

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**MERRILL AREA PUBLIC SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Summarized Financial Information

We have previously audited the District's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 44 through 47 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.

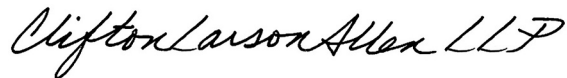
Other Information

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 nonmajor fund financial statements, the charter school schedule, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
November 30, 2020

MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 9,001,342	\$ 7,970,791
Receivables:		
Taxes	2,625,737	2,759,637
Accounts	149,492	131,158
Due from Other Governments	2,067,216	2,098,255
Inventories and Prepaid Items	704,529	16,148
Net Pension Asset	3,741,348	-
Capital Assets:		
Nondepreciable	1,256,000	1,256,000
Depreciable, Net	22,404,887	23,154,944
Total Assets	41,950,551	37,386,933
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	8,169,224	10,655,936
Other Postemployment Related Amounts	1,940,623	1,823,837
Total Deferred Outflows of Resources	10,109,847	12,479,773
LIABILITIES		
Short-Term Notes Payable	6,800,000	6,000,000
Accounts Payable	672,889	1,097,502
Accrued and Other Current Liabilities	206,213	171,473
Accrued Interest Payable	108,059	16,930
Unearned Revenues	1,806	1,806
Deposits Payable	157,936	124,095
Long-Term Obligations:		
Due in One Year	530,474	498,299
Due in More Than One Year	2,194,001	2,617,971
Other Postemployment Benefits Liability:		
Due in One Year	1,027,740	770,000
Due in More Than One Year	3,943,311	4,481,835
Net Pension Liability	-	4,121,593
Total Liabilities	15,642,429	19,901,504
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	11,212,986	5,693,981
Other Postemployment Related Amounts	487,734	584,511
Total Deferred Inflows of Resources	11,700,720	6,278,492
NET POSITION		
Net Investment in Capital Assets	22,495,887	23,005,944
Restricted	4,247,197	540,580
Unrestricted	(2,025,835)	140,186
Total Net Position	\$ 24,717,249	\$ 23,686,710

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2020	2019
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 22,615,660	\$ 43,299	\$ 9,234,367	\$ (13,337,994)	\$ (14,231,522)
Support Services	17,641,832	472,704	2,509,423	(14,659,705)	(16,248,645)
Community Services	146,078	11,076	-	(135,002)	(54,621)
Nonprogram	1,505,172	58,702	175,419	(1,271,051)	(1,147,094)
Interest and Fiscal Charges	261,810	-	-	(261,810)	(172,433)
Total Governmental Activities	<u>\$ 42,170,552</u>	<u>\$ 585,781</u>	<u>\$ 11,919,209</u>	(29,665,562)	(31,854,315)
GENERAL REVENUES					
Property Taxes				10,952,040	10,880,283
Other Taxes				20,251	37,999
State and Federal Aids Not Restricted to Specific Functions				19,326,780	18,842,487
Interest and Investment Earnings				83,942	35,742
Gain on Disposal of Capital Assets				5,775	21,005
Miscellaneous				307,313	393,567
Total General Revenues				<u>30,696,101</u>	<u>30,211,083</u>
CHANGE IN NET POSITION				1,030,539	(1,643,232)
Net Position - Beginning of Year				<u>23,686,710</u>	<u>25,329,942</u>
NET POSITION - END OF YEAR				<u>\$ 24,717,249</u>	<u>\$ 23,686,710</u>

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	General	Other Governmental Funds	Totals	
			2020	2019
ASSETS				
Cash and Investments	\$ 8,499,122	\$ 502,220	\$ 9,001,342	\$ 7,970,791
Receivables:				
Taxes	2,625,737	-	2,625,737	2,759,637
Accounts	105,313	44,179	149,492	131,158
Due from Other Funds	357,764	34,102	391,866	607,343
Due from Other Governments	1,622,993	444,223	2,067,216	2,098,255
Inventories and Prepaid Items	704,449	80	704,529	16,148
	<u>704,449</u>	<u>80</u>	<u>704,529</u>	<u>16,148</u>
Total Assets	<u>\$ 13,915,378</u>	<u>\$ 1,024,804</u>	<u>\$ 14,940,182</u>	<u>\$ 13,583,332</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Short-Term Notes Payable	\$ 6,800,000	\$ -	\$ 6,800,000	\$ 6,000,000
Accounts Payable	526,228	146,661	672,889	1,097,502
Accrued and Other Current Liabilities	201,036	5,177	206,213	171,473
Accrued Interest Payable	100,778	-	100,778	-
Due to Other Funds	34,102	357,764	391,866	607,343
Unearned Revenues	1,806	-	1,806	1,806
Deposits Payable	155,864	2,072	157,936	124,095
Total Liabilities	<u>7,819,814</u>	<u>511,674</u>	<u>8,331,488</u>	<u>8,002,219</u>
FUND BALANCES				
Nonspendable	704,449	80	704,529	16,148
Restricted	-	513,130	513,130	557,510
Assigned	51,637	-	51,637	110,831
Unassigned	5,339,478	(80)	5,339,398	4,896,624
Total Fund Balances	<u>6,095,564</u>	<u>513,130</u>	<u>6,608,694</u>	<u>5,581,113</u>
Total Liabilities and Fund Balances	<u>\$ 13,915,378</u>	<u>\$ 1,024,804</u>	<u>\$ 14,940,182</u>	<u>\$ 13,583,332</u>

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
Total Fund Balances as Shown on Previous Page	\$ 6,608,694	\$ 5,581,113
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.	23,660,887	24,410,944
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Net Pension Asset	3,741,348	-
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	8,169,224	10,655,936
Deferred Inflows Related to Pensions	(11,212,986)	(5,693,981)
Deferred Outflows Related to Other Postemployment Benefits	1,940,623	1,823,837
Deferred Inflows Related to Other Postemployment Benefits	(487,734)	(584,511)
Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and Notes Payable	(1,783,008)	(2,266,307)
Compensated Absences	(941,467)	(849,963)
Other Postemployment Benefits Liability	(4,971,051)	(5,251,835)
Net Pension Liability	-	(4,121,593)
Accrued Interest on Long-Term Obligations	(7,281)	(16,930)
Net Position of Governmental Activities as Reported on the Statement of Net Position (See Page 4)	\$ 24,717,249	\$ 23,686,710

See accompanying Notes to Basic Financial Statements.

MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	General	Other Governmental Funds	Totals	
			2020	2019
REVENUES				
Property Taxes	\$ 10,231,050	\$ 720,990	\$ 10,952,040	\$ 10,880,283
Other Local Sources	682,140	468,930	1,151,070	1,003,175
Interdistrict Sources	5,746,098	53,799	5,799,897	5,200,888
Intermediate Sources	321,016	-	321,016	349,417
State Sources	22,223,931	17,962	22,241,893	21,664,458
Federal Sources	1,049,796	1,503,019	2,552,815	2,614,393
Other Sources	176,585	-	176,585	253,422
Total Revenues	40,430,616	2,764,700	43,195,316	41,966,036
EXPENDITURES				
Instruction:				
Regular Instruction	14,319,779	510,418	14,830,197	14,258,781
Vocational Instruction	1,012,850	-	1,012,850	1,103,892
Special Education Instruction	4,872,615	-	4,872,615	4,538,546
Other Instruction	1,771,524	19,476	1,791,000	1,844,787
Total Instruction	21,976,768	529,894	22,506,662	21,746,006
Support Services:				
Pupil Services	1,652,103	24,758	1,676,861	1,375,672
Instructional Staff Services	1,654,717	90,792	1,745,509	1,752,548
General Administration Services	1,281,412	105,406	1,386,818	1,255,685
School Administration Services	2,052,391	201	2,052,592	1,798,644
Business Services	477,270	-	477,270	390,132
Operations and Maintenance of Plant	3,670,580	102,578	3,773,158	5,932,384
Pupil Transportation Services	2,176,361	63,602	2,239,963	2,274,323
Food Services	-	1,191,443	1,191,443	1,312,085
Central Services	760,447	3,197	763,644	591,770
Insurance	257,017	675	257,692	260,897
Other Support Services	1,702,012	948	1,702,960	2,621,205
Total Support Services	15,684,310	1,583,600	17,267,910	19,565,345
Debt Service:				
Principal	-	498,299	498,299	383,693
Interest and Fiscal Charges	157,783	122,908	280,691	174,944
Total Debt Service	157,783	621,207	778,990	558,637
Community Service	-	139,008	139,008	64,553
Nonprogram:				
General Tuition Payments	1,128,394	-	1,128,394	1,056,140
Special Education Tuition Payments	60,757	-	60,757	321,814
Adjustments and Refunds	12,358	-	12,358	15,786
Voucher Payments	303,663	-	303,663	249,420
Total Nonprogram	1,505,172	-	1,505,172	1,643,160
Total Expenditures	39,324,033	2,873,709	42,197,742	43,577,701

See accompanying Notes to Basic Financial Statements.

MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	General	Other Governmental Funds	Totals	
			2020	2019
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,106,583	\$ (109,009)	\$ 997,574	\$ (1,611,665)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	1,165,000	1,165,000	1,000,000
Premium on Debt Issued	-	-	-	-
Payment to Escrow Agent	-	(1,140,768)	(1,140,768)	-
Proceeds from Sale of Capital Assets	5,775	-	5,775	21,005
Transfers In	-	40,397	40,397	183,785
Transfers Out	(40,397)	-	(40,397)	(183,785)
Total Other Financing Sources (Uses)	<u>(34,622)</u>	<u>64,629</u>	<u>30,007</u>	<u>1,021,005</u>
NET CHANGE IN FUND BALANCES	1,071,961	(44,380)	1,027,581	(590,660)
Fund Balances - Beginning of Year	<u>5,023,603</u>	<u>557,510</u>	<u>5,581,113</u>	<u>6,171,773</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,095,564</u>	<u>\$ 513,130</u>	<u>\$ 6,608,694</u>	<u>\$ 5,581,113</u>

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
Net Change in Fund Balances as Shown on Previous Page	\$ 1,027,581	\$ (590,660)
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	197,248	1,180,219
Depreciation Expense Reported in the Statement of Activities	(879,569)	(881,267)
Net Book Value of Disposals	(67,736)	-
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	(1,165,000)	(1,000,000)
Principal Repaid	1,648,299	383,693
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	9,649	2,511
Compensated Absences	(91,504)	84,750
Net Pension Asset	3,741,348	(3,496,654)
Net Pension Liability	4,121,593	(4,121,593)
Deferred Outflows of Resources Related to Pensions	(2,486,712)	4,814,096
Deferred Inflows of Resources Related to Pensions	(5,519,005)	1,219,012
Other Postemployment Benefits	280,784	(248,485)
Deferred Outflows of Resources Related to Other Postemployment Benefits	116,786	950,455
Deferred Inflows of Resources Related to Other Postemployment Benefits	96,777	60,691
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (See Pages 5 - 6)	\$ 1,030,539	\$ (1,643,232)

See accompanying Notes to Basic Financial Statements.

MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION — FIDUCIARY FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	Private	Employee	Agency	Totals	
	Purpose Trust	Benefit Trust	Pupil Activity	2020	2019
ASSETS					
Cash and Investments	\$ 1,182,468	\$ 17	\$ 266,558	\$ 1,449,043	\$ 1,286,745
Accounts Receivable	-	-	504	504	504
Total Assets	<u>1,182,468</u>	<u>17</u>	<u>267,062</u>	<u>1,449,547</u>	<u>1,287,249</u>
LIABILITIES					
Due to District	-	17	-	17	-
Due to Student Organizations	-	-	267,062	267,062	266,519
Total Liabilities	<u>-</u>	<u>17</u>	<u>267,062</u>	<u>267,079</u>	<u>266,519</u>
NET POSITION					
Restricted	<u>\$ 1,182,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,182,468</u>	<u>\$ 1,020,730</u>

See accompanying Notes to Basic Financial Statements.

MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION — FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	Private Purpose Trust	Employee Benefit Trust	Totals	
			2020	2019
ADDITIONS				
Other Local Sources	\$ 156,387	\$ -	\$ 156,387	\$ 194,177
Investment Earnings	19,868	-	19,868	21,137
Total Additions	<u>176,255</u>	<u>-</u>	<u>176,255</u>	<u>215,314</u>
DEDUCTIONS				
Trust Fund Disbursements	14,500	17	14,517	56,678
Total Deductions	<u>14,500</u>	<u>17</u>	<u>14,517</u>	<u>56,678</u>
CHANGE IN NET POSITION	161,755	(17)	161,738	158,636
Net Position - Beginning of Year	<u>1,020,713</u>	<u>17</u>	<u>1,020,730</u>	<u>862,094</u>
NET POSITION - END OF YEAR	<u>\$ 1,182,468</u>	<u>\$ -</u>	<u>\$ 1,182,468</u>	<u>\$ 1,020,730</u>

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Merrill Area Public School District, Merrill, Wisconsin (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The District is organized as a common school district. The District, governed by an elected nine-member board, operates grades K through 12 and is comprised of all or parts of fourteen taxing districts. In accordance with U.S. GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

B. District-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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*.

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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Capital Assets (Continued)

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:

Assets	Governmental Activities
Land Improvements	20 Years
Buildings and Improvements	20 to 50 Years
Machinery and Equipment	5 to 20 Years

8. Compensated Absences

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. Upon retirement or termination of employment, the employees are entitled to the unused portion which is used to pay their group health insurance. The District's employees also are granted vacation in varying amounts based on length of service. All vacation and sick leave is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

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

Support Staff: Unused accumulated 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Other Postemployment Benefits Other Than Pensions (OPEB)

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

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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Fund Equity (Continued)

District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets. Amount of capital assets, net of accumulated depreciation, 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, 2019, from which the summarized information was derived.

