

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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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, 2021, 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 auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3.E., during 2020, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. As a result, the District identified activities previously reported as fiduciary activities that no longer meet the definition of a fiduciary activity. Our opinions are not modified with respect to this matter.

Other Matters

Prior Year Summarized Financial Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 45 through 48 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 for the year ended June 30, 2021 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 for the year ended June 30, 2021 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 December 13, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Wausau, Wisconsin
December 13, 2021

BASIC FINANCIAL STATEMENTS

MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	Governmental Activities	
	2021	2020
ASSETS		
Cash and Investments	\$ 12,160,566	\$ 9,001,342
Receivables:		
Taxes	2,551,062	2,625,737
Accounts	110,941	149,492
Due from Other Governments	3,167,639	2,067,216
Inventories and Prepaid Items	71,527	704,529
Net Pension Asset	7,261,495	3,741,348
Capital Assets:		
Nondepreciable	1,256,000	1,256,000
Depreciable, Net	22,368,917	22,404,887
Total Assets	48,948,147	41,950,551
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	11,497,439	8,169,224
Other Postemployment Related Amounts	1,826,732	1,940,623
Total Deferred Outflows of Resources	13,324,171	10,109,847
LIABILITIES		
Short-Term Notes Payable	6,675,000	6,800,000
Accounts Payable	371,863	672,889
Accrued and Other Current Liabilities	350,474	206,213
Accrued Interest Payable	151,269	108,059
Unearned Revenues	7,516	1,806
Deposits Payable	160,375	157,936
Long-Term Obligations:		
Due in One Year	542,861	530,474
Due in More Than One Year	1,643,112	2,194,001
Other Postemployment Benefits Liability:		
Due in One Year	983,708	1,027,740
Due in More Than One Year	3,316,621	3,943,311
Net Pension Liability	-	-
Total Liabilities	14,202,799	15,642,429
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	15,906,132	11,212,986
Other Postemployment Related Amounts	390,957	487,734
Total Deferred Inflows of Resources	16,297,089	11,700,720
NET POSITION		
Net Investment in Capital Assets	22,739,917	22,495,887
Restricted:		
Pension	7,261,495	3,741,348
Capital Assets	1,990,998	190,840
Scholarships	1,186,958	-
Food Service	307,409	162,021
Other	417,624	152,988
Unrestricted	(2,131,971)	(2,025,835)
Total Net Position	\$ 31,772,430	\$ 24,717,249

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2021	2020
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 21,303,375	\$ 453,548	\$ 10,747,791	\$ 125,218	\$ (9,976,818)	\$ (13,337,994)
Support Services	17,420,291	203,612	3,624,476	-	(13,592,203)	(14,659,705)
Community Services	29,183	4,126	-	-	(25,057)	(135,002)
Nonprogram	1,808,735	206,034	25,139	-	(1,577,562)	(1,271,051)
Interest and Fiscal Charges	218,477	-	-	-	(218,477)	(261,810)
Total Governmental Activities	<u>\$ 40,780,061</u>	<u>\$ 867,320</u>	<u>\$ 14,397,406</u>	<u>\$ 125,218</u>	(25,390,117)	(29,665,562)
GENERAL REVENUES						
Property Taxes					11,427,119	10,952,040
Other Taxes					19,132	20,251
State and Federal Aids not Restricted to Specific Functions					19,193,599	19,326,780
Interest and Investment Earnings					10,690	83,942
Gain on Disposal of Capital Assets					-	5,775
Miscellaneous					347,151	307,313
Total General Revenues					<u>30,997,691</u>	<u>30,696,101</u>
CHANGE IN NET POSITION					5,607,574	1,030,539
Net Position - July 1, as Originally Stated					24,717,249	23,686,710
Cumulative Effect of Change in Accounting Principle					<u>1,447,607</u>	<u>-</u>
Net Position - July 1, as Restated					<u>26,164,856</u>	<u>23,686,710</u>
NET POSITION - END OF YEAR					<u>\$ 31,772,430</u>	<u>\$ 24,717,249</u>

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	General	Other Governmental Funds	Totals	
			2021	2020
ASSETS				
Cash and Investments	\$ 9,957,314	\$ 2,203,252	\$ 12,160,566	\$ 9,001,342
Receivables:				
Taxes	2,551,062	-	2,551,062	2,625,737
Accounts	75,618	35,323	110,941	149,492
Due from Other Funds	910,092	1,830,709	2,740,801	391,866
Due from Other Governments	2,240,918	926,721	3,167,639	2,067,216
Inventories and Prepaid Items	71,447	80	71,527	704,529
Total Assets	<u>\$ 15,806,451</u>	<u>\$ 4,996,085</u>	<u>\$ 20,802,536</u>	<u>\$ 14,940,182</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Short-Term Notes Payable	\$ 6,675,000	\$ -	\$ 6,675,000	\$ 6,800,000
Accounts Payable	208,024	163,839	371,863	672,889
Accrued and Other Current Liabilities	344,356	6,118	350,474	206,213
Accrued Interest Payable	145,738	-	145,738	100,778
Due to Other Funds	1,830,709	910,092	2,740,801	391,866
Unearned Revenues	-	7,516	7,516	1,806
Deposits Payable	160,375	-	160,375	157,936
Total Liabilities	<u>9,364,202</u>	<u>1,087,565</u>	<u>10,451,767</u>	<u>8,331,488</u>
FUND BALANCES				
Nonspendable	71,447	80	71,527	704,529
Restricted	-	3,908,520	3,908,520	513,130
Assigned	-	-	-	51,637
Unassigned	6,370,802	(80)	6,370,722	5,339,398
Total Fund Balances	<u>6,442,249</u>	<u>3,908,520</u>	<u>10,350,769</u>	<u>6,608,694</u>
Total Liabilities and Fund Balances	<u>\$ 15,806,451</u>	<u>\$ 4,996,085</u>	<u>\$ 20,802,536</u>	<u>\$ 14,940,182</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	2021	2020
Total Fund Balances as Shown on Previous Page	\$ 10,350,769	\$ 6,608,694
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.	23,624,917	23,660,887
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Net Pension Asset	7,261,495	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	11,497,439	8,169,224
Deferred Inflows Related to Pensions	(15,906,132)	(11,212,986)
Deferred Outflows Related to Other Postemployment Benefits	1,826,732	1,940,623
Deferred Inflows Related to Other Postemployment Benefits	(390,957)	(487,734)
Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and Notes Payable	(1,252,172)	(1,783,008)
Compensated Absences	(933,801)	(941,467)
Other Postemployment Benefits Liability	(4,300,329)	(4,971,051)
Accrued Interest on Long-Term Obligations	(5,531)	(7,281)
Net Position of Governmental Activities as Reported on the Statement of Net Position (See Page 5)	\$ 31,772,430	\$ 24,717,249

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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)

