actual | Variance Final Budget - Positive (Negative) |
|--------------------------------------|---------------|---------------|---------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 10,423,796 | \$ 10,423,796 | \$ 10,423,795 | \$ (1) |
| Other local sources | 209,104 | 209,104 | 269,404 | 60,300 |
| Interdistrict sources | 5,220,902 | 5,220,902 | 5,148,787 | (72,115) |
| Intermediate sources | 83,978 | 83,978 | 170,032 | 86,054 |
| State sources | 20,493,771 | 20,493,771 | 20,389,243 | (104,528) |
| Federal sources | 634,566 | 634,566 | 607,620 | (26,946) |
| Other sources | 317,549 | 317,549 | 253,422 | (64,127) |
| Total revenues | 37,383,666 | 37,383,666 | 37,262,303 | (121,363) |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular instruction | 13,732,451 | 13,732,451 | 13,762,800 | (30,349) |
| Vocational instruction | 1,203,544 | 1,203,544 | 1,088,944 | 114,600 |
| Other instruction | 1,702,483 | 1,702,483 | 1,751,620 | (49,137) |
| Total instruction | 16,638,478 | 16,638,478 | 16,603,364 | 35,114 |
| Support services | | | | |
| Pupil services | 967,797 | 967,797 | 973,168 | (5,371) |
| Instructional staff services | 1,528,367 | 1,528,367 | 1,433,568 | 94,799 |
| General administration services | 1,132,339 | 1,132,339 | 1,154,486 | (22,147) |
| School administration services | 1,781,725 | 1,781,725 | 1,797,662 | (15,937) |
| Business services | 382,256 | 382,256 | 389,502 | (7,246) |
| Operations and maintenance of plant | 4,127,654 | 4,127,654 | 4,122,796 | 4,858 |
| Pupil transportation services | 2,076,725 | 2,076,725 | 2,058,841 | 17,884 |
| Central services | 597,489 | 597,489 | 586,882 | 10,607 |
| Insurance | 260,327 | 260,327 | 260,247 | 80 |
| Other support services | 2,642,424 | 2,642,424 | 2,619,752 | 22,672 |
| Total support services | 15,497,103 | 15,497,103 | 15,396,904 | 100,199 |
| Debt service | | | | |
| Interest and fiscal charges | 72,850 | 72,850 | 81,210 | (8,360) |
| Non-program | | | | |
| General tuition payments | 1,102,438 | 1,102,438 | 1,056,140 | 46,298 |
| Adjustments and refunds | 1,275 | 1,275 | 15,786 | (14,511) |
| Voucher payments | 249,420 | 249,420 | 249,420 | - |
| Total non-program | 1,353,133 | 1,353,133 | 1,321,346 | 31,787 |
| Total expenditures | 33,561,564 | 33,561,564 | 33,402,824 | 158,740 |
| Excess of revenues over expenditures | 3,822,102 | 3,822,102 | 3,859,479 | 37,377 |
| OTHER FINANCING USES | | | | |
| Transfers out | (3,808,673) | (3,808,673) | (3,843,018) | (34,345) |
| Net change in fund balance | 13,429 | 13,429 | 16,461 | 3,032 |
| Fund balance - July 1 | 5,007,142 | 5,007,142 | 5,007,142 | - |
| Fund balance - June 30 | \$ 5,020,571 | \$ 5,020,571 | \$ 5,023,603 | \$ 3,032 |

See notes to required supplementary information.

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - SPECIAL EDUCATION SPECIAL REVENUE FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

