

**CITY OF MERRILL, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2015**

**CITY OF MERRILL, WISCONSIN**  
December 31, 2015

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Merrill, Wisconsin

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Merrill, Wisconsin ("the City") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Community Development Block Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note D.5, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on pages 40 and 41 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

## Report on Summarized Financial Information

We have previously audited the City of Merrill, Wisconsin's 2014 financial statements, and our report dated May 29, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants  
Green Bay, Wisconsin  
May 18, 2016

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MERRILL, WISCONSIN**  
**Statement of Net Position**  
**December 31, 2015**  
(With summarized comparative information as of December 31, 2014)

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
<b>ASSETS</b>				
Cash and investments	\$ 5,484,167	\$ 1,495,356	\$ 6,979,523	\$ 9,255,603
Receivables				
Taxes	7,701,272	-	7,701,272	7,679,524
Accounts	337,322	736,580	1,073,902	1,152,440
Special assessments	42,622	-	42,622	29,131
Loans	3,153,001	-	3,153,001	3,176,294
Other	-	106,947	106,947	144,846
Due from other governments	71,250	-	71,250	202,706
Inventories and prepaid items	139,826	34,662	174,488	175,572
Restricted assets				
Cash and investments	-	1,044,023	1,044,023	1,111,439
Net pension asset	1,386,066	74,526	1,460,592	-
Capital assets, nondepreciable				
Land	2,450,102	56,563	2,506,665	2,506,474
Construction in progress	3,583,522	74,910	3,658,432	278,734
Capital assets, depreciable				
Land improvements	4,476,287	-	4,476,287	3,932,620
Buildings and improvements	18,395,170	-	18,395,170	17,927,138
Machinery and equipment	8,564,684	-	8,564,684	7,882,427
Infrastructure	9,271,501	-	9,271,501	8,785,901
Utility plant in service	-	27,526,895	27,526,895	26,997,821
Less: Accumulated depreciation	(15,989,625)	(11,592,145)	(27,581,770)	(26,541,127)
Net Capital Assets	30,751,641	16,066,223	46,817,864	41,769,988
<b>TOTAL ASSETS</b>	<b>49,067,167</b>	<b>19,558,317</b>	<b>68,625,484</b>	<b>64,697,543</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	1,443,536	104,595	1,548,131	-
Deferred charge on refunding	78,923	-	78,923	94,976
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,522,459</b>	<b>104,595</b>	<b>1,627,054</b>	<b>94,976</b>
<b>LIABILITIES</b>				
Accounts payable	773,124	62,893	836,017	473,950
Accrued and other current liabilities	199,136	21	199,157	493,571
Accrued interest payable	141,459	10,919	152,378	159,539
Due to other governments	5,929,145	-	5,929,145	6,010,201
Unearned revenues	9,061	-	9,061	7,799
Long-term obligations				
Due within one year	1,214,603	146,994	1,361,597	1,078,877
Due in more than one year	9,598,202	1,846,221	11,444,423	12,742,125
<b>TOTAL LIABILITIES</b>	<b>17,864,730</b>	<b>2,067,048</b>	<b>19,931,778</b>	<b>20,966,062</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes	6,023,770	-	6,023,770	5,964,589
<b>NET POSITION</b>				
Net investment in capital assets	21,116,284	14,205,683	35,321,967	29,419,619
Restricted for				
Debt service	710	91,010	91,720	89,930
Capital projects	-	948,231	948,231	1,015,167
Community development	3,559,326	-	3,559,326	3,558,472
Library endowment	483,340	-	483,340	504,016
Pension benefits	2,829,602	179,121	3,008,723	-
TID project plan	35,194	-	35,194	399,965
Landfill monitoring	452,907	-	452,907	475,437
Unrestricted	(1,776,237)	2,171,819	395,582	2,399,262
<b>TOTAL NET POSITION</b>	<b>\$ 26,701,126</b>	<b>\$ 17,595,864</b>	<b>\$ 44,296,990</b>	<b>\$ 37,861,868</b>