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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 \$10,450,385 on June 30, 2020 as summarized below:

Deposits with Financial Institutions	\$ 10,448,117
Investments:	
Wisconsin Investment Series Cooperative	344
Fixed Interest Annuities	17
Total	<u>\$ 10,450,385</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and Investments	\$ 9,001,342
Fiduciary Fund Statement of Net Position	
Private Purpose Trust	1,182,468
Employee Benefit Trust	17
Agency Fund	266,558
Total	<u>\$ 10,450,385</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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

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, 2020, \$41,772 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, 2020, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment in Fixed Interest Annuities

The District has established an employee benefit trust fund to pay retiree's postretirement 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.

Investment in Wisconsin Investment Series Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$344 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 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 Cooperate Statute, Wisconsin Statute, Section 66.031. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Nondepreciable:				
Land	\$ 1,256,000	\$ -	\$ -	\$ 1,256,000
Capital Assets, Depreciable:				
Land Improvements	3,339,152	9,985	-	3,349,137
Buildings and Improvements	46,808,972	-	-	46,808,972
Machinery and Equipment	2,634,025	187,263	336,847	2,484,441
Subtotals	52,782,149	197,248	336,847	52,642,550
Less Accumulated Depreciation for:				
Land Improvements	1,263,625	3,177	-	1,266,802
Buildings and Improvements	26,499,408	791,723	-	27,291,131
Machinery and Equipment	1,864,172	84,669	269,111	1,679,730
Subtotals	29,627,205	879,569	269,111	30,237,663
Total Capital Assets, Depreciable, Net	23,154,944	(682,321)	67,736	22,404,887
Governmental Activities Capital Assets, Net	<u>\$ 24,410,944</u>	<u>\$ (682,321)</u>	<u>\$ 67,736</u>	23,660,887
Less: Capital Related Debt				<u>1,165,000</u>
Net Investment in Capital Assets				<u>\$ 22,495,887</u>

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

Governmental Activities	
Instruction	\$ 11,747
Support Services	867,822
Total Depreciation Expense - Governmental Activities	<u>\$ 879,569</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2020 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds:		
General	\$ -	\$ 4,102
Community Service	4,102	-
Temporary Cash Advances to Finance Operating		
Cash Deficits of Other Funds:		
General	357,764	-
Head Start Project	-	350,525
Package and Co-Op Program	-	7,239
Future Capital Improvement Projects		
General	-	30,000
Long-Term Capital Improvement Trust	30,000	-
Totals	\$ 391,866	\$ 391,866

Interfund transfers for the year ended June 30, 2020 were as follows:

Funds	Transfer In	Transfer Out
General	\$ -	\$ 40,397
Long-Term Capital Improvement	30,000	-
Package and Co-Op Program	10,397	-
Totals	\$ 40,397	\$ 40,397

Interfund transfers were made for the following purposes:

Fund Future Capital Improvement Projects	\$ 30,000
District's Portion of Operating Costs in the Package and Co-Op Fund	10,397
Total	\$ 40,397

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2020 was as follows:

	Outstanding Beginning of Year	Issued	Retired	Outstanding End of Year
Tax and Revenue Anticipation Notes	\$ 6,000,000	\$ 6,800,000	\$ 6,000,000	\$ 6,800,000

Short-term notes payable consist of the following issue:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/20
Tax and Revenue Anticipation Notes	10/4/19	9/23/20	2.00%	\$ 6,800,000	\$ 6,800,000

Total interest paid for the year on short-term debt totaled \$156,633.

E. Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2020:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Debt:					
Bonds	\$ 1,405,000	\$ 1,165,000	\$ 1,405,000	\$ 1,165,000	\$ 280,000
General Obligation Debt from Direct Borrowing:					
Notes	861,307	-	243,299	618,008	250,474
Total General Obligation Debt	2,266,307	1,165,000	1,648,299	1,783,008	530,474
Compensated Absences	849,963	91,504	-	941,467	-
Governmental Activities Long-Term Obligations	\$ 3,116,270	\$ 1,256,504	\$ 1,648,299	\$ 2,724,475	\$ 530,474

Total interest paid during the year on long-term debt totaled \$103,219.

The School District's outstanding notes from direct borrowings related to governmental activities of \$618,008 are subject to payable immediately upon default or early termination of the outstanding note balance.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/20
General Obligation Note	11/14/18	11/13/22	2.91%	\$ 1,000,000	\$ 618,008
General Obligation Bond	10/24/19	10/24/24	2.50%	1,165,000	1,165,000
Total Outstanding General Obligation Debt					<u>\$ 1,783,008</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$1,783,008 on June 30, 2020 are detailed below:

Year Ended June 30,	Governmental Activities				
	Bonded Debt		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	\$ 280,000	\$ 41,827	\$ 250,474	\$ 14,661	\$ 586,962
2022	285,000	22,125	257,861	7,274	572,260
2023	295,000	15,000	109,673	799	420,472
2024	305,000	7,625	-	-	312,625
Totals	<u>\$ 1,165,000</u>	<u>\$ 86,577</u>	<u>\$ 618,008</u>	<u>\$ 22,734</u>	<u>\$ 1,892,319</u>

Advance Refunding

The District advance refunded a general obligation bond issue from 2011. The District issued \$1,165,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 4 years by \$46,223 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$42,571. The 2011 general obligation bond issue was called in April, 2020.

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, 2020 was \$130,630,958 as follows:

Equalized Valuation of the District	\$ 1,324,139,663
Statutory Limitation Percentage	<u>(x) 10%</u>
General Obligation Debt Limitation, Per Section 67.03 of the Wisconsin Statutes	132,413,966
Total Outstanding General Obligation Debt Applicable to Debt Limitation	<u>1,783,008</u>
Legal Margin for New Debt	<u>\$ 130,630,958</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 Ended June 30,</u>	<u>Amount</u>
2021	\$ 37,558
2022	37,558
2023	37,558
2024	35,771
2025	4,472
Total Minimum Payments Required	<u>\$ 152,917</u>

Rent expense under all operating leases for the year ended June 30, 2020 amounted to \$22,361.

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 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

WRS Pension Plan Description (Continued)

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.

Postretirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2010	(1.3)%	22%
2011	(1.2)	11
2012	(7.3)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, executives, and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the year ending June 30, 2020, the WRS recognized \$1,268,494 in contributions from the District.