| | Budget | | Actual | Variance Final Budget - Positive (Negative) |
|---------------------------------------|-------------|-------------|-------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Interdistrict sources | \$ 5,000 | \$ 5,000 | \$ 2,694 | \$ (2,306) |
| Intermediate sources | 220,000 | 220,000 | 179,385 | (40,615) |
| State sources | 1,210,541 | 1,210,541 | 1,257,743 | 47,202 |
| Federal sources | 723,743 | 723,743 | 537,619 | (186,124) |
| Total revenues | 2,159,284 | 2,159,284 | 1,977,441 | (181,843) |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Vocational instruction | 36,151 | 36,151 | 14,948 | 21,203 |
| Special education instruction | 4,610,283 | 4,610,283 | 4,538,546 | 71,737 |
| Total instruction | 4,646,434 | 4,646,434 | 4,553,494 | 92,940 |
| Support services | | | | |
| Pupil services | 399,438 | 399,438 | 379,209 | 20,229 |
| Instructional staff services | 248,389 | 248,389 | 232,306 | 16,083 |
| Business services | - | - | 630 | (630) |
| Operations and maintenance of plant | 15,950 | 15,950 | 1,797 | 14,153 |
| Pupil transportation services | 142,298 | 142,298 | 150,779 | (8,481) |
| Central services | 7,292 | 7,292 | 1,900 | 5,392 |
| Total support services | 813,367 | 813,367 | 766,621 | 46,746 |
| Non-program | | | | |
| Special education tuition payments | 310,543 | 310,543 | 321,814 | (11,271) |
| Total expenditures | 5,770,344 | 5,770,344 | 5,641,929 | 128,415 |
| Excess of revenues under expenditures | (3,611,060) | (3,611,060) | (3,664,488) | (53,428) |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from sale of capital assets | - | - | 5,255 | 5,255 |
| Transfers in | 3,610,160 | 3,610,160 | 3,659,233 | 49,073 |
| Total other financing sources (uses) | 3,610,160 | 3,610,160 | 3,664,488 | 54,328 |
| Net change in fund balance | (900) | (900) | - | 900 |
| Fund balance - July 1 | - | - | - | - |
| Fund balance - June 30 | \$ (900) | \$ (900) | \$ - | \$ 900 |

See notes to required supplementary information.

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS LAST 10 MEASUREMENT YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 115,724 | \$ 171,523 | \$ 158,655 | \$ 158,655 |
| Interest | 189,890 | 174,420 | 246,423 | 274,317 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | - | 954,481 | - | - |
| Changes of assumptions | (36,086) | (732,863) | (5,263) | - |
| Benefit payments | <u>(770,513)</u> | <u>(1,085,935)</u> | <u>(1,241,142)</u> | <u>(1,112,463)</u> |
| Net change in total OPEB liability | (500,985) | (518,374) | (841,327) | (679,491) |
| Total OPEB liability - beginning | <u>5,752,820</u> | <u>6,271,194</u> | <u>7,112,521</u> | <u>7,792,012</u> |
| Total OPEB liability - ending (a) | <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 | <u>(749,470)</u> | <u>(175,199)</u> | <u>17,003</u> | <u>54,807</u> |
| Plan fiduciary net position - beginning | <u>749,470</u> | <u>924,669</u> | <u>907,666</u> | <u>852,859</u> |
| Plan fiduciary net position - ending (b) | <u>\$ -</u> | <u>\$ 749,470</u> | <u>\$ 924,669</u> | <u>\$ 907,666</u> |
| District's net OPEB liability - ending (a) - (b) | <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% | 13.03% | 14.74% | 12.76% |
| Covered-employee payroll | \$ 9,714,910 | \$ 9,714,910 | \$ 8,544,948 | \$ 7,987,968 |
| District's net OPEB liability as a percentage of covered-employee payroll | 54.06% | 51.50% | 62.57% | 77.68% |

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

See notes to required supplementary information.

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN LAST 10 FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|------------------|--------------------|
| Actuarially determined contribution (ADC) | \$ 391,813 | \$ 1,338,639 | \$ 1,338,639 | \$ 1,105,206 |
| Contributions in relation to the ADC | 20,532 | 895,181 | 1,241,142 | 1,146,675 |
| Contribution deficiency (excess) | <u>\$ 371,281</u> | <u>\$ 443,458</u> | <u>\$ 97,497</u> | <u>\$ (41,469)</u> |
| Covered-employee payroll | \$ 9,714,910 | \$ 9,714,910 | \$ 8,544,948 | \$ 7,987,968 |
| Contributions as a percentage of covered-employee payroll | 0.21% | 9.21% | 14.52% | 14.36% |

Key Methods and Assumption Used to Calculate ADC

| | | | |
|------------------------|----------------------|---------------------|----------------------|
| Actuarial cost method | Entry Age Normal | Entry Age Normal | Unit Credit |
| Asset valuation method | Market Value | Market Value | Market Value |
| Amortization method | 30 year Level Dollar | 6 year Level Dollar | 10 year Level Dollar |
| Discount rate | 3.50% | 3.75% | 5.00% |
| Inflation | 2.50% | 2.50% | 3.00% |

Note: The amounts for the year ended June 30, 2019 were not determined.

See notes to required supplementary information.