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

**CITY OF MERRILL, WISCONSIN**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**  
(With summarized comparative information for the year ended December 31, 2014)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 1,528,432	\$ 205,249	\$ 443	\$ -
Public safety	5,350,646	378,732	1,314,166	1,500
Public works	3,395,319	261,902	987,647	93,353
Health and human services	16,722	-	-	2,184
Culture and recreation	1,828,447	585,855	430,396	2,538,936
Conservation and development	1,921,561	19,887	-	149,763
Interest on debt	336,900	-	-	-
<b>Total Governmental Activities</b>	<b>14,378,027</b>	<b>1,451,625</b>	<b>2,732,652</b>	<b>2,785,736</b>
<b>Business-type Activities</b>				
Water utility	1,128,132	1,488,479	-	-
Sewer utility	1,281,187	1,574,802	-	-
<b>Total Business-type Activities</b>	<b>2,409,319</b>	<b>3,063,281</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 16,787,346</b>	<b>\$ 4,514,906</b>	<b>\$ 2,732,652</b>	<b>\$ 2,785,736</b>

General revenues  
Taxes  
  Property taxes, levied for general purposes  
  Tax increments  
  Other taxes  
  Federal and state grants and other contributions not restricted to specific functions  
  Interest and investment earnings  
  Miscellaneous  
  Gain on sale of asset  
Transfers  
  Total general revenues and transfers

Change in net position

Net position - January 1, as originally reported

Cumulative effect of change in accounting principle

Net position - January 1, restated

Net position - December 31

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	
		2015	2014

\$ (1,322,740)	\$ -	\$ (1,322,740)	\$ (1,415,085)
(3,656,248)	-	(3,656,248)	(3,895,421)
(2,052,417)	-	(2,052,417)	(2,221,737)
(14,538)	-	(14,538)	(81,638)
1,726,740	-	1,726,740	(1,316,458)
(1,751,911)	-	(1,751,911)	(974,879)
(336,900)	-	(336,900)	(414,581)
<u>(7,408,014)</u>	<u>-</u>	<u>(7,408,014)</u>	<u>(10,319,799)</u>

-	360,347	360,347	265,362
-	293,615	293,615	490,597
-	<u>653,962</u>	<u>653,962</u>	<u>755,959</u>

<u>(7,408,014)</u>	<u>653,962</u>	<u>(6,754,052)</u>	<u>(9,563,840)</u>
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5,309,384	-	5,309,384	4,877,448
587,298	-	587,298	302,926
127,544	-	127,544	87,311

3,391,615	-	3,391,615	3,376,424
82,308	4,082	86,390	120,274
386,823	43	386,866	1,898,718
348,720	-	348,720	-
348,498	(348,498)	-	-
<u>10,582,190</u>	<u>(344,373)</u>	<u>10,237,817</u>	<u>10,663,101</u>

<u>3,174,176</u>	<u>309,589</u>	<u>3,483,765</u>	<u>1,099,261</u>
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20,747,998	17,113,870	37,861,868	36,762,607
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<u>2,778,952</u>	<u>172,405</u>	<u>2,951,357</u>	<u>-</u>
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<u>23,526,950</u>	<u>17,286,275</u>	<u>40,813,225</u>	<u>36,762,607</u>
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<u>\$ 26,701,126</u>	<u>\$ 17,595,864</u>	<u>\$ 44,296,990</u>	<u>\$ 37,861,868</u>
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**CITY OF MERRILL, WISCONSIN**

Balance Sheet

Governmental Funds

December 31, 2015

(With summarized comparative information as of December 31, 2014)