	General	Other Governmental Funds	Totals	
			2021	2020
REVENUES				
Property Taxes	\$ 10,690,224	\$ 736,895	\$ 11,427,119	\$ 10,952,040
Other Local Sources	138,743	513,463	652,206	1,151,070
Interdistrict Sources	7,537,292	-	7,537,292	5,799,897
Intermediate Sources	404,542	-	404,542	321,016
State Sources	22,209,101	43,420	22,252,521	22,241,893
Federal Sources	1,908,770	1,923,237	3,832,007	2,552,815
Other Sources	279,900	2,048	281,948	176,585
Total Revenues	43,168,572	3,219,063	46,387,635	43,195,316
EXPENDITURES				
Instruction:				
Regular Instruction	14,600,405	375,471	14,975,876	14,830,197
Vocational Instruction	894,398	15,288	909,686	1,012,850
Special Education Instruction	5,113,088	-	5,113,088	4,872,615
Other Instruction	1,888,719	371,087	2,259,806	1,791,000
Total Instruction	22,496,610	761,846	23,258,456	22,506,662
Support Services:				
Pupil Services	1,835,303	171,418	2,006,721	1,676,861
Instructional Staff Services	2,160,369	26,055	2,186,424	1,745,509
General Administration Services	645,628	10,570	656,198	1,386,818
School Administration Services	2,373,611	101,581	2,475,192	2,052,592
Business Services	424,095	-	424,095	477,270
Operations and Maintenance of Plant	3,903,537	154,971	4,058,508	3,773,158
Pupil Transportation Services	2,059,876	98,279	2,158,155	2,239,963
Food Services	-	1,051,134	1,051,134	1,191,443
Central Services	1,009,797	3,901	1,013,698	763,644
Insurance	305,634	675	306,309	257,692
Other Support Services	1,823,869	2,500	1,826,369	1,702,960
Total Support Services	16,541,719	1,621,084	18,162,803	17,267,910
Debt Service:				
Principal	-	530,836	530,836	498,299
Interest and Fiscal Charges	176,804	43,423	220,227	280,691
Total Debt Service	176,804	574,259	751,063	778,990
Community Service	-	31,510	31,510	139,008
Nonprogram:				
General Tuition Payments	1,248,843	-	1,248,843	1,128,394
Special Education Tuition Payments	149,474	-	149,474	60,757
Adjustments and Refunds	30,498	1,981	32,479	12,358
Voucher Payments	368,430	-	368,430	303,663
Revenue Transits to Others	9,509	80,600	90,109	-
Total Nonprogram	1,806,754	82,581	1,889,335	1,505,172
Total Expenditures	41,021,887	3,071,280	44,093,167	42,197,742

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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)

	General	Other Governmental Funds	Totals	
			2021	2020
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 2,146,685	\$ 147,783	\$ 2,294,468	\$ 997,574
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	1,165,000
Payment to Escrow Agent	-	-	-	(1,140,768)
Proceeds from Sale of Capital Assets	-	-	-	5,775
Transfers In	-	1,800,000	1,800,000	40,397
Transfers Out	(1,800,000)	-	(1,800,000)	(40,397)
Total Other Financing Sources (Uses)	<u>(1,800,000)</u>	<u>1,800,000</u>	<u>-</u>	<u>30,007</u>
NET CHANGE IN FUND BALANCES	<u>346,685</u>	<u>1,947,783</u>	<u>2,294,468</u>	<u>1,027,581</u>
Fund Balances - July 1, as Originally Stated	6,095,564	513,130	6,608,694	5,581,113
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>1,447,607</u>	<u>1,447,607</u>	<u>-</u>
Fund Balances - July 1, as Restated	<u>6,095,564</u>	<u>1,960,737</u>	<u>8,056,301</u>	<u>5,581,113</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,442,249</u>	<u>\$ 3,908,520</u>	<u>\$ 10,350,769</u>	<u>\$ 6,608,694</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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)

	2021	2020
Net Change in Fund Balances as Shown on Previous Page	\$ 2,294,468	\$ 1,027,581
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	913,307	197,248
Depreciation Expense Reported in the Statement of Activities	(904,149)	(879,569)
Net Book Value of Disposals	(45,128)	(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)
Principal Repaid	530,836	1,648,299
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	1,750	9,649
Compensated Absences	7,666	(91,504)
Net Pension Asset	3,520,147	3,741,348
Net Pension Liability	-	4,121,593
Deferred Outflows of Resources Related to Pensions	3,328,215	(2,486,712)
Deferred Inflows of Resources Related to Pensions	(4,693,146)	(5,519,005)
Other Postemployment Benefits	670,722	280,784
Deferred Outflows of Resources Related to Other Postemployment Benefits	(113,891)	116,786
Deferred Inflows of Resources Related to Other Postemployment Benefits	96,777	96,777
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (See Page 6)	\$ 5,607,574	\$ 1,030,539

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	Custodial	Totals	
	Pupil Activity	2021	2020
ASSETS			
Cash and Investments	\$ 1,923	\$ 1,923	\$ 1,449,043
Accounts Receivable	-	-	504
Total Assets	<u>1,923</u>	<u>1,923</u>	<u>1,449,547</u>
LIABILITIES			
Due to District	-	-	17
Due to Student Organizations	-	-	267,062
Total Liabilities	<u>-</u>	<u>-</u>	<u>267,079</u>
NET POSITION			
Restricted	<u>\$ 1,923</u>	<u>\$ 1,923</u>	<u>\$ 1,182,468</u>

See accompanying Notes to Basic Financial Statements.

MERRILL AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2020)

	Private	Custodial	Totals	
	Purpose Trust	Pupil Activity	2021	2020
ADDITIONS				
Other Local Sources	\$ -	\$ -	\$ -	\$ 156,387
Investment Earnings	-	-	-	19,868
Total Additions	-	-	-	176,255
DEDUCTIONS				
Trust Fund Disbursements	-	-	-	14,517
CHANGE IN NET POSITION	-	-	-	161,738
Net Position - July 1, as Originally Stated	1,182,468	-	1,182,468	1,020,730
Cumulative Effect of Change in Accounting Principle	(1,182,468)	1,923	(1,180,545)	-
Net Position - July 1, as Restated	-	1,923	1,923	1,020,730
NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 1,923</u>	<u>\$ 1,923</u>	<u>\$ 1,182,468</u>

See accompanying Notes to Basic Financial Statements.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021**

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 District accounts for assets held as an agent for various student and parent organizations in a *custodial fund*. These amounts were recorded in an agency fund in prior years. Due to the implementation of GASB 84, *Fiduciary Activities*, they are now recorded in a custodial fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as 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, 2021**

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, 2021**

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, 2021**

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, 2021**

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 (revenue), 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, 2021**

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.

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, 2021**

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, 2020, 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, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

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

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. 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 \$12,162,489 on June 30, 2021 as summarized below:

Petty Cash Funds	\$	1,907
Deposits with Financial Institutions		12,160,221
Investments:		
Wisconsin Investment Series Cooperative		344
Fixed Interest Annuities		17
Total	\$	12,162,489

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position		
Cash and Investments	\$	12,160,566
Fiduciary Fund Statement of Net Position		
Custodial Fund		1,923
Total	\$	12,162,489

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments that are subject to fair value measurement.