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 MEASUREMENT PERIODS

| Plan Year Ending | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension 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% |

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

| Fiscal Year Ending | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of 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% |

See notes to required supplementary information.

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

A. OTHER POSTEMPLOYMENT BENEFITS

There were no changes of benefit terms.

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

B. WISCONSIN RETIREMENT SYSTEM

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

Actuarial assumptions are based upon an experience study conducted in 2018 using experiences from 2015-2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop the total pension liability changed including the discount rate, long-term expected rate of return, post retirement adjustment, wage inflation rate, mortality and separation rates.

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

C. BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. 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.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2019.

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

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 GAAP General Fund basis is summarized below:

| | <u>General</u> | <u>Special Education Fund</u> |
|--|---------------------|---------------------------------------|
| Revenues | | |
| Actual amounts (budgetary basis) | \$ 37,262,303 | \$ 1,977,441 |
| Reclassification of special education | 1,977,441 | (1,977,441) |
| Total revenues | <u>39,239,744</u> | <u>-</u> |
| Expenditures | | |
| Actual amounts (budgetary basis) | 33,402,824 | 5,641,929 |
| Reclassification of special education | 5,641,929 | (5,641,929) |
| Total expenditures | <u>39,044,753</u> | <u>-</u> |
| Excess of revenues over (under) expenditures | | |
| Actual amounts (budgetary basis) | 3,859,479 | (3,664,488) |
| Reclassification of special education | (3,664,488) | 3,664,488 |
| Excess of revenues over (under) expenditures | <u>194,991</u> | <u>-</u> |
| Other financing sources (uses) | | |
| Actual amounts (budgetary basis) | (3,843,018) | 3,664,488 |
| Reclassification of special education | 3,664,488 | (3,664,488) |
| Total other financing sources (uses) | <u>(178,530)</u> | <u>-</u> |
| Net change in fund balance | | |
| Actual amounts (budgetary basis) | <u>16,461</u> | <u>-</u> |
| Fund balance - July 1 | | |
| Actual amounts (budgetary basis) | <u>5,007,142</u> | <u>-</u> |
| Fund balance - June 30 | | |
| Actual amounts (budgetary basis) | <u>\$ 5,023,603</u> | <u>\$ -</u> |

SUPPLEMENTARY INFORMATION

Merrill Area Public School District

Merrill, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

| | Special Revenue | | | | | |
|---------------------------------------|-----------------|-------------------|-----------------------|----------------------|-------------------|-------------------------------|
| | TEACH | Donations | Head Start Project | Community Service | Food Service | Package & Co-op Program |
| ASSETS | | | | | | |
| Cash and investments | \$ - | \$ 111,723 | \$ - | \$ - | \$ 128,646 | \$ - |
| Receivables | | | | | | |
| Accounts | - | - | - | - | 51,967 | - |
| Due from other funds | - | - | - | 2,390 | - | - |
| Due from other governments | - | - | 589,685 | - | 47,688 | 3,773 |
| Inventories and prepaid items | - | - | 80 | - | - | - |
| | <u>-</u> | <u>-</u> | <u>80</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ -</u> | <u>\$ 111,723</u> | <u>\$ 589,765</u> | <u>\$ 2,390</u> | <u>\$ 228,301</u> | <u>\$ 3,773</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ 917 | \$ 26,992 | \$ 175 | \$ 34,721 | \$ - |
| Accrued and other current liabilities | - | - | 29 | 2,215 | 73 | - |
| Due to other funds | - | - | 562,744 | - | - | 3,773 |
| Deposits payable | - | - | - | - | 2,067 | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,067</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>917</u> | <u>589,765</u> | <u>2,390</u> | <u>36,861</u> | <u>3,773</u> |
| Fund balances | | | | | | |
| Nonspendable | - | - | 80 | - | - | - |
| Restricted | - | 110,806 | - | - | 191,440 | - |
| Unassigned | - | - | (80) | - | - | - |
| | <u>-</u> | <u>-</u> | <u>(80)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>-</u> | <u>110,806</u> | <u>-</u> | <u>-</u> | <u>191,440</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 111,723</u> | <u>\$ 589,765</u> | <u>\$ 2,390</u> | <u>\$ 228,301</u> | <u>\$ 3,773</u> |