Contribution rates as of June 30, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives, and Elected Officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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

At June 30, 2020, the District reported an asset of \$3,741,348 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.11603036%, which was an increase 0.00017998% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,413,593.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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

At June 30, 2020, 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	\$ 7,101,933	\$ 3,554,042
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	7,648,646
Changes in Assumptions	291,550	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	27,284	10,298
Employer Contributions Subsequent to the Measurement Date	748,457	-
Total	<u>\$ 8,169,224</u>	<u>\$ 11,212,986</u>

\$748,457 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 asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Expense</u>
2021	\$ (1,128,428)
2022	(837,871)
2023	140,903
2024	(1,966,823)
Total	<u>\$ (3,792,219)</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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, 2018
Actuarial Cost Method	Entry Age Normal
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 postretirement 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 postretirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2019 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 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 geometric real rates of return for each major asset class are summarized in the following table:

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

WRS Pension Plan Description (Continued)

Actuarial Assumptions (Continued)

	Current Asset Allocation Percent	Long-Term Expected Nominal Rate of Return Percent	Long-Term Expected Real Rate of Return Percent
Core Fund Asset Class:			
Global Equities	49%	8.0%	5.1%
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Cash	(10)	.9	N/A
Total Core Fund	<u>100</u>	7.5	4.6
Variable Fund Asset Class:			
U.S. Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	<u>100</u>	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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 for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75%. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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%, 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%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 9,634,641	\$ (3,741,348)	\$ (13,741,438)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan for the year ended June 30, 2020.

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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	35
Waived	28
Inactive Employees Entitled to But Not Yet	
Receiving Benefit Payments	19
Active Employees	
Fully Eligible	50
Not Fully Eligible	132
Total	264

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

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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

Contributions (Continued)

Support Staff

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

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal – Level % of Salary
Inflation	2.5%
Salary Increases	Ranges from 0.1% to 5.6%
Discount Rate	3.5%
Healthcare Cost Trend Rates	7.5% 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 based on the Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied 60%).

The actuarial assumptions used in the June 30, 2019 valuation were based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015 - 2017. The results of an actuarial experience study for the period 2015 - 2017.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

Single Discount Rate

The discount rate used to measure the total OPEB liability was 3.50% (based on the Bond Buyer GO 20-Year AA Bond Index published by the Federal Reserve Bank as of the measurement date). The projection of cash flows used to determine the single discount rate assumed that District contributions to the Plan would continue to be funded at the pay-as-you –go basis. Based on these assumptions, the 20-year AA municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance - Beginning of Year	\$ 5,251,835
Changes for the Year:	
Service Cost	111,434
Interest	181,674
Differences Between Expected and Actual Experience:	
Changes of Assumptions or Other Inputs	214,729
Benefit Payments	(925,805)
Net Changes	(280,784)
Balance - End of Year	\$ 4,971,051

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Total OPEB Liability	\$ 5,101,957	\$ 4,971,051	\$ 4,842,678

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (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%)
Total OPEB Liability	\$ 4,910,130	\$ 4,971,051	\$ 5,035,573

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$373,706. At June 30, 2020, 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	\$ 780,604	\$ -
Changes in Assumptions	117,586	487,734
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	14,693	-
District Contributions Subsequent to the Measurement Date	1,027,740	-
Total	\$ 1,940,623	\$ 487,734

\$1,027,740 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, 2021.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

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

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

<u>Year Ended June 30,</u>	<u>Expense</u>
2020	\$ 80,597
2021	77,190
2022	75,327
2023	72,808
2024	73,467
Thereafter	45,760
Total	<u>\$ 425,149</u>

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$-0- for the outstanding amount of contribution to the Plan required for the year ended June 30, 2020.

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, 2020, nonspendable fund balance was as follows:

General:	
Inventories and Prepaid Items	\$ 704,449
Head Start:	
Prepaid Items	80
Total Nonspendable Fund Balance	<u>\$ 704,529</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity (Continued)

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2020, restricted fund balance was as follows:

Special Revenue Funds

Restricted for:		
Food Service Programs	\$	162,021
Donations		<u>77,372</u>
Total Special Revenue Funds		<u>239,393</u>

Debt Service Funds

Restricted for:		
Nonreferendum Debt Service		23,798
Referendum Debt Service		<u>59,099</u>
Total Debt Service Funds		<u>82,897</u>

Capital Projects Fund

Restricted for:		
Long-Term Capital Improvement Trust		<u>190,840</u>
Total Restricted Fund Balance	\$	<u><u>513,130</u></u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2020, fund balance was assigned as follows:

General Fund

Assigned for:		
Fab Lab	\$	41,245
School Forest		<u>10,392</u>
Total Assigned Fund Balance	\$	<u><u>51,637</u></u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity (Continued)

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 2020-2021 General Fund Expenditures	\$ 38,084,778
Minimum Fund Balance Percent	(x) 14%
Minimum Fund Balance Amount	<u>\$ 5,331,869</u>

The District's committed, assigned, and unassigned General Fund balance of \$5,391,115 is above 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, 2020, restricted fiduciary fund net position was as follows:

Fiduciary Fund

Restricted for:	
Scholarships	<u>\$ 1,182,468</u>

Net Position

The District reports restricted net position at June 30, 2020 as follows:

Governmental Activities

Restricted for:	
Community Service Programs	
Food Service Programs	\$ 162,021
Donations	77,372
Debt Service	75,616
Capital Improvements	190,840
Net Pension Asset	<u>3,741,348</u>
Total Governmental Activities Restricted	
Net Position	<u>\$ 4,247,197</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities.

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.

Specific to the District, COVID-19 has impacted operations as there has been an increased emphasis on remote learning and personal protective equipment. The District is reliant on the State Governments for a significant proportion of its revenues through intergovernmental grants. As the State is dealing with increased costs associated with the pandemic, there may be changes to future funding levels for the District once the State's budget is approved. The full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to occur subsequent to year-end and are still developing.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 OTHER INFORMATION (CONTINUED)