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

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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, 2021, \$218,240 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, 2021, 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, 2021**

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 \$17 invested in 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, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended June 30, 2021 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	3,349,137	121,512	39,729	3,430,920
Buildings and Improvements	46,808,972	362,335	-	47,171,307
Machinery and Equipment	2,484,441	429,460	65,985	2,847,916
Subtotals	52,642,550	913,307	105,714	53,450,143
Less Accumulated Depreciation for:				
Land Improvements	1,266,802	4,989	39,729	1,232,062
Buildings and Improvements	27,291,131	796,626	-	28,087,757
Machinery and Equipment	1,679,730	102,534	20,857	1,761,407
Subtotals	30,237,663	904,149	60,586	31,081,226
Total Capital Assets, Depreciable, Net	22,404,887	9,158	45,128	22,368,917
Governmental Activities Capital Assets, Net	\$ 23,660,887	\$ 9,158	\$ 45,128	23,624,917
Less: Capital Related Debt				885,000
Net Investment in Capital Assets				\$ 22,739,917

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

Governmental Activities	
Instruction	\$ 14,665
Support Services	889,484
Total Depreciation Expense - Governmental Activities	\$ 904,149

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds:		
General	\$ -	\$ 1,830,709
Community Service	30,709	-
Long-Term Capital Improvement Trust	1,800,000	-
Temporary Cash Advances to Finance Operating Cash Deficits of Other Funds:		
General	910,092	-
Head Start Project	-	910,092
Totals	\$ 2,740,801	\$ 2,740,801

Interfund transfers for the year ended June 30, 2021 were as follows:

Funds	Transfer In	Transfer Out
General	\$ -	\$ 1,800,000
Long-Term Capital Improvement	1,800,000	-
Totals	\$ 1,800,000	\$ 1,800,000

Interfund transfers were made for the following purposes:

Fund Future Capital Improvement Projects	\$ 1,800,000
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**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021 was as follows:

	Outstanding Beginning of Year	Issued	Retired	Outstanding End of Year
Tax and Revenue Anticipation Notes	<u>\$ 6,800,000</u>	<u>\$ 6,675,000</u>	<u>\$ 6,800,000</u>	<u>\$ 6,675,000</u>

Short-term notes payable consist of the following issue:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/21
Tax and Revenue Anticipation Notes	10/8/20	10/22/21	3.00%	\$ 6,675,000	<u>\$ 6,675,000</u>

Total interest paid for the year on short-term debt totaled \$131,844.

E. Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2021:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Debt:					
Bonds	\$ 1,165,000	\$ -	\$ 280,000	\$ 885,000	\$ 285,000
General Obligation Debt from Direct Borrowing:					
Notes	618,008	-	250,836	367,172	257,861
Total General Obligation Debt	<u>1,783,008</u>	<u>-</u>	<u>530,836</u>	<u>1,252,172</u>	<u>542,861</u>
Compensated Absences	941,467	-	7,666	933,801	-
Governmental Activities Long-Term Obligations	<u>\$ 2,724,475</u>	<u>\$ -</u>	<u>\$ 538,502</u>	<u>\$ 2,185,973</u>	<u>\$ 542,861</u>

Total interest paid during the year on long-term debt totaled \$43,423.

The School District's outstanding notes from direct borrowings related to governmental activities of \$367,172 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, 2021**

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 6/30/21
General Obligation Note	11/14/18	11/13/22	2.91%	\$ 1,000,000	\$ 367,172
General Obligation Bond	10/24/19	10/24/24	2.50%	1,165,000	885,000
Total Outstanding General Obligation Debt					<u>\$ 1,252,172</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$1,252,172 on June 30, 2021 are detailed below:

Year Ended June 30,	Governmental Activities				
	Bonded Debt		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2022	\$ 285,000	\$ 22,125	\$ 257,861	\$ 7,274	\$ 572,260
2023	295,000	15,000	109,311	799	420,110
2024	305,000	7,625	-	-	312,625
Totals	<u>\$ 885,000</u>	<u>\$ 44,750</u>	<u>\$ 367,172</u>	<u>\$ 8,073</u>	<u>\$ 1,304,995</u>

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, 2021 was \$136,769,895 as follows:

Equalized Valuation of the District	\$ 1,380,220,673
Statutory Limitation Percentage	<u>(x) 10%</u>
General Obligation Debt Limitation, Per Section 67.03 of the Wisconsin Statutes	138,022,067
Total Outstanding General Obligation Debt Applicable to Debt Limitation	<u>1,252,172</u>
Legal Margin for New Debt	<u>\$ 136,769,895</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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:

Year Ended June 30,	Amount
2022	\$ 37,558
2023	37,558
2024	35,771
2025	4,472
Total Minimum Payments Required	\$ 115,359

Rent expense under all operating leases for the year ended June 30, 2021 amounted to \$37,558.

G. Pension Plan

WRS Pension Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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:

<u>Year</u>	<u>Core Fund Adjustment %</u>	<u>Variable Fund Adjustment %</u>
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, the WRS recognized \$1,364,928 in contributions from the District.

Contribution rates as of June 30, 2021 are:

Employee Category	Employee	Employer
General (Including Teachers, Executives, and Elected Officials)	6.75%	6.75%

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

At June 30, 2021, the District reported an asset of \$7,261,495 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the District's proportion was 0.11631161%, which was an increase 0.00028125% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense (revenue) of (\$788,168).

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 10,509,612	\$ 2,263,751
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	13,632,865
Changes in Assumptions	164,704	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	18,195	9,516
Employer Contributions Subsequent to the Measurement Date	804,928	-
Total	\$ 11,497,439	\$ 15,906,132

\$804,928 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, 2022. 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>
2022	\$ (1,338,849)
2023	(357,710)
2024	(2,470,525)
2025	(1,046,537)
Total	\$ (5,213,621)

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	December 31, 2019
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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 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, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

Long-Term Expected Return on Plan Assets (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	51.0%	7.2%	4.7%
Fixed Income	25.0	3.2%	0.8%
Inflation Sensitive Assets	16.0	2.0%	-0.4%
Real Estate	8.0	5.6%	3.1%
Private Equity/Debt	11.0	10.2%	7.6%
Multi-Asset	4.0	5.8%	3.3%
Cash	-15.0	0.9%	N/A
Total Core Fund	<u>100.0%</u>	6.6%	4.1%
Variable Fund Asset Class:			
U.S. Equities		6.6%	4.1%
International Equities	70.0%	7.4%	4.9%
Total Variable Fund	<u>30.0</u>	7.1%	4.6%
	<u>100.0%</u>		

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%

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 2.00%. (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, 2020. 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. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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)	\$ 6,911,937	\$ (7,261,495)	\$ (17,671,775)

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, 2021, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan for the year ended June 30, 2021.