	General	Community Development Block Grant	Debt Service	Other Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 4,369,405	\$ 406,809	\$ 710	\$ 707,243
Restricted cash and investments	-	-	-	-
Receivables				
Taxes	5,793,189	40,000	1,222,234	645,849
Accounts	271,399	-	-	65,923
Special assessments	42,622	-	-	-
Loans	-	3,153,001	-	-
Due from other funds	1,822,850	-	-	-
Advance to other funds	-	-	-	269,450
Due from other governments	-	-	-	71,250
Inventories and prepaid items	139,826	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 12,439,291</b>	<b>\$ 3,599,810</b>	<b>\$ 1,222,944</b>	<b>\$ 1,759,715</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 703,067	\$ 484	\$ -	\$ 69,573
Accrued and other current liabilities	149,136	-	-	-
Deposits	-	-	-	50,000
Due to other funds	-	-	-	1,822,850
Due to other governments	5,929,145	-	-	-
Advance from other funds	269,450	-	-	-
Unearned revenues	9,061	-	-	-
<b>Total Liabilities</b>	<b>7,059,859</b>	<b>484</b>	<b>-</b>	<b>1,942,423</b>
<b>Deferred Inflows of Resources</b>				
Property taxes	4,115,687	40,000	1,222,234	645,849
Loans receivable	-	3,153,001	-	-
Special assessments	18,803	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>4,134,490</b>	<b>3,193,001</b>	<b>1,222,234</b>	<b>645,849</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventories and prepaid items	139,826	-	-	-
<b>Restricted for</b>				
Debt service	-	-	710	-
Community development	-	406,325	-	-
Library endowment	-	-	-	483,340
TID project plan	-	-	-	35,194
Landfill monitoring	-	-	-	452,907
Capital improvements	-	-	-	-
<b>Committed for</b>				
Nontlapsing reserves	1,097,308	-	-	-
<b>Unassigned, reported in</b>				
General fund	7,808	-	-	-
Capital projects funds	-	-	-	(1,799,998)
<b>Total Fund Balances</b>	<b>1,244,942</b>	<b>406,325</b>	<b>710</b>	<b>(828,557)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 12,439,291</b>	<b>\$ 3,599,810</b>	<b>\$ 1,222,944</b>	<b>\$ 1,759,715</b>

(Continued)

Total Governmental Funds	
2015	2014

\$ 5,484,167	\$ 7,869,259
-	208,346

7,701,272	7,679,524
337,322	429,419
42,622	29,131
3,153,001	3,176,294
1,822,850	2,119,966
269,450	269,450
71,250	202,706
139,826	142,527

<u>\$ 19,021,760</u>	<u>\$ 22,126,622</u>
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\$ 773,124	\$ 386,001
149,136	378,008
50,000	90,000
1,822,850	2,119,966
5,929,145	6,010,201
269,450	269,450
9,061	7,799
<u>9,002,766</u>	<u>9,261,425</u>

6,023,770	5,964,589
3,153,001	3,176,298
18,803	3,142
<u>9,195,574</u>	<u>9,144,029</u>

139,826	142,527
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710	1,168
406,325	382,174
483,340	504,016
35,194	399,965
452,907	475,437
-	208,346

1,097,308	2,283,880
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7,808	968,095
(1,799,998)	(1,644,440)
<u>823,420</u>	<u>3,721,168</u>

<u>\$ 19,021,760</u>	<u>\$ 22,126,622</u>
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**CITY OF MERRILL, WISCONSIN**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**December 31, 2015**  
(With summarized comparative information as of December 31, 2014)

<u>Reconciliation to the Statement of Net Position</u>	2015	2014
Total Fund Balances as shown on previous page	\$ 823,420	\$ 3,721,168
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.	30,751,641	25,603,643
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments receivable	\$ 18,803	
Loans receivable	<u>3,153,001</u>	3,179,440
	3,171,804	
The City's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource, therefore, it is not reported in the fund financial statements:		
Net pension asset	1,386,066	
Deferred outflows of resources	<u>1,443,536</u>	-
	2,829,602	
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(9,714,280)	
Deferred charge on refunding	78,923	
Compensated absences	(920,824)	
Bond premium	(177,701)	
Accrued interest on long-term obligations	<u>(141,459)</u>	(11,756,253)
	(10,875,341)	
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 26,701,126</u>	<u>\$ 20,747,998</u>

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

**CITY OF MERRILL, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**  
(With summarized comparative information for the year ended December 31, 2014)