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 2018, 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, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2018, 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, 2021. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — GENERAL FUND — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 10,139,080	\$ 10,230,737	\$ 10,231,050	\$ 313
Other Local Sources	279,458	639,145	682,140	42,995
Interdistrict Sources	5,456,109	5,500,636	5,500,636	-
Intermediate Sources	82,500	82,260	147,779	65,519
State Sources	20,140,159	20,869,470	20,977,823	108,353
Federal Sources	609,449	690,829	579,266	(111,563)
Other Sources	70,000	157,981	176,585	18,604
Total Revenues	<u>36,776,755</u>	<u>38,171,058</u>	<u>38,295,279</u>	<u>124,221</u>
EXPENDITURES				
Instruction:				
Regular Instruction	13,736,184	14,698,406	14,319,779	378,627
Vocational Instruction	1,127,256	1,025,400	1,005,177	20,223
Other Instruction	1,692,652	1,791,122	1,771,524	19,598
Total Instruction	<u>16,556,092</u>	<u>17,514,928</u>	<u>17,096,480</u>	<u>418,448</u>
Support Services:				
Pupil Services	1,058,936	1,105,822	1,075,656	30,166
Instructional Staff Services	1,524,763	1,509,094	1,389,952	119,142
General Administration Services	1,063,840	1,300,379	1,281,412	18,967
School Administration Services	2,033,421	2,073,248	2,052,391	20,857
Business Services	459,102	447,191	454,860	(7,669)
Operations and Maintenance of Plant	3,498,741	3,695,337	3,670,580	24,757
Pupil Transportation Services	2,060,540	2,068,151	1,994,310	73,841
Central Services	612,761	628,898	758,410	(129,512)
Insurance	243,865	252,406	257,017	(4,611)
Other Support Services	2,531,105	1,742,210	1,702,012	40,198
Total Support Services	<u>15,087,074</u>	<u>14,822,735</u>	<u>14,636,600</u>	<u>186,135</u>
Debt Service:				
Interest and Fiscal Charges	72,800	159,434	157,783	1,651
Total Debt Service	<u>72,800</u>	<u>159,434</u>	<u>157,783</u>	<u>1,651</u>
Nonprogram:				
General Tuition Payments	1,132,060	1,073,454	1,128,394	(54,940)
Adjustments and Refunds	1,300	9,352	9,295	57
Voucher Payments	255,820	303,663	303,663	-
Total Nonprogram	<u>1,389,180</u>	<u>1,386,469</u>	<u>1,441,352</u>	<u>(54,883)</u>
Total Expenditures	<u>33,105,145</u>	<u>33,883,566</u>	<u>33,332,215</u>	<u>551,351</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,671,610	4,287,492	4,963,064	675,572
OTHER FINANCING USES				
Proceeds from Sale of Capital Assets	-	5,775	5,775	-
Transfers Out	(3,666,360)	(3,787,426)	(3,896,878)	(109,452)
Total Other Financing Sources (Uses)	<u>(3,666,360)</u>	<u>(3,781,651)</u>	<u>(3,891,103)</u>	<u>(109,452)</u>
NET CHANGE IN FUND BALANCE	5,250	505,841	1,071,961	566,120
Fund Balance - Beginning of Year	<u>5,023,603</u>	<u>5,023,603</u>	<u>5,023,603</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,028,853</u>	<u>\$ 5,529,444</u>	<u>\$ 6,095,564</u>	<u>\$ 566,120</u>

See accompanying Notes to Required Supplementary Information.

MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — SPECIAL EDUCATION FUND — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Interdistrict Sources	\$ 5,000	\$ 152,395	\$ 245,462	\$ 93,067
Intermediate Sources	220,000	220,000	173,237	(46,763)
State Sources	1,326,597	1,246,108	1,246,108	-
Federal Sources	807,614	922,204	470,530	(451,674)
Total Revenues	<u>2,359,211</u>	<u>2,540,707</u>	<u>2,135,337</u>	<u>(405,370)</u>
EXPENDITURES				
Instruction:				
Vocational Instruction	36,151	37,673	7,673	30,000
Special Education Instruction	<u>5,020,541</u>	<u>5,007,219</u>	<u>4,872,615</u>	<u>134,604</u>
Total Instruction	5,056,692	5,044,892	4,880,288	164,604
Support Services:				
Pupil Services	466,256	593,592	576,447	17,145
Instructional Staff Services	246,753	305,844	264,765	41,079
Business Services	-	-	22,410	(22,410)
Operations and Maintenance of Plant	15,950	-	-	-
Pupil Transportation Services	139,862	284,002	182,051	101,951
Central Services	7,292	2,037	2,037	-
Other Support Services	-	3,000	-	3,000
Total Support Services	<u>876,113</u>	<u>1,188,475</u>	<u>1,047,710</u>	<u>140,765</u>
Nonprogram:				
Special Education Tuition Payments	42,000	52,000	60,757	(8,757)
Adjustments and Refunds	-	-	3,063	(3,063)
Total Nonprogram	<u>42,000</u>	<u>52,000</u>	<u>63,820</u>	<u>(11,820)</u>
Total Expenditures	<u>5,974,805</u>	<u>6,285,367</u>	<u>5,991,818</u>	<u>293,549</u>
EXCESS OF REVENUES OVER EXPENDITURES	(3,615,594)	(3,744,660)	(3,856,481)	(111,821)
OTHER FINANCING SOURCES				
Transfers In	<u>3,615,594</u>	<u>3,744,660</u>	<u>3,856,481</u>	<u>111,821</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Required Supplementary Information.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
LAST 10 MEASUREMENT YEARS***

	2020	2019	2018	2017	2016
Total OPEB Liability					
Service Cost	\$ 111,434	\$ 115,724	\$ 171,523	\$ 158,655	\$ 158,655
Interest	181,674	189,890	174,420	246,423	274,317
Changes Of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	214,729	-	954,481	-	-
Changes of Assumptions	137,184	(36,086)	(732,863)	(5,263)	-
Benefit Payments	(925,805)	(770,513)	(1,085,935)	(1,241,142)	(1,112,463)
Net Change in Total OPEB Liability	(280,784)	(500,985)	(518,374)	(841,327)	(679,491)
Total OPEB Liability - Beginning	5,251,835	5,752,820	6,271,194	7,112,521	7,792,012
Total OPEB Liability - Ending (A)	<u>\$ 4,971,051</u>	<u>\$ 5,251,835</u>	<u>\$ 5,752,820</u>	<u>\$ 6,271,194</u>	<u>\$ 7,112,521</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ -	\$ 20,532	\$ 895,181	\$ 1,241,142	\$ 1,146,675
Net Investment Income	-	511	15,555	17,003	20,595
Benefit Payments	-	(770,513)	(1,085,935)	(1,241,142)	(1,112,463)
Administrative Expenses	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	(749,470)	(175,199)	17,003	54,807
Plan Fiduciary Net Position - Beginning	-	749,470	924,669	907,666	852,859
Plan Fiduciary Net Position - Ending (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 749,470</u>	<u>\$ 924,669</u>	<u>\$ 907,666</u>
District's Net OPEB Liability - Ending (A) - (B)	<u>\$ 4,971,051</u>	<u>\$ 5,251,835</u>	<u>\$ 5,003,350</u>	<u>\$ 5,346,525</u>	<u>\$ 6,204,855</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	13.03%	14.74%	12.76%
Covered-Employee Payroll	\$ 17,986,435	\$ 9,714,910	\$ 9,714,910	\$ 8,544,948	\$ 7,987,968
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	27.64%	54.06%	51.50%	62.57%	77.68%

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

See accompanying Notes to Required Supplementary Information.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) —
WISCONSIN RETIREMENT SYSTEM
LAST 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 %
12/31/19	0.11603036 %	(3,741,348)	18,575,012	20.14 %	102.96 %

**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 Covered Payroll
6/30/15	\$ 1,141,630	\$ 1,141,630	\$ -	\$ 16,587,420	6.88 %
6/30/16	1,320,446	1,320,446	-	19,543,591	6.76 %
6/30/17	1,151,287	1,151,287	-	17,259,844	6.67 %
6/30/18	1,202,001	1,202,001	-	17,879,643	6.72 %
6/30/19	1,202,403	1,202,403	-	18,184,419	6.61 %
6/30/20	1,268,494	1,268,494	-	19,371,067	6.55 %

See accompanying Notes to Required Supplementary Information.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 OTHER POST-EMPLOYMENT 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.