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, 2021**

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, 2021**

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, 2020, 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	2.0%
Salary Increases	Ranges from 0.1% to 5.6%
Discount Rate	2.25%
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, 2021**

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 2.25% (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

	<u>Total OPEB Liability</u>
Balance - Beginning of Year	\$ 4,971,051
Changes for the Year:	
Service Cost	74,283
Interest	157,301
Differences Between Expected and Actual Experience:	-
Changes of Assumptions or Other Inputs	125,434
Benefit Payments	<u>(1,027,740)</u>
Net Changes	<u>(670,722)</u>
Balance - End of Year	<u><u>\$ 4,300,329</u></u>

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 (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease to Discount Rate <u>(1.25%)</u>	Current Discount Rate <u>(2.25%)</u>	1% Increase to Discount Rate <u>(3.25%)</u>
Total OPEB Liability	\$ 4,401,627	\$ 4,300,329	\$ 4,199,853

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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	\$ 4,231,315	\$ 4,300,329	\$ 4,373,866

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$330,100. At June 30, 2021, 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	\$ 630,618	\$ -
Changes in Assumptions	205,503	390,957
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	6,903	-
District Contributions Subsequent to the Measurement Date	983,708	-
Total	\$ 1,826,732	\$ 390,957

\$983,708 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, 2021**

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>
2021	\$ 95,109
2022	93,246
2023	90,727
2024	91,386
2025	63,679
Thereafter	17,920
Total	<u>\$ 452,067</u>

Payable to the OPEB Plan

At June 30, 2021, the District reported a payable of \$-0- for the outstanding amount of contribution to the Plan required for the year ended June 30, 2021.

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, 2021, nonspendable fund balance was as follows:

General:	
Inventories and Prepaid Items	\$ 71,447
Head Start:	
Prepaid Items	80
Total Nonspendable Fund Balance	<u>\$ 71,527</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, restricted fund balance was as follows:

Special Revenue Funds

Restricted for:

Food Service Programs	\$ 307,409
Community Service Programs	24,870
Scholarships	1,186,958
Donations	318,491
Total Special Revenue Funds	1,837,728

Debt Service Funds

Restricted for:

Nonreferendum Debt Service	20,695
Referendum Debt Service	59,099
Total Debt Service Funds	79,794

Capital Projects Fund

Restricted for:

Long-Term Capital Improvement Trust	1,990,998
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Total Restricted Fund Balance	\$ 3,908,520
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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	\$ 41,021,887
Minimum Fund Balance Percent	(x) 14%
Minimum Fund Balance Amount	\$ 5,743,064

The District's committed, assigned, and unassigned General Fund balance of \$6,370,802 is above the minimum fund balance amount.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. Settled claims have not exceeded coverage in any of the past three years.

The District has not received an actuarial certification attesting to the adequacy of the reserves, rates, and the overall financial soundness of the District's self-insured dental plan.

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations, and local communities. Specific to the District, COVID-19 may impact parts of its 2021 operations and financial results. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 13, 2021.

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.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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.

E. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying fiduciary activities and addressed financial report for these activities. Financial statements for the year ended June 30, 2020 have not been restated. The cumulative effect of this change was to increase the July 1, 2020 net position of the governmental activities and donations special revenue by \$1,447,607 and the pupil activities custodial fund by \$1,923 and decrease the net position of the private purpose trust fiduciary fund by \$1,182,468, as it was determined it no longer qualifies as a fiduciary activity.

F. Subsequent Events

Effective July 1, 2021, the area of the District serving the Maple Grove Elementary School detached from the Merrill Area Public School District and joined a neighboring District. The detachment will see a drop in an enrollment of between 60 and 80 students and a decrease in the property tax base of the District.

REQUIRED SUPPLEMENTARY INFORMATION

MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — GENERAL FUND — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 10,033,730	\$ 10,690,224	\$ 10,690,224	\$ -
Other Local Sources	297,933	195,934	138,743	(57,191)
Interdistrict Sources	5,831,480	7,196,680	7,309,316	112,636
Intermediate Sources	142,260	117,029	210,747	93,718
State Sources	20,689,117	20,645,386	20,724,037	78,651
Federal Sources	1,003,532	1,013,786	1,254,915	241,129
Other Sources	86,726	282,633	278,523	(4,110)
Total Revenues	<u>38,084,778</u>	<u>40,141,672</u>	<u>40,606,505</u>	<u>464,833</u>
EXPENDITURES				
Instruction:				
Regular Instruction	14,505,606	15,311,494	14,600,405	711,089
Vocational Instruction	988,604	994,029	894,398	99,631
Other Instruction	1,848,194	1,965,048	1,888,719	76,329
Total Instruction	<u>17,342,404</u>	<u>18,270,571</u>	<u>17,383,522</u>	<u>887,049</u>
Support Services:				
Pupil Services	1,229,887	1,301,727	1,295,629	6,098
Instructional Staff Services	2,066,319	2,196,608	1,945,881	250,727
General Administration Services	649,953	717,290	645,628	71,662
School Administration Services	2,120,625	2,282,590	2,373,611	(91,021)
Business Services	392,203	428,903	424,095	4,808
Operations and Maintenance of Plant	3,466,876	3,779,911	3,852,642	(72,731)
Pupil Transportation Services	2,146,824	2,036,957	1,916,366	120,591
Central Services	901,606	1,079,782	1,009,592	70,190
Insurance	237,880	271,686	305,634	(33,948)
Other Support Services	2,023,227	1,992,833	1,821,829	171,004
Total Support Services	<u>15,235,400</u>	<u>16,088,288</u>	<u>15,590,907</u>	<u>497,381</u>
Debt Service:				
Interest and Fiscal Charges	159,434	179,605	176,804	2,801
Total Debt Service	<u>159,434</u>	<u>179,605</u>	<u>176,804</u>	<u>2,801</u>
Nonprogram:				
General Tuition Payments	1,100,248	1,248,926	1,248,843	83
Adjustments and Refunds	9,352	9,352	30,409	(21,057)
Voucher Payments	389,500	376,730	368,430	8,300
Total Nonprogram	<u>1,499,100</u>	<u>1,635,008</u>	<u>1,647,682</u>	<u>(12,674)</u>
Total Expenditures	<u>34,236,338</u>	<u>36,173,472</u>	<u>34,798,915</u>	<u>1,374,557</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,848,440	3,968,200	5,807,590	1,839,390
OTHER FINANCING USES				
Transfers Out	(3,846,627)	(3,822,721)	(5,460,905)	(1,638,184)
Total Other Financing Sources (Uses)	<u>(3,846,627)</u>	<u>(3,822,721)</u>	<u>(5,460,905)</u>	<u>(1,638,184)</u>
NET CHANGE IN FUND BALANCE	1,813	145,479	346,685	201,206
Fund Balance - Beginning of Year	6,095,564	6,095,564	6,095,564	-
FUND BALANCE - END OF YEAR	<u>\$ 6,097,377</u>	<u>\$ 6,241,043</u>	<u>\$ 6,442,249</u>	<u>\$ 201,206</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, 2021