| Debt Service | | Capital Projects | | Total Nonmajor Governmental Funds |
|------------------------------------|----------------------------|---------------------|--|--|
| Non- Referendum Debt Service | Referendum Debt Service | Capital Projects | Long-Term Capital Improvement Trust | |
| \$ 35,481 | \$ 59,524 | \$ 451,943 | \$ 122,248 | \$ 909,565 |
| - | - | - | - | 51,967 |
| - | - | - | 38,436 | 40,826 |
| - | - | - | - | 641,146 |
| - | - | - | - | 80 |
| <u>\$ 35,481</u> | <u>\$ 59,524</u> | <u>\$ 451,943</u> | <u>\$ 160,684</u> | <u>\$ 1,643,584</u> |
| \$ - | \$ 425 | \$ 451,943 | \$ - | \$ 515,173 |
| - | - | - | - | 2,317 |
| - | - | - | - | 566,517 |
| - | - | - | - | 2,067 |
| - | 425 | 451,943 | - | 1,086,074 |
| - | - | - | - | 80 |
| 35,481 | 59,099 | - | 160,684 | 557,510 |
| - | - | - | - | (80) |
| <u>35,481</u> | <u>59,099</u> | <u>-</u> | <u>160,684</u> | <u>557,510</u> |
| <u>\$ 35,481</u> | <u>\$ 59,524</u> | <u>\$ 451,943</u> | <u>\$ 160,684</u> | <u>\$ 1,643,584</u> |

Merrill Area Public School District

Merrill, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

| | Special Revenue | | | |
|--|-----------------|-------------------|-----------------------|----------------------|
| | TEACH | Donations | Head Start Project | Community Service |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 138,745 |
| Other local sources | - | 132,641 | - | 14,141 |
| Interdistrict sources | - | - | - | - |
| State sources | - | - | - | - |
| Federal sources | - | - | 724,808 | - |
| Total revenues | - | 132,641 | 724,808 | 152,886 |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular instruction | - | 35,637 | 460,321 | - |
| Other instruction | - | 2,620 | 15,846 | 74,701 |
| Total instruction | - | 38,257 | 476,167 | 74,701 |
| Support services | | | | |
| Pupil services | - | 3,800 | 19,495 | - |
| Instructional staff services | - | - | 24,524 | - |
| General administration services | - | - | 101,199 | - |
| School administration services | - | - | 982 | - |
| Operations and maintenance of plant | - | 734,675 | 63,240 | 1,498 |
| Pupil transportation services | - | 60 | 52,134 | 12,509 |
| Food services | - | - | - | - |
| Central services | - | 318 | 1,022 | - |
| Insurance | - | - | 650 | - |
| Other support services | 308 | - | 1,145 | - |
| Total support services | 308 | 738,853 | 264,391 | 14,007 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total debt service | - | - | - | - |
| Community service | - | - | - | 64,553 |
| Total expenditures | 308 | 777,110 | 740,558 | 153,261 |
| Excess of revenues over (under) expenditures | (308) | (644,469) | (15,750) | (375) |
| OTHER FINANCING SOURCES | | | | |
| Long-term debt issued | - | - | - | - |
| Proceeds from sale of capital assets | - | - | 15,750 | - |
| Transfers in | - | - | - | - |
| Total other financing sources | - | - | 15,750 | - |
| Net change in fund balances | (308) | (644,469) | - | (375) |
| Fund balances - July 1 | 308 | 755,275 | - | 375 |
| Fund balances - June 30 | \$ - | \$ 110,806 | \$ - | \$ - |