NOTE 2 WISCONSIN RETIREMENT SYSTEM

Changes of Benefit Terms

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

Changes of Assumptions

No significant change in assumptions were noted from the prior year.

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

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

- 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, 2020.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a U.S. GAAP General Fund basis is summarized below:

	<u>General</u>	<u>Special Education Fund</u>
Revenues		
Actual Amounts (Budgetary Basis)	\$ 38,295,279	\$ 2,135,337
Reclassification of Special Education	<u>2,135,337</u>	<u>(2,135,337)</u>
Total Revenues	40,430,616	-
Expenditures		
Actual Amounts (Budgetary Basis)	33,332,215	5,991,818
Reclassification of Special Education	<u>5,991,818</u>	<u>(5,991,818)</u>
Total Expenditures	39,324,033	-
Excess of Revenues Over (Under) Expenditures		
Actual Amounts (Budgetary Basis)	4,963,064	(3,856,481)
Reclassification of Special Education	<u>(3,856,481)</u>	<u>3,856,481</u>
Excess of Revenues Over (Under) Expenditures	1,106,583	-
Other Financing Sources (Uses)		
Actual Amounts (Budgetary Basis)	(3,891,103)	3,856,481
Reclassification of Special Education	<u>3,856,481</u>	<u>(3,856,481)</u>
Total Other Financing Sources (Uses)	<u>(34,622)</u>	<u>-</u>
Net Change in Fund Balance		
Actual Amounts (Budgetary Basis)	1,071,961	-
Fund Balance - Beginning of Year		
Actual Amounts (Budgetary Basis)	<u>5,023,603</u>	<u>-</u>
Fund Balance - End of Year		
Actual Amounts (Budgetary Basis)	<u>\$ 6,095,564</u>	<u>\$ -</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Special Revenue				
	Donations	Head Start Project	Community Service	Food Service	Package and Co-op Program
ASSETS					
Cash and investments	\$ 77,457	\$ -	\$ -	\$ 167,899	\$ -
Receivables	-	-	-	44,179	-
Due from Other Funds	-	-	4,102	-	-
Due from Other Governments	-	381,902	-	55,082	7,239
Inventories and Prepaid Items	-	80	-	-	-
Total Assets	\$ 77,457	\$ 381,982	\$ 4,102	\$ 267,160	\$ 7,239
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 85	\$ 30,579	\$ -	\$ 102,870	\$ -
Accrued and Other Current Liabilities	-	878	4,102	197	-
Due to Other Funds	-	350,525	-	-	7,239
Deposits Payable	-	-	-	2,072	-
Total Liabilities	85	381,982	4,102	105,139	7,239
FUND BALANCES					
Nonspendable	-	80	-	-	-
Restricted	77,372	-	-	162,021	-
Unassigned	-	(80)	-	-	-
Total Fund Balances	77,372	-	-	162,021	-
Total Liabilities and Fund Balances	\$ 77,457	\$ 381,982	\$ 4,102	\$ 267,160	\$ 7,239

**MERRILL AREA PUBLIC SCHOOL DISTRICT
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2020**

	Debt Service		Long-Term Capital Improvement Trust	Total Nonmajor Governmental Funds
	Nonreferendum Debt Service	Referendum Debt Service		
ASSETS				
Cash and investments	\$ 36,500	\$ 59,524	\$ 160,840	\$ 502,220
Receivables	-	-	-	44,179
Due from Other Funds	-	-	30,000	34,102
Due from Other Governments	-	-	-	444,223
Inventories and Prepaid Items	-	-	-	80
	<u>36,500</u>	<u>59,524</u>	<u>190,840</u>	<u>1,024,804</u>
Total Assets	<u>\$ 36,500</u>	<u>\$ 59,524</u>	<u>\$ 190,840</u>	<u>\$ 1,024,804</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 12,702	\$ 425	\$ -	\$ 146,661
Accrued and Other Current Liabilities	-	-	-	5,177
Due to Other Funds	-	-	-	357,764
Deposits Payable	-	-	-	2,072
Total Liabilities	<u>12,702</u>	<u>425</u>	<u>-</u>	<u>511,674</u>
FUND BALANCES				
Nonspendable	-	-	-	80
Restricted	23,798	59,099	190,840	513,130
Unassigned	-	-	-	(80)
Total Fund Balances	<u>23,798</u>	<u>59,099</u>	<u>190,840</u>	<u>513,130</u>
Total Liabilities and Fund Balances	<u>\$ 36,500</u>	<u>\$ 59,524</u>	<u>\$ 190,840</u>	<u>\$ 1,024,804</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

	Special Revenue				
	Donations	Head Start Project	Community Service	Food Service	Package and Co-op Program
REVENUES					
Property Taxes	\$ -	\$ -	\$ 138,745	\$ -	\$ -
Other Local Sources	44,707	-	11,076	409,944	-
Interdistrict Sources	-	-	-	-	53,799
State Sources	-	-	-	17,962	-
Federal Sources	-	737,398	-	765,621	-
Total Revenues	<u>44,707</u>	<u>737,398</u>	<u>149,821</u>	<u>1,193,527</u>	<u>53,799</u>
EXPENDITURES					
Instruction:					
Regular Instruction	68,406	441,904	-	-	108
Other Instruction	3,278	16,198	-	-	-
Total Instruction	<u>71,684</u>	<u>458,102</u>	<u>-</u>	<u>-</u>	<u>108</u>
Support Services:					
Pupil Services	4,323	20,435	-	-	-
Instructional Staff Services	1,842	24,862	-	-	64,088
General Administration Services	-	105,406	-	-	-
School Administration Services	-	201	-	-	-
Operations and Maintenance of Plant	-	68,744	2,800	31,034	-
Pupil Transportation Services	-	55,589	8,013	-	-
Food Service	-	-	-	1,191,443	-
Central Services	292	2,436	-	469	-
Insurance	-	675	-	-	-
Other Support Services	-	948	-	-	-
Total Support Services	<u>6,457</u>	<u>279,296</u>	<u>10,813</u>	<u>1,222,946</u>	<u>64,088</u>
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community Service	-	-	139,008	-	-
Total Expenditures	<u>78,141</u>	<u>737,398</u>	<u>149,821</u>	<u>1,222,946</u>	<u>64,196</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,434)	-	-	(29,419)	(10,397)
OTHER FINANCING SOURCES					
Long-Term Debt Issued	-	-	-	-	-
Payment to Escrow Agent	-	-	-	-	-
Transfers In	-	-	-	-	10,397
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,397</u>
NET CHANGE IN FUND BALANCES	(33,434)	-	-	(29,419)	-
Fund Balances - Beginning of Year	110,806	-	-	191,440	-
FUND BALANCES - END OF YEAR	<u>\$ 77,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,021</u>	<u>\$ -</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