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Interdistrict Sources	\$ 26,000	\$ 26,000	\$ 227,976	\$ 201,976
Intermediate Sources	203,927	203,927	193,795	(10,132)
State Sources	1,332,730	1,482,498	1,485,064	2,566
Federal Sources	750,091	1,255,329	653,855	(601,474)
Other Sources	-	-	1,377	1,377
Total Revenues	<u>2,312,748</u>	<u>2,967,754</u>	<u>2,562,067</u>	<u>(405,687)</u>
EXPENDITURES				
Instruction:				
Vocational Instruction	37,600	37,600	-	37,600
Special Education Instruction	5,080,940	5,650,884	5,113,088	537,796
Total Instruction	<u>5,118,540</u>	<u>5,688,484</u>	<u>5,113,088</u>	<u>575,396</u>
Support Services:				
Pupil Services	543,178	560,041	539,674	20,367
Instructional Staff Services	232,907	239,162	214,488	24,674
Operations and Maintenance of Plant	-	-	50,895	(50,895)
Pupil Transportation Services	171,000	171,000	143,510	27,490
Central Services	750	750	205	545
Other Support Services	3,000	3,000	2,040	960
Total Support Services	<u>950,835</u>	<u>973,953</u>	<u>950,812</u>	<u>23,141</u>
Nonprogram:				
Special Education Tuition Payments	60,000	60,000	149,474	(89,474)
Revenue Transits to Others	-	38,038	9,509	28,529
Adjustments and Refunds	-	-	89	(89)
Total Nonprogram	<u>60,000</u>	<u>98,038</u>	<u>159,072</u>	<u>(61,034)</u>
Total Expenditures	<u>6,129,375</u>	<u>6,760,475</u>	<u>6,222,972</u>	<u>537,503</u>
EXCESS OF REVENUES OVER EXPENDITURES	(3,816,627)	(3,792,721)	(3,660,905)	131,816
OTHER FINANCING SOURCES				
Transfers In	<u>3,816,627</u>	<u>3,792,721</u>	<u>3,660,905</u>	<u>(131,816)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2021	2020	2019	2018	2017	2016
Total OPEB Liability						
Service Cost	\$ 74,283	\$ 111,434	\$ 115,724	\$ 171,523	\$ 158,655	\$ 158,655
Interest	157,301	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	125,434	137,184	(36,086)	(732,863)	(5,263)	-
Benefit Payments	(1,027,740)	(925,805)	(770,513)	(1,085,935)	(1,241,142)	(1,112,463)
Net Change in Total OPEB Liability	(670,722)	(280,784)	(500,985)	(518,374)	(841,327)	(679,491)
Total OPEB Liability - Beginning	4,971,051	5,251,835	5,752,820	6,271,194	7,112,521	7,792,012
Total OPEB Liability - Ending (A)	<u>\$ 4,300,329</u>	<u>\$ 4,971,051</u>	<u>\$ 5,251,835</u>	<u>\$ 5,752,820</u>	<u>\$ 6,271,194</u>	<u>\$ 7,112,521</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ -	\$ -	\$ 20,532	\$ 895,181	\$ 1,241,142	\$ 1,146,675
Net Investment Income	-	-	511	15,555	17,003	20,595
Benefit Payments	-	-	(770,513)	(1,085,935)	(1,241,142)	(1,112,463)
Administrative Expenses	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	(749,470)	(175,199)	17,003	54,807
Plan Fiduciary Net Position - Beginning	-	-	749,470	924,669	907,666	852,859
Plan Fiduciary Net Position - Ending (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 749,470</u>	<u>\$ 924,669</u>	<u>\$ 907,666</u>
District's Net OPEB Liability - Ending (A) - (B)	<u>\$ 4,300,329</u>	<u>\$ 4,971,051</u>	<u>\$ 5,251,835</u>	<u>\$ 5,003,350</u>	<u>\$ 5,346,525</u>	<u>\$ 6,204,855</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	13.03%	14.74%	12.76%
Covered-Employee Payroll	\$ 17,986,435	\$ 17,986,435	\$ 9,714,910	\$ 9,714,910	\$ 8,544,948	\$ 7,987,968
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	23.91%	27.64%	54.06%	51.50%	62.57%	77.68%

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

See accompanying Notes to Required Supplementary Information.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) —
WISCONSIN RETIREMENT SYSTEM
LAST 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 %
12/31/20	0.11631161 %	(7,261,495)	19,384,418	37.46 %	105.26 %

**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 %
6/30/21	1,364,928	1,364,928	-	20,221,040	6.75 %

See accompanying Notes to Required Supplementary Information.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 OTHER POST-EMPLOYMENT BENEFITS

Changes of Benefit Terms

There were no changes of benefit terms.

Changes of Assumptions

The Discount rate was 2.25% compared to 3.50% in the prior year. The change was made to reflect the decrease in the AA municipal bond rate. There were no other changes in assumptions.

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, 2021**

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, 2021.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

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)	\$ 40,606,505	\$ 2,562,067
Reclassification of Special Education	<u>2,562,067</u>	<u>(2,562,067)</u>
Total Revenues	43,168,572	-
Expenditures		
Actual Amounts (Budgetary Basis)	34,798,915	6,222,972
Reclassification of Special Education	<u>6,222,972</u>	<u>(6,222,972)</u>
Total Expenditures	41,021,887	-
Excess of Revenues Over (Under) Expenditures		
Actual Amounts (Budgetary Basis)	5,807,590	(3,660,905)
Reclassification of Special Education	<u>(3,660,905)</u>	<u>3,660,905</u>
Excess of Revenues Over (Under) Expenditures	2,146,685	-
Other Financing Sources (Uses)		
Actual Amounts (Budgetary Basis)	(5,460,905)	3,660,905
Reclassification of Special Education	<u>3,660,905</u>	<u>(3,660,905)</u>
Total Other Financing Sources (Uses)	<u>(1,800,000)</u>	<u>-</u>
Net Change in Fund Balance		
Actual Amounts (Budgetary Basis)	346,685	-
Fund Balance - Beginning of Year		
Actual Amounts (Budgetary Basis)	<u>6,095,564</u>	<u>-</u>
Fund Balance - End of Year		
Actual Amounts (Budgetary Basis)	<u>\$ 6,442,249</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

**MERRILL AREA PUBLIC SCHOOL DISTRICT
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue			
	Donations	Head Start Project	Community Service	Food Service
ASSETS				
Cash and Investments	\$ 1,505,449	\$ -	\$ -	\$ 426,586
Receivables	-	-	-	35,323
Due from Other Funds	-	-	30,709	-
Due from Other Governments	-	911,543	-	15,178
Inventories and Prepaid Items	-	80	-	-
Total Assets	<u>\$ 1,505,449</u>	<u>\$ 911,623</u>	<u>\$ 30,709</u>	<u>\$ 477,087</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 1,331	\$ -	\$ 162,083
Accrued and Other Current Liabilities	-	200	5,839	79
Due to Other Funds	-	910,092	-	-
Unearned Revenues	-	-	-	7,516
Total Liabilities	<u>-</u>	<u>911,623</u>	<u>5,839</u>	<u>169,678</u>
FUND BALANCES				
Nonspendable	-	80	-	-
Restricted	1,505,449	-	24,870	307,409
Unassigned	-	(80)	-	-
Total Fund Balances	<u>1,505,449</u>	<u>-</u>	<u>24,870</u>	<u>307,409</u>
Total Liabilities and Fund Balances	<u>\$ 1,505,449</u>	<u>\$ 911,623</u>	<u>\$ 30,709</u>	<u>\$ 477,087</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2021**