| Food Service | Package & Co-op Program | Debt Service | | Capital Projects | | Total Nonmajor Governmental Funds |
|-------------------|-------------------------|-----------------------------|-------------------------|--------------------|-------------------------------------|-----------------------------------|
| | | Non-Referendum Debt Service | Referendum Debt Service | Capital Projects | Long-Term Capital Improvement Trust | |
| \$ - | \$ - | \$ 317,743 | \$ - | \$ - | \$ - | \$ 456,488 |
| 583,277 | - | 3,464 | - | - | 248 | 733,771 |
| - | 49,407 | - | - | - | - | 49,407 |
| 17,472 | - | - | - | - | - | 17,472 |
| 744,346 | - | - | - | - | - | 1,469,154 |
| <u>1,345,095</u> | <u>49,407</u> | <u>321,207</u> | <u>-</u> | <u>-</u> | <u>248</u> | <u>2,726,292</u> |
| - | 23 | - | - | - | - | 495,981 |
| - | - | - | - | - | - | 93,167 |
| - | <u>23</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>589,148</u> |
| - | - | - | - | - | - | 23,295 |
| - | 62,150 | - | - | - | - | 86,674 |
| - | - | - | - | - | - | 101,199 |
| - | - | - | - | - | - | 982 |
| 8,378 | - | - | - | 1,000,000 | - | 1,807,791 |
| - | - | - | - | - | - | 64,703 |
| 1,312,085 | - | - | - | - | - | 1,312,085 |
| 1,648 | - | - | - | - | - | 2,988 |
| - | - | - | - | - | - | 650 |
| - | - | - | - | - | - | 1,453 |
| <u>1,322,111</u> | <u>62,150</u> | <u>-</u> | <u>-</u> | <u>1,000,000</u> | <u>-</u> | <u>3,401,820</u> |
| - | - | 383,693 | - | - | - | 383,693 |
| - | - | 93,734 | - | - | - | 93,734 |
| - | - | <u>477,427</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>477,427</u> |
| - | - | - | - | - | - | 64,553 |
| <u>1,322,111</u> | <u>62,173</u> | <u>477,427</u> | <u>-</u> | <u>1,000,000</u> | <u>-</u> | <u>4,532,948</u> |
| <u>22,984</u> | <u>(12,766)</u> | <u>(156,220)</u> | <u>-</u> | <u>(1,000,000)</u> | <u>248</u> | <u>(1,806,656)</u> |
| - | - | - | - | 1,000,000 | - | 1,000,000 |
| - | - | - | - | - | - | 15,750 |
| 16 | 12,766 | 132,567 | - | - | 38,436 | 183,785 |
| <u>16</u> | <u>12,766</u> | <u>132,567</u> | <u>-</u> | <u>1,000,000</u> | <u>38,436</u> | <u>1,199,535</u> |
| 23,000 | - | (23,653) | - | - | 38,684 | (607,121) |
| 168,440 | - | 59,134 | 59,099 | - | 122,000 | 1,164,631 |
| <u>\$ 191,440</u> | <u>\$ -</u> | <u>\$ 35,481</u> | <u>\$ 59,099</u> | <u>\$ -</u> | <u>\$ 160,684</u> | <u>\$ 557,510</u> |

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY FUNDS FOR THE YEAR ENDED JUNE 30, 2019

| | <u>Balance 7/1/2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2019</u> |
|------------------------------|-----------------------------|-------------------|-------------------|------------------------------|
| ASSETS | | | | |
| Cash | \$ 206,332 | \$ 311,471 | \$ 251,788 | \$ 266,015 |
| Accounts receivable | 504 | - | - | 504 |
| Total assets | <u>\$ 206,836</u> | <u>\$ 311,471</u> | <u>\$ 251,788</u> | <u>\$ 266,519</u> |
| LIABILITIES | | | | |
| Due to student organizations | | | | |
| Middle School | \$ 65,175 | \$ 49,564 | \$ 48,446 | \$ 66,293 |
| High School | 141,661 | 261,907 | 203,342 | 200,226 |
| Total liabilities | <u>\$ 206,836</u> | <u>\$ 311,471</u> | <u>\$ 251,788</u> | <u>\$ 266,519</u> |

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF CHARTER SCHOOL AUTHORIZER SERVICES AND COSTS FOR THE YEAR ENDED JUNE 30, 2019