	Debt Service		Long-Term Capital Improvement Trust	Total Nonmajor Governmental Funds
	Nonreferendum Debt Service	Referendum Debt Service		
REVENUES				
Property Taxes	\$ 582,245	\$ -	\$ -	\$ 720,990
Other Local Sources	3,047	-	156	468,930
Interdistrict Sources	-	-	-	53,799
State Sources	-	-	-	17,962
Federal Sources	-	-	-	1,503,019
Total Revenues	<u>585,292</u>	<u>-</u>	<u>156</u>	<u>2,764,700</u>
EXPENDITURES				
Instruction:				
Regular Instruction	-	-	-	510,418
Other Instruction	-	-	-	19,476
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,894</u>
Support Services:				
Pupil Services	-	-	-	24,758
Instructional Staff Services	-	-	-	90,792
General Administration Services	-	-	-	105,406
School Administration Services	-	-	-	201
Operations and Maintenance of Plant	-	-	-	102,578
Pupil Transportation Services	-	-	-	63,602
Food Service	-	-	-	1,191,443
Central Services	-	-	-	3,197
Insurance	-	-	-	675
Other Support Services	-	-	-	948
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,583,600</u>
Debt Service:				
Principal	498,299	-	-	498,299
Interest and Fiscal Charges	122,908	-	-	122,908
Total Debt Service	<u>621,207</u>	<u>-</u>	<u>-</u>	<u>621,207</u>
Community Service	-	-	-	139,008
Total Expenditures	<u>621,207</u>	<u>-</u>	<u>-</u>	<u>2,873,709</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(35,915)	-	156	(109,009)
OTHER FINANCING SOURCES				
Long-Term Debt Issued	1,165,000	-	-	1,165,000
Payment to Escrow Agent	(1,140,768)	-	-	(1,140,768)
Transfers In	-	-	30,000	40,397
Total Other Financing Sources	<u>24,232</u>	<u>-</u>	<u>30,000</u>	<u>64,629</u>
NET CHANGE IN FUND BALANCES	(11,683)	-	30,156	(44,380)
Fund Balances - Beginning of Year	<u>35,481</u>	<u>59,099</u>	<u>160,684</u>	<u>557,510</u>
FUND BALANCES - END OF YEAR	<u>\$ 23,798</u>	<u>\$ 59,099</u>	<u>\$ 190,840</u>	<u>\$ 513,130</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER SERVICES AND COSTS
YEAR ENDED JUNE 30, 2020**

	<u>Function</u>		
SERVICES PROVIDED			
Special Education	150000	\$	15,226
Other Pupil Services	219000		6,548
Direction Of Improvement Of Instruction	221100		28,613
Instructional Staff Services	223000		7,048
General Administration	230000		42,670
Business Services	252000		42,319
General Operations	253000		12,932
Pupil Transportation	256000		32,019
Food Services	257000		13,559
Technology	266000		40,356
Insurances	270000		20,175
Total Services Provided		<u>\$</u>	<u>261,465</u>

	<u>Object</u>		
OPERATING ACTIVITY			
Employee Salaries	100	\$	18,625
Employee Benefits	200		2,711
Purchased Services	300		226,636
Total Operating Activity		<u>\$</u>	<u>247,972</u>



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Merrill Area Public School District
Merrill, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2020, 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 30, 2020.

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 certain deficiencies in internal control, described in the accompanying the schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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 Findings

The District's response to the findings identified in our audit is described in the accompanying the 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 result 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 30, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT GUIDELINES

Board of Education
Merrill Area Public School District
Merrill, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Merrill Area Public School District, Merrill, Wisconsin's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2020. 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 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, 2020.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies 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 30, 2020

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/19	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2020-353500-DPI-SB-546	\$ (4,433)	\$ 63,657	\$ -	\$ 59,224	\$ -
COVID 19 - School Breakfast Program	10.553	WI DPI	2020-353500-DPI-SB-546	-	4,663	-	4,663	-
Total School Breakfast Program				(4,433)	68,320	-	63,887	-
National School Lunch Program	10.555	WI DPI	2020-263484-DPI-NSL-547	(29,431)	358,674	-	329,243	-
COVID 19 - National School Lunch Program	10.555	WI DPI	2020-263484-DPI-NSL-547	-	28,070	-	28,070	-
National School Lunch Program	10.555	WI DPI	2020-353500-DPI-SK_NSL-561	(80)	3,689	-	3,609	-
COVID 19 - National School Lunch Program	10.555	WI DPI	2020-353500-DPI-SK_NSL-561	-	156	-	156	-
Donated Commodities	10.555	WI DPI	2020-353500-NSLAE-566	-	97,342	-	97,342	-
Total National School Lunch Program				(29,511)	487,931	-	458,420	-
Summer Food Service Program for Children	10.559	WI DPI	2020-353500-DPI-SFSP-566	(12,841)	16,633	-	3,792	-
COVID 19 - Summer Food Service Program for Children	10.559	WI DPI	2020-353500-DPI-SFSP-566	-	172,572	55,082	227,654	-
Total Summer Food Service Program for Children				(12,841)	189,205	55,082	231,446	-
<i>Total Child Nutrition Cluster</i>				(46,785)	745,456	55,082	753,753	-
Child and Adult Care Food Program	10.558	WI DPI	2020-353500-DPI-CCI-551	(902)	12,770	-	11,868	-
Total U.S. Department of Agriculture				(47,687)	758,226	55,082	765,621	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2020-353500-TIA-141	(322,187)	322,187	383,428	383,428	-
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2020-353500-DPI-IDEA-F-341	(353,969)	353,969	442,827	442,827	-
Special Education Preschool Grants	84.173	WI DPI	2020-353500-DPI-IDEA-P-347	(20,451)	20,451	27,703	27,703	-
<i>Total Special Education Cluster (IDEA)</i>				(374,420)	374,420	470,530	470,530	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2020-353500-CTE-400	(24,690)	28,823	14,126	18,259	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2020-353500-CLC DPI-367	(95,674)	95,674	113,533	113,533	-
Improving Teacher Quality State Grants	84.367	WI DPI	2020-353500-TIIA-365	(75,513)	75,513	50,502	50,502	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2020-353500-TIVA - DPI-381	(15,984)	29,074	454	13,544	-
Total U.S. Department of Education				(908,468)	925,691	1,032,573	1,049,796	-