	<u>Debt Service</u>		Long-Term Capital Improvement Trust	Total Nonmajor Governmental Funds
	Nonreferendum Debt Service	Referendum Debt Service		
ASSETS				
Cash and Investments	\$ 20,695	\$ 59,524	\$ 190,998	\$ 2,203,252
Receivables	-	-	-	35,323
Due from Other Funds	-	-	1,800,000	1,830,709
Due from Other Governments	-	-	-	926,721
Inventories and Prepaid Items	-	-	-	80
	<u>20,695</u>	<u>59,524</u>	<u>1,990,998</u>	<u>4,996,085</u>
Total Assets	<u>\$ 20,695</u>	<u>\$ 59,524</u>	<u>\$ 1,990,998</u>	<u>\$ 4,996,085</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 425	\$ -	\$ 163,839
Accrued and Other Current Liabilities	-	-	-	6,118
Due to Other Funds	-	-	-	910,092
Unearned Revenues	-	-	-	7,516
Total Liabilities	<u>-</u>	<u>425</u>	<u>-</u>	<u>1,087,565</u>
FUND BALANCES				
Nonspendable	-	-	-	80
Restricted	20,695	59,099	1,990,998	3,908,520
Unassigned	-	-	-	(80)
Total Fund Balances	<u>20,695</u>	<u>59,099</u>	<u>1,990,998</u>	<u>3,908,520</u>
Total Liabilities and Fund Balances	<u>\$ 20,695</u>	<u>\$ 59,524</u>	<u>\$ 1,990,998</u>	<u>\$ 4,996,085</u>

**MERRILL AREA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Special Revenue			
	Donations	Head Start Project	Community Service	Food Service
REVENUES				
Property Taxes	\$ -	\$ -	\$ 166,135	\$ -
Other Local Sources	354,900	-	9,618	148,391
State Sources	-	27,332	-	16,088
Federal Sources	-	884,211	-	1,039,026
Other Sources	-	-	-	2,048
Total Revenues	<u>354,900</u>	<u>911,543</u>	<u>175,753</u>	<u>1,205,553</u>
EXPENDITURES				
Instruction:				
Regular Instruction	23,698	351,773	-	-
Vocational Instruction	15,288	-	-	-
Other Instruction	244,382	8,998	117,707	-
Total Instruction	<u>283,368</u>	<u>360,771</u>	<u>117,707</u>	<u>-</u>
Support Services:				
Pupil Services	6,385	165,033	-	-
Instructional Staff Services	-	26,055	-	-
General Administration Services	-	10,570	-	-
School Administration Services	1,577	100,004	-	-
Operations and Maintenance of Plant	-	146,255	1,666	7,050
Pupil Transportation Services	-	98,279	-	-
Food Service	-	-	-	1,051,134
Central Services	-	3,901	-	-
Insurance	-	675	-	-
Other Support Services	2,500	-	-	-
Total Support Services	<u>10,462</u>	<u>550,772</u>	<u>1,666</u>	<u>1,058,184</u>
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community Service	-	-	31,510	-
Nonprogram:				
Adjustments and Refunds	-	-	-	1,981
Post-Secondary Scholarship Expenditures	80,600	-	-	-
Total Nonprogram	<u>80,600</u>	<u>-</u>	<u>-</u>	<u>1,981</u>
Total Expenditures	<u>374,430</u>	<u>911,543</u>	<u>150,883</u>	<u>1,060,165</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,530)	-	24,870	145,388
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
NET CHANGE IN FUND BALANCES	(19,530)	-	24,870	145,388
Fund Balances - July 1, as Originally Stated	77,372	-	-	162,021
Cumulative Effect of Change in Accounting Principle	1,447,607	-	-	-
Fund Balances - July 1, as Restated	<u>1,524,979</u>	<u>-</u>	<u>-</u>	<u>162,021</u>
FUND BALANCES - END OF YEAR	\$ 1,505,449	\$ -	\$ 24,870	\$ 307,409

**MERRILL AREA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	Debt Service		Long-Term Capital Improvement Trust	Total Nonmajor Governmental Funds
	Nonreferendum Debt Service	Referendum Debt Service		
REVENUES				
Property Taxes	\$ 570,760	\$ -	\$ -	\$ 736,895
Other Local Sources	396	-	158	513,463
State Sources	-	-	-	43,420
Federal Sources	-	-	-	1,923,237
Other Sources	-	-	-	2,048
Total Revenues	<u>571,156</u>	<u>-</u>	<u>158</u>	<u>3,219,063</u>
EXPENDITURES				
Instruction:				
Regular Instruction	-	-	-	375,471
Vocational Instruction	-	-	-	15,288
Other Instruction	-	-	-	371,087
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>761,846</u>
Support Services:				
Pupil Services	-	-	-	171,418
Instructional Staff Services	-	-	-	26,055
General Administration Services	-	-	-	10,570
School Administration Services	-	-	-	101,581
Operations and Maintenance of Plant	-	-	-	154,971
Pupil Transportation Services	-	-	-	98,279
Food Service	-	-	-	1,051,134
Central Services	-	-	-	3,901
Insurance	-	-	-	675
Other Support Services	-	-	-	2,500
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,621,084</u>
Debt Service:				
Principal	530,836	-	-	530,836
Interest and Fiscal Charges	43,423	-	-	43,423
Total Debt Service	<u>574,259</u>	<u>-</u>	<u>-</u>	<u>574,259</u>
Community Service	-	-	-	31,510
Nonprogram:				
Adjustments and Refunds	-	-	-	1,981
Post-Secondary Scholarship Expenditures	-	-	-	80,600
Total Nonprogram	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,581</u>
Total Expenditures	<u>574,259</u>	<u>-</u>	<u>-</u>	<u>3,071,280</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,103)	-	158	147,783
OTHER FINANCING SOURCES				
Transfers In	-	-	1,800,000	1,800,000
NET CHANGE IN FUND BALANCES	(3,103)	-	1,800,158	1,947,783
Fund Balances - July 1, as Originally Stated	23,798	59,099	190,840	513,130
Cumulative Effect of Change in Accounting Principle	-	-	-	1,447,607
Fund Balances - July 1, as Restated	<u>23,798</u>	<u>59,099</u>	<u>190,840</u>	<u>1,960,737</u>
FUND BALANCES - END OF YEAR	\$ 20,695	\$ 59,099	\$ 1,990,998	\$ 3,908,520

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER SERVICES AND COSTS
YEAR ENDED JUNE 30, 2021**

	Function	
SERVICES PROVIDED		
Pupil Services	210000	\$ 28,746
Instructional Staff Services	220000	10,524
General Administration	230000	50,229
Business Administration	250000	27,500
Insurances	270000	50,299
Total Services Provided		\$ 167,298
	Object	
OPERATING ACTIVITY		
Employee Salaries	100	\$ 30,175
Employee Benefits	200	9,297
Purchased Services	300	145,276
Total Operating Activity		\$ 184,748

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



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

Board of Education
Merrill Area Public School District
Merrill, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

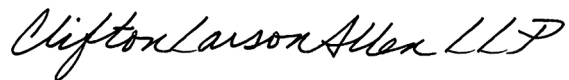
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Merrill Area Public School District's Response to Findings

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

Wausau, Wisconsin
December 13, 2021

FEDERAL AND STATE AWARDS



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

Board of Education
Merrill Area Public School District
Merrill, Wisconsin

Report on Compliance for Each Major Federal and State Program

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, 2021. 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, 2021.