| | | Bridges Virtual Academy | Maple Grove | Merrill Adult Diploma Academy |
|-------------------------------------|-----------------|----------------------------|-------------------|-------------------------------------|
| | <u>Function</u> | | | |
| SERVICES PROVIDED | | | | |
| Undifferentiated curriculum | 110000 | \$ 1,644,153 | \$ 312,178 | \$ - |
| Regular curriculum | 120000 | 1,294,698 | 29,575 | 9,451 |
| Vocational curriculum | 130000 | 2,320 | 1,052 | - |
| Health education | 141000 | 9,461 | - | - |
| Physical education | 143000 | 218,209 | 29,344 | - |
| Special education | 150000 | 98,792 | 14,799 | - |
| Culturally/socially disadvantaged | 171000 | - | - | 97,232 |
| Guidance | 213000 | 50,602 | - | - |
| Psychological services | 215000 | - | 14,147 | - |
| Other pupil services | 219000 | 2,564 | - | - |
| Instructional staff training | 221300 | 4,217 | 29 | - |
| Library media services | 222000 | 102,396 | 3,664 | - |
| General administration | 231000 | - | - | - |
| Building administration | 240000 | 294,151 | 156,702 | 23,755 |
| General operations | 253000 | - | 70,470 | 305 |
| Maintenance and repairs | 254000 | 141 | 5,454 | - |
| Facilities acquisition & remodeling | 255000 | 6,005 | 1,013 | - |
| Pupil transportation | 256000 | 136 | - | 220 |
| Food services | 257000 | - | 27,075 | - |
| Central services | 260000 | 510,051 | 1,342 | 576 |
| | | <u>\$ 4,237,896</u> | <u>\$ 666,844</u> | <u>\$ 131,539</u> |
| OPERATING ACTIVITY | | | | |
| | <u>Object</u> | | | |
| Employee salaries | 100 | \$ 1,870,894 | \$ 409,006 | \$ 85,548 |
| Employee benefits | 200 | 816,191 | 182,573 | 35,367 |
| Purchased services | 300 | 979,629 | 32,537 | 1,483 |
| Non-capital objects | 400 | 501,242 | 39,592 | 9,036 |
| Capital objects | 500 | 38,770 | 2,720 | 68 |
| Dues and fees | 940 | 31,171 | 415 | 35 |
| | | <u>\$ 4,237,897</u> | <u>\$ 666,843</u> | <u>\$ 131,537</u> |

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS



Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MERRILL AREA PUBLIC SCHOOL DISTRICT'S RESPONSE TO FINDING

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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



CliftonLarsonAllen LLP

Green Bay, Wisconsin
November 27, 2019

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*

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM

We have audited the Merrill Area Public School District, Merrill, Wisconsin's (the "District's") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2019. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
November 27, 2019

Merrill Area Public School District Merrill, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

| Grantor Agency/Federal Program Title | CFDA Number | Pass-Through Agency | Pass-Through Entity Identifying Number | (Accrued) Deferred Revenue 7/1/18 | Cash Received (Refunded) | Accrued (Deferred) Revenue 6/30/19 | Total Expenditures | Subrecipient Payments |
|---|-------------|---------------------|--|-----------------------------------|--------------------------|------------------------------------|---------------------|-----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | |
| <i>Child Nutrition Cluster</i> | | | | | | | | |
| School Breakfast Program | 10.553 | WI DPI | 2019-353500-SB-546 | \$ (1,818) | \$ 78,734 | \$ 4,433 | \$ 81,349 | \$ - |
| National School Lunch Program | 10.555 | WI DPI | 2019-353500-NSL-547 | (10,588) | 515,871 | 29,431 | 534,714 | - |
| National School Lunch Program | 10.555 | WI DPI | 2018-353500-NSL-Snacks-561 | (238) | 4,855 | 80 | 4,697 | - |
| Donated Commodities | 10.555 | WI DPI | 2019-353500-NSLAE-566 | - | 90,050 | - | 90,050 | - |
| Total National School Lunch Program | | | | <u>(10,826)</u> | <u>610,776</u> | <u>29,511</u> | <u>629,461</u> | <u>-</u> |
| Summer Food Service Program for Children | 10.559 | WI DPI | 2019-353500-SFSP-586 | (13,107) | 16,902 | 12,841 | 16,636 | - |
| Total Child Nutrition Cluster | | | | <u>(25,751)</u> | <u>706,412</u> | <u>46,785</u> | <u>727,446</u> | <u>-</u> |
| Child and Adult Care Food Program | 10.558 | WI DPI | 2019-353500-CCI-551 | (344) | 16,341 | 902 | 16,899 | - |
| Total U.S. Department of Agriculture | | | | <u>(26,095)</u> | <u>722,753</u> | <u>47,687</u> | <u>744,345</u> | <u>-</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | WI DPI | 2019-353500-TIA-141 | (341,820) | 415,393 | 322,187 | 395,760 | - |
| <i>Special Education Cluster (IDEA)</i> | | | | | | | | |
| Special Education Grants to States | 84.027 | WI DPI | 2019-353500-IDEA-FT-341 | (78,527) | 241,726 | 353,969 | 517,168 | - |
| Special Education Preschool Grants | 84.173 | WI DPI | 2019-353500-IDEA-PS-347 | (21,071) | 21,071 | 20,451 | 20,451 | - |
| Total Special Education Cluster (IDEA) | | | | <u>(99,598)</u> | <u>262,797</u> | <u>374,420</u> | <u>537,619</u> | <u>-</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | WI DPI | 2019-353500-CTE-400 | (24,888) | 24,888 | 24,690 | 24,690 | - |
| Twenty-First Century Community Learning Centers | 84.287 | WI DPI | 2019-353500-21st Century CLC-367 | (160,936) | 160,936 | 95,674 | 95,674 | - |
| Improving Teacher Quality State Grants | 84.367 | WI DPI | 2019-353500-TIIA-365 | (63,744) | 63,744 | 75,513 | 75,513 | - |
| Student Support and Academic Enrichment Program | 84.424 | WI DPI | 2019-353500-TIVA-381 | - | - | 15,984 | 15,984 | - |
| Total U.S. Department of Education | | | | <u>(690,986)</u> | <u>927,758</u> | <u>908,468</u> | <u>1,145,240</u> | <u>-</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | | |
| Head Start | 93.600 | Direct Program | n/a | (333,048) | 468,169 | 589,687 | 724,808 | - |
| <i>Medicaid Cluster</i> | | | | | | | | |
| Medical Assistance Program | 93.778 | CESA #9 | 44236800 | - | 212,361 | 38,173 | 250,534 | - |
| Total U.S. Department of Health and Human Services | | | | <u>(333,048)</u> | <u>680,530</u> | <u>627,860</u> | <u>975,342</u> | <u>-</u> |
| TOTAL FEDERAL AWARDS | | | | <u>\$ (1,050,129)</u> | <u>\$ 2,331,041</u> | <u>\$ 1,584,015</u> | <u>\$ 2,864,927</u> | <u>\$ -</u> |
| Reconciliation to the basic financial statements | | | | | | | | |
| Federal sources | | | | | | | \$ 2,614,393 | |
| Federal awards included in intermediate sources | | | | | | | 250,534 | |
| Total expenditures of federal awards | | | | | | | <u>\$ 2,864,927</u> | |