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

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/19	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Head Start	93.600	Direct Program	n/a	\$ (589,687)	\$ 945,183	\$ 381,902	\$ 737,398	\$ -
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	CESA #9	44236800	(38,173)	305,614	-	267,441	-
Total U.S. Department of Health and Human Services				(627,860)	1,250,797	381,902	1,004,839	-
Total Federal Awards				<u>\$ (1,584,015)</u>	<u>\$ 2,934,714</u>	<u>\$ 1,469,557</u>	<u>\$ 2,820,256</u>	<u>\$ -</u>
Reconciliation to the Basic Financial Statements								
Federal Sources							\$ 2,552,815	
Federal Awards Included in Intermediate sources							267,441	
Total Expenditures of Federal Awards							<u>\$ 2,820,256</u>	

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

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/19	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	353500-100	\$ -	\$ 1,246,108	\$ -	\$ 1,246,108	\$ -
Special Education and School Age Parents	255.101	CESA #9	44236800	-	-	7,818	7,818	-
Total Special Education and School Age Parents				-	1,246,108	7,818	1,253,926	-
State School Lunch Aid	255.102	Direct Program	353500-107	-	13,943	-	13,943	-
Common School Fund Library Aid	255.103	Direct Program	353500-104	-	126,246	-	126,246	-
General Transportation Aid	255.107	Direct Program	353500-102	-	168,212	-	168,212	-
Equalization Aids	255.201	Direct Program	353500-116	(284,345)	17,334,868	283,908	17,334,431	-
Supplemental Per Pupil Aid	255.245	Direct Program	353500-181	-	8,620	-	8,620	-
Head Start Supplement	255.327	Direct Program	353500-145	(28,875)	38,368	19,381	28,874	-
State School Breakfast Aid	255.344	Direct Program	353500-108	-	4,019	-	4,019	-
Early College Credit Program	255.445	Direct Program	353500-178	-	5,856	-	5,856	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	353500-160	-	682,980	-	682,980	-
Educator Effective Evaluation System	255.940	Direct Program	353500-154	(19,120)	19,120	23,760	23,760	-
Per Pupil Aid	255.945	Direct Program	353500-113	-	1,905,456	-	1,905,456	-
High Cost Transportation Aid	255.947	Direct Program	353500-114	-	293,710	-	293,710	-
Career and Technical Education Incentive Grants	255.950	Direct Program	353500-151	-	59,426	-	59,426	-
Assessments of Reading Readiness	255.956	Direct Program	353500-166	-	5,776	-	5,776	-
Total Wisconsin Department of Public Instruction				(332,340)	21,912,708	334,867	21,915,235	-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Youth Apprenticeship Grant	445.112	Northcentral Technical College	N/A	(65,434)	77,444	32,487	44,497	-
WISCONSIN DEPARTMENT OF JUSTICE								
School Safety Grant	455.206	Direct Program	12964	(14,077)	128,113	62,821	176,857	-
Total Wisconsin Department of Justice				(14,077)	128,113	62,821	176,857	-
Total State Awards				<u>\$ (411,851)</u>	<u>\$ 22,118,265</u>	<u>\$ 430,175</u>	<u>\$ 22,136,589</u>	<u>\$ -</u>
Reconciliation to the Basic Financial Statements								
State Sources							\$ 22,241,893	
Less: State Sources Not Considered State Awards								
State Tax Computer Aid							(72,417)	
Payment in Lieu of Taxes and Other Revenues							(72,789)	
WiseLearn Grant							(12,413)	
State Awards Included in Intermediate sources							52,315	
Total Expenditures of State awards							<u>\$ 22,136,589</u>	

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

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2020**

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 2020 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

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

NOTE 3 SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2019 - 2020 eligible costs under the State Special Education Program as reported by the District are \$5,166,355. 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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2020**

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

NOTE 6 PASS THROUGH ENTITIES

Federal awards 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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|----------------------------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | _____ Yes <u> X </u> No |
| • Were significant deficiency(ies) identified not considered to be a material weakness(es)? | <u> X </u> Yes _____ No |
| 3. Noncompliance material to basic financial statements noted? | _____ Yes <u> X </u> No |

Federal and State Awards

- | | |
|--|-------------------------------|
| 1. Internal control over compliance: | |
| • Material weakness(es) identified? | _____ Yes <u> X </u> No |
| • Were significant deficiency(ies) identified not considered to be a material weakness(es)? | _____ Yes <u> X </u> No |
| 2. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | _____ Yes <u> X </u> No |
| 4. Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ? | _____ Yes <u> X </u> No |

Identification of major federal programs:

CFDA Number(s)

10.553
10.555
10.559

Name of Federal Program

Child Nutrition Cluster
School Breakfast Program
National School Lunch Program
Summer Food Service Program for Children

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

Finding No.	Control Deficiencies
2020-001	Preparation of Annual Financial Report Repeat of Finding 2019-001
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting

Condition: Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.

Context: 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.

Cause: District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the District continue reviewing the annual financial 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.

Views of Responsible Officials: Refer to the management response per the corrective action plan.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings (Continued)

2020-002

Segregation of Duties

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

Condition: The District has the Finance Director position to have complete control and access over both the banking and software functions for the District. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.

Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.

Context: While performing audit procedures, the District has limited employees and does not have adequate segregation of duties.

Cause: The lack of segregation of duties is due to the limited number of employees and the size of the District's operations. In addition, the District has not completed a formal risk assessment and review of internal controls to identify additional mitigating and compensating controls which could be implemented to reduce the risk of errors or intentional fraud.

Effect: Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation: We recommend the District perform a risk assessment of its operations to identify and implement mitigating controls to reduce the risk of errors and intentional fraud. The District should review its disbursement process to ensure that there is adequate segregation of duties in regards to initiating, authorizing and approving purchases, along with adding controls to ensure that the item purchased was received by the District. We also recommend the Board of Education continue to monitor the transactions and the financial records of the District.

Views of Responsible Officials: Refer to the management response per the corrective action plan.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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, 2020.

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Health Services	No
Department of Public Instruction	No
Department of Justice	No

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

4. Name and signature of partner



David Maccoux, CPA

5. Date of report

November 30, 2020

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

The findings noted in the 2019 schedule of findings and questioned costs have been reported to the proper federal and state agencies. The current status of the prior year audit findings, as provided by management, follows:

Finding No. Prior Year Audit Finding

2019-001 Preparation of Annual Financial Report

The District will continue to review and approve the financial statements prior to finalization by our auditors. If necessary additional assistance will be procured by the use of a third party certified public accountant to provide additional review and technical assistance to the Director of Finance.