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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a material weakness.

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 program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-004 and 2021-005 to be significant deficiencies.

Merrill Area Public School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Merrill Area Public School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Education
Merrill Area Public School District

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

CliftonLarsonAllen LLP

Wausau, Wisconsin
December 13, 2021

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Grantor Agency/Federal Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/20	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/21	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
National School Lunch Program	10.555	WI DPI	2021-353500-DPI-NSL-547	\$ -	\$ 1,603	\$ -	\$ 1,603	\$ -
National School Lunch Program	10.555	WI DPI	N/A	-	100,130	-	100,130	-
Total National School Lunch Program				-	101,733	-	101,733	-
COVID 19 - Summer Food Service Program for Children	10.559	WI DPI	2021-353500-DPI-SFSP-566	(55,082)	966,586	15,178	926,682	-
Total Summer Food Service Program for Children				(55,082)	966,586	15,178	926,682	-
<i>Total Child Nutrition Cluster</i>				(55,082)	1,068,319	15,178	1,028,415	-
Child and Adult Care Food Program	10.558	WI DPI	2021-353500-DPI-CCI-551	-	10,610	-	10,610	-
Total U.S. Department of Agriculture				(55,082)	1,078,929	15,178	1,039,025	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2021-353500-DPI-TIA-141	(383,428)	378,645	399,414	394,631	-
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2021-353500-DPI-IDEA-FT-341	(442,827)	445,778	874,567	877,518	-
Special Education Preschool Grants	84.173	WI DPI	2021-353500-DPI-IDEA-P-347	(27,703)	27,703	23,927	23,927	-
<i>Total Special Education Cluster (IDEA)</i>				(470,530)	473,481	898,494	901,445	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2021-353500-DPI-CTE-400	(14,126)	27,165	10,134	23,173	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2021-353500-DPI-T-IV-B-367	(113,533)	113,533	102,643	102,643	-
Improving Teacher Quality State Grants	84.367	WI DPI	2021-353500-DPI-TIIA-365	(50,502)	50,502	119,052	119,052	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2021-353500-DPI-TIV-A-381	(454)	5,236	49,440	54,222	-
COVID 19 - Elementary and Secondary School Emergency Relief	84.425D	WI DPI	2021-353500-DPI-ESSERF-160	-	158,852	157,602	316,454	-
Total U.S. Department of Education				(1,032,573)	1,207,414	1,736,779	1,911,620	-

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, 2021**

Grantor Agency/Federal Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/20	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/21	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Head Start Cluster	93.600	Direct Program	n/a	\$ (381,902)	\$ 381,902	\$ 884,211	\$ 884,211	\$ -
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	CESA #9	44236800	-	213,314	93,740	307,054	-
Total U.S. Department of Health and Human Services				(381,902)	595,216	977,951	1,191,265	-
Total Federal Awards				<u>\$ (1,469,557)</u>	<u>\$ 2,881,559</u>	<u>\$ 2,729,908</u>	<u>\$ 4,141,910</u>	<u>\$ -</u>
Reconciliation to the Basic Financial Statements								
Federal Sources							\$ 3,832,007	
Federal Awards Included in Intermediate Sources							307,054	
Other Sources							2,849	
Total Expenditures of Federal Awards							<u>\$ 4,141,910</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, 2021**

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/20	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/21	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	353500-100	\$ -	\$ 1,485,064	\$ -	\$ 1,485,064	\$ -
Special Education and School Age Parents	255.101	CESA #9	44236800	(7,818)	7,818	-	-	-
Total Special Education and School Age Parents				(7,818)	1,492,882	-	1,485,064	-
State School Lunch Aid	255.102	Direct Program	353500-107	-	12,132	-	12,132	-
Common School Fund Library Aid	255.103	Direct Program	353500-104	-	119,408	-	119,408	-
General Transportation Aid	255.107	Direct Program	353500-102	-	187,867	-	187,867	-
Equalization Aids	255.201	Direct Program	353500-116	(283,908)	17,272,337	273,886	17,262,315	-
Supplemental Per Pupil Aid	255.245	Direct Program	353500-181	-	7,631	-	7,631	-
Head Start Supplement	255.327	Direct Program	353500-145	(19,381)	19,381	27,332	27,332	-
State School Breakfast Aid	255.344	Direct Program	353500-108	-	3,956	-	3,956	-
Early College Credit Program	255.445	Direct Program	353500-178	-	3,357	-	3,357	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	353500-160	-	668,369	-	668,369	-
Educator Effective Evaluation System	255.940	Direct Program	353500-154	(23,760)	23,760	18,480	18,480	-
Per Pupil Aid	255.945	Direct Program	353500-113	-	1,863,162	-	1,863,162	-
High Cost Transportation Aid	255.947	Direct Program	353500-114	-	391,593	-	391,593	-
Career and Technical Education Incentive Grants	255.950	Direct Program	353500-151	-	53,442	-	53,442	-
Assessments of Reading Readiness	255.956	Direct Program	353500-166	-	6,639	-	6,639	-
Total Wisconsin Department of Public Instruction				(334,867)	22,125,916	319,698	22,110,747	-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Youth Apprenticeship Grant	445.112	Northcentral Technical College	N/A	(32,487)	58,927	51,095	77,535	-
WISCONSIN DEPARTMENT OF JUSTICE								
School Safety Grant	455.206	Direct Program	12964	(62,821)	62,821	-	-	-
Total Wisconsin Department of Justice				(62,821)	62,821	-	-	-
Total State Awards				<u>\$ (430,175)</u>	<u>\$ 22,247,664</u>	<u>\$ 370,793</u>	<u>\$ 22,188,282</u>	<u>\$ -</u>
Reconciliation to the Basic Financial Statements								
State Sources							\$ 22,252,521	
Less: State Sources not Considered State Awards								
State Tax Computer Aid							(57,134)	
Payment in Lieu of Taxes and Other Revenues							(84,640)	
State Awards Included in Intermediate Sources							<u>77,535</u>	
Total Expenditures of State awards							<u>\$ 22,188,282</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, 2021

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 2021 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 2020 - 2021 eligible costs under the State Special Education Program as reported by the District are \$5,031,264. 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, 2021**

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 JUNE 30, 2021**

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? | _____ X _____ Yes _____ No |
| • Were significant deficiency(ies) identified not considered to be a material weakness(es)? | _____ X _____ Yes _____ No |
| 3. Noncompliance material to basic financial statements noted? | _____ Yes _____ X _____ No |

Federal and State Awards

- | | |
|--|----------------------------|
| 1. Internal control over compliance: | |
| • Material weakness(es) identified? | _____ X _____ Yes _____ No |
| • Were significant deficiency(ies) identified not considered to be a material weakness(es)? | _____ X _____ Yes _____ 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 2CFR 200.516(a)? | _____ X _____ Yes _____ No |
| 4. Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ? | _____ Yes _____ X _____ No |

Identification of Major Federal Programs:

Assistance

Listing Number(s)

84.027
84.173
84.425D

Name of Federal Program

Special Education Cluster (IDEA)
Special Education Grants to States
Special Education Preschool Grants
Elementary and Secondary School Emergency Relief

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results (Continued)

Identification of Major State Programs:

State ID Number(s)	Name of State Program
255.101	Special Education and School Age Parents
255.201	Equalization Aids

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

Federal Awards	<u>\$750,000</u>
State Awards	<u>\$250,000</u>

Auditee qualify as low-risk auditee? X Yes No

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

2021-001

Segregation of Duties

Repeat of Finding 2020-002

Type of Finding

Material Weakness in Internal Control over Financial Reporting

Condition

The District has the Director of Business Services 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. In addition, there is no independent review or approval of any journal entries the Director of Business Services prepares.