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

Merrill Area Public School District
Merrill, Wisconsin

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

| Grantor Agency/State Program Title | State I.D. Number | Pass-Through Agency | State Identifying Number | (Accrued) Deferred Revenue 7/1/18 | Cash Received (Refunded) | Accrued (Deferred) Revenue 6/30/19 | Total Expenditures | Subrecipient Payments |
|--|-------------------|--------------------------------|--------------------------|-----------------------------------|--------------------------|------------------------------------|----------------------|-----------------------|
| WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION | | | | | | | | |
| Special Education and School Age Parents | 255,101 | Direct Program | 353500-100 | \$ - | \$ 1,228,009 | \$ - | \$ 1,228,009 | \$ - |
| Special Education and School Age Parents | 255,101 | CESA #9 | 44236800 | - | 15,416 | - | 15,416 | - |
| Total Special Education and School Age Parents | | | | - | 1,243,425 | - | 1,243,425 | - |
| State School Lunch Aid | 255,102 | Direct Program | 353500-107 | - | 13,615 | - | 13,615 | - |
| Common School Fund Library Aid | 255,103 | Direct Program | 353500-104 | - | 112,712 | - | 112,712 | - |
| General Transportation Aid | 255,107 | Direct Program | 353500-102 | - | 157,317 | - | 157,317 | - |
| Equalization Aids | 255,201 | Direct Program | 353500-116 | (293,640) | 17,051,256 | 284,345 | 17,041,961 | - |
| High Cost Special Education Aid | 255,210 | Direct Program | 353500-119 | - | 11,734 | - | 11,734 | - |
| Personal Electronic Computing Device | 255,296 | Direct Program | 353500-175 | - | 26,875 | - | 26,875 | - |
| Head Start Supplement | 255,327 | Direct Program | 353500-145 | (28,875) | 28,875 | 28,875 | 28,875 | - |
| State School Breakfast Aid | 255,344 | Direct Program | 353500-108 | - | 3,857 | - | 3,857 | - |
| Student Achievement Guarantee in Education (SAGE) | 255,504 | Direct Program | 353500-160 | - | 706,016 | - | 706,016 | - |
| Educator Effective Evaluation System | 255,940 | Direct Program | 353500-154 | (19,120) | 19,120 | 19,120 | 19,120 | - |
| Per Pupil Aid | 255,945 | Direct Program | 353500-113 | - | 1,712,826 | - | 1,712,826 | - |
| High Cost Transportation Aid | 255,947 | Direct Program | 353500-114 | - | 241,480 | - | 241,480 | - |
| Career and Technical Education Incentive Grants | 255,950 | Direct Program | 353500-151 | - | 48,000 | - | 48,000 | - |
| Assessments of Reading Readiness | 255,956 | Direct Program | 353500-166 | - | 7,666 | - | 7,666 | - |
| Aid for Special Ed Transition Grant BBL | 255,960 | Direct Program | 353500-168 | - | 18,000 | - | 18,000 | - |
| Total Wisconsin Department of Public Instruction | | | | (341,635) | 21,402,774 | 332,340 | 21,393,479 | - |
| WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT | | | | | | | | |
| Youth Apprenticeship Grant | 445,112 | Northcentral Technical College | n/a | - | 17,184 | 65,434 | 82,618 | - |
| WISCONSIN DEPARTMENT OF JUSTICE | | | | | | | | |
| School Safety Grant | 455,206 | Direct Program | 12964 | - | 103,976 | 14,077 | 118,053 | - |
| Total Wisconsin Department of Justice | | | | - | 103,976 | 14,077 | 118,053 | - |
| TOTAL STATE AWARDS | | | | \$ (341,635) | \$ 21,523,934 | \$ 411,851 | \$ 21,594,150 | \$ - |
| Reconciliation to the basic financial statements | | | | | | | | |
| State sources | | | | | | | \$ 21,664,458 | |
| Less: State sources not considered state awards | | | | | | | | |
| State tax computer aid | | | | | | | (87,700) | |
| Payment in lieu of taxes and other revenues | | | | | | | (63,454) | |
| WiseLearn grant | | | | | | | (10,000) | |
| Other state revenue | | | | | | | (7,188) | |
| State awards included in Intermediate sources | | | | | | | 98,034 | |
| Total expenditures of federal awards | | | | | | | <u>\$ 21,594,150</u> | |