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.

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 banking and journal entry process to ensure one individual does not have control over all phases of the transaction. 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, 2021**

Section II – Financial Statement Findings (Continued)

2021-002

**Preparation of Annual Financial Report
Repeat of Finding 2020-001**

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

Criteria

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

Cause

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

Effect

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

Recommendation

We recommend the District continue reviewing the annual financial report. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the District's activities and operations. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

Views of Responsible Officials

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, 2021**

Section III – Federal and State Award Findings and Questioned Costs

2021-003

Control Deficiencies

Segregation of Duties – ESSER

Federal Agency: U.S. Department of Education

Federal Program Title: Elementary and Secondary School Emergency Relief

Federal CFDA: 84.425D

Pass-Through Agency: Wisconsin Department of Public Instruction

Pass-Through Numbers: 2021-323500-DPI-ESSERF-160

Award Period: July 1, 2020 - June 30, 2021

Type of Finding

Material weakness in internal control over compliance

Compliance Requirement

Allowable Costs, Allowable Activities, Cash Management, & Reporting

Condition

During the year end close process, the District recorded grant eligible costs via the journal entry process. These entries did not have documented review and approval by someone other than the preparer. In addition, within the WISEgrants grant reporting and claiming portal, the District did not have separate preparers and reviewers authorize and approve the grant. Accordingly, there is no clear documentation that a separate review and approval was done by someone other than the preparer.

Criteria

Internal controls are required to be designed and implemented to prevent and detect errors in compliance pertaining to federal awards. 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

The District did not have documented review and approval of journal entries by someone other than the preparer which recorded \$97,577 of costs to the grant. In addition, there was not a documented review and approval of reimbursement requests by someone other than the preparer on four of the four grant claims filed by the District. The sample was a statistically valid sample.

Effect

There could be the possibility that an ineligible cost would be claimed under the grant, and the District would over- or under-report certain items for reimbursement.

Repeat Finding

No

Questioned Costs

None

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – Federal and State Award Findings and Questioned Costs (Continued)

2021-003 (Continued)

**Control Deficiencies
Segregation of Duties – ESSER**

Cause

The District experienced turnover within the business office at the end of the fiscal year. As positions were changing, the individuals prioritized completing the year end close process and did not perform a complete analysis of internal controls to ensure proper documentation of the review and approval of journal entries and grant claims as required by federal Uniform Grant Guidance.

Recommendation

We recommend that the District review its internal controls and designate an individual other than the preparer to review and approve any journal entries and grant claims.

Views of Responsible Officials

There is no disagreement with the audit finding.

2021-004

**Control Deficiencies
Suspension & Debarment – IDEA**

Federal Agency: U.S. Department of Education

Federal Program Title: Special Education Cluster (IDEA)

Federal CFDA: 84.027, 84.173

Pass-Through Agency: Wisconsin Department of Public Instruction

Pass-Through Numbers: 2021-323500-DPI-IDEA-FT-341, 2021-323500-DPI-IDEA-P-341

Award Period: July 1, 2020 - June 30, 2021

Type of Finding

Significant deficiency in internal control over compliance

Compliance Requirement

Procurement

Condition

The District did not perform a search for suspension and debarment for vendors the District initiated procurement transactions in excess of \$25,000.

Criteria

2 CFR Section 200.214 requires non-federal entities to follow suspension and debarment regulations outlined in 2 CFR part 180. When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – Federal and State Award Findings and Questioned Costs (Continued)

2021-004 (Continued)

**Control Deficiencies
Suspension & Debarment – IDEA**

Context

During our testing, it was noted that the District was not reviewing vendors prior to entering into a contract with a vendor to ensure the vendor was not on the suspended or debarred vendor list maintained by the General Services Administration.

Repeat Finding

No

Effect

The District could contract with a vendor that has been suspended or debarred from receiving federal funds.

Questioned Costs

None

Cause

The District was not aware of the requirements under suspension and debarment.

Recommendation

We recommend the District use sam.gov or the ELPS listing to review clients at the beginning of the year or before a transaction is incurred in accordance with Uniform Guidance requirements.

Views of Responsible Officials

There is no disagreement with the audit finding.

2021-005

**Control Deficiencies
Allowable Costs - IDEA**

Federal Agency: U.S. Department of Education

Federal Program Title: Special Education Cluster (IDEA)

Federal CFDA: 84.027, 84.173

Pass-Through Agency: Wisconsin Department of Public Instruction

Pass-Through Numbers: 2021-323500-DPI-IDEA-FT-341, 2021-323500-DPI-IDEA-P-341

Award Period: July 1, 2020 - June 30, 2021

Type of Finding

Significant deficiency in internal control over compliance

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section III – Federal and State Award Findings and Questioned Costs (Continued)

2021-005 (Continued)

**Control Deficiencies
Allowable Costs - IDEA**

Compliance Requirement

Allowable Costs, Allowable Activities

Condition

The District did not maintain documentation showing that all costs claimed under the grant were reviewed and approved in accordance with the District's internal control policies.

Criteria

Federal Uniform Grant Guidance requires the design and implementation of a system of internal controls to ensure the District maintains compliance with the terms of the grant agreement. Internal controls are policies and procedures designed to prevent and detect errors.

Context

The District did not have documented review or approval on three of the forty disbursements tested or six of the six journal entries tested. The sample was a statistically valid sample.

Repeat Finding

No

Effect

The District could claim a cost for reimbursement that is not eligible under the grant.

Questioned Costs

None

Cause

The District experienced turnover within the business office at the end of the fiscal year. As positions were changing, the individuals prioritized completing the year end close process and did not perform a complete analysis of internal controls to ensure proper documentation of the review and approval of disbursements and journal entries as required by federal Uniform Grant Guidance.

Recommendation


We recommend the District review its policies and procedures to ensure that the review and approval of costs is occurring and documentation of the control is maintained.

Views of Responsible Officials

There is no disagreement with the audit finding.

**MERRILL AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section IV – Other Issues

- | | |
|---|--|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material 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 <i>State Single Audit Guidelines</i> : | |
| 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 | 

Jon Trautman, CPA |
| 5. Date of report | December 13, 2021 |