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

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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, changes in net position, or cash flows 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 2019 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the *State of Wisconsin 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: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2018 - 2019 eligible costs under the State Special Education Program as reported by the District are \$4,982,123. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4: 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 5: 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

Merrill Area Public School District

Merrill, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6: PASS THROUGH ENTITIES

Federal have been passed through the following entities:

- WI DHS - Wisconsin Department of Health Services
- WI DPI – Wisconsin Department of Public Instruction
- CESA #9 - Cooperative Educational Services Agency

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

SECTION I: SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

| | |
|---|------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| ▶ Material weakness(es) identified? | No |
| ▶ Significant deficiency(ies) identified? | Yes |
| Noncompliance material to basic financial statements noted? | No |

FEDERAL AND STATE AWARDS

| | |
|---|---------------|
| Internal control over major programs: | |
| ▶ Material weakness(es) identified? | No |
| ▶ Significant deficiency(ies) identified? | None Reported |
| Type of auditors' report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ? | No |

Identification of major federal program:

| CFDA Number | Name of Federal Program |
|-------------|-------------------------|
| 93.600 | Head Start |

Identification of major state programs:

| State ID Number | Name of State Program |
|-----------------|-----------------------|
| 255.201 | Equalization Aids |

Audit threshold used to determine between Type A and Type B programs:

| | |
|----------------|-----------|
| Federal Awards | \$750,000 |
| State Awards | \$250,000 |

Auditee qualified as low-risk auditee Yes

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

| FINDING NO. | CONTROL DEFICIENCIES |
|---------------------------------|---|
| 2019-001 | <p>Preparation of Annual Financial Report Repeat of Finding 2018-001 Significant Deficiency in Internal Control over Financial Reporting</p> |
| Condition: | <p>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.</p> |
| Criteria: | <p>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.</p> |
| Context: | <p>While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.</p> |
| Cause: | <p>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.</p> |
| Effect: | <p>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.</p> |
| Recommendation: | <p>We recommend the District continue reviewing the annual financial report. 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.</p> |
| Views of responsible officials: | <p>Refer to the management response per the corrective action plan.</p> |

SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS


There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2019.

Merrill Area Public School District

Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

SECTION IV: OTHER ISSUES

- | | |
|--|--|
| 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 non-compliance, non-material non-compliance, 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 <i>State Single Audit Guidelines</i> : | |
| Department of Health Services | No |
| Department of Public Instruction | No |
| Department of Justice | No |
| Department of Workforce Development | 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 |  |
| | David Maccoux, CPA |
| 5. Date of report | November 27, 2019 |