	General	Community Development Block Grant	Debt Service	Other Governmental Funds
<b>Revenues</b>				
Taxes	\$ 4,186,469	\$ 38,744	\$ 1,222,234	\$ 587,298
Special assessments	128,727	-	-	18,423
Intergovernmental	5,157,121	-	13,852	22,328
Licenses and permits	152,575	-	-	-
Fines and forfeits	111,290	-	-	-
Public charges for services	578,015	-	-	-
Intergovernmental charges for services	1,573,991	975	-	-
Miscellaneous	2,694,899	119,543	-	291,243
<b>Total Revenues</b>	<b>14,583,087</b>	<b>159,262</b>	<b>1,236,086</b>	<b>919,292</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,649,364	-	-	-
Public safety	5,172,449	-	-	-
Public works	2,844,440	-	-	22,530
Health and human services	117,522	-	-	-
Culture and recreation	1,951,816	-	-	69,740
Conservation and development	174,752	135,111	-	782,488
<b>Debt service</b>				
Principal	-	-	947,376	-
Interest and fiscal charges	-	-	361,880	-
Capital outlay	5,793,440	-	-	536,357
<b>Total Expenditures</b>	<b>17,703,783</b>	<b>135,111</b>	<b>1,309,256</b>	<b>1,411,115</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,120,696)</b>	<b>24,151</b>	<b>(73,170)</b>	<b>(491,823)</b>
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries - tornado	42,623	-	-	-
Sale of capital assets	372,669	-	-	-
Transfers in	348,498	-	72,712	500,000
Transfers out	(1,000)	-	-	(571,712)
<b>Total Other Financing Sources (Uses)</b>	<b>762,790</b>	<b>-</b>	<b>72,712</b>	<b>(71,712)</b>
<b>Net Change in Fund Balances</b>	<b>(2,357,906)</b>	<b>24,151</b>	<b>(458)</b>	<b>(563,535)</b>
<b>Fund Balances (Deficit) - January 1</b>	<b>3,602,848</b>	<b>382,174</b>	<b>1,168</b>	<b>(265,022)</b>
<b>Fund Balances (Deficit) - December 31</b>	<b>\$ 1,244,942</b>	<b>\$ 406,325</b>	<b>\$ 710</b>	<b>\$ (828,557)</b>

(Continued)

Total Governmental Funds	
2015	2014

\$ 6,034,745	\$ 5,270,155
147,150	56,372
5,193,301	5,124,058
152,575	169,428
111,290	137,241
578,015	449,263
1,574,966	1,582,810
3,105,685	2,360,903
<u>16,897,727</u>	<u>15,150,230</u>

1,649,364	1,429,932
5,172,449	5,254,540
2,866,970	2,956,391
117,522	135,567
2,021,556	1,984,220
1,092,351	938,191
947,376	932,629
361,880	438,781
6,329,797	2,534,743
<u>20,559,265</u>	<u>16,604,994</u>

(3,661,538)      (1,454,764)

42,623	11,318
372,669	68
921,210	759,189
<u>(572,712)</u>	<u>(404,453)</u>

763,790      366,122

(2,897,748)      (1,088,642)

3,721,168      4,809,810

\$ 823,420      \$ 3,721,168

**CITY OF MERRILL, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**  
(With summarized comparative information for the year ended December 31, 2014)

Reconciliation to the Statement of Activities

	2015	2014
Net Change in Fund Balances as shown on previous page	\$ (2,897,748)	\$ (1,088,642)
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 expenditures in governmental fund statements	\$ 6,511,505	
Depreciation expense reported in the statement of activities	<u>(1,120,254)</u>	
Amount by which capital expenditures are greater than depreciation in the current period	5,391,251	993,387
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.		
Net book value of assets disposed	(243,253)	(88,822)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:		
	(76,516)	(69,927)
Change in the net pension asset and related deferred inflows and outflows of as a result of employer contributions, changes in assumptions and proportionate and the difference between expected and actual experience of the pension plan		
	50,650	-
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		
	15,661	1,769
Loans issued by the City as part of its revolving loan fund are recorded as expenditures and revenue when repaid in the governmental funds. On the statement of net position, loans issued are recorded as a receivable and subsequent collections reduce this receivable. Loans repaid or written off were more than loans issued in the current year by:		
	(23,297)	(32,308)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is:		
	947,373	932,629
Governmental funds report the effect of, premium, discounts, deferred charges on advance refundings, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
	3,860	3,862
Interest payments on outstanding debt are reported in the governmental funds as expenditure when paid, in the statement of activities interest is reported as it accrues.		
	<u>6,195</u>	<u>3,964</u>
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 5-6)	<u>\$ 3,174,176</u>	<u>\$ 655,912</u>

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

**CITY OF MERRILL, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2015**  
**(With summarized comparative information for the year ended December 31, 2014)**

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 4,133,906	\$ 4,188,408	\$ 4,186,469	\$ (1,939)	\$ 4,006,866
Special assessments	150,267	150,267	128,727	(21,540)	56,372
Intergovernmental	4,974,338	5,180,236	5,157,121	(23,115)	4,900,242
Licenses and permits	170,471	152,976	152,575	(401)	169,428
Fines and forfeits	133,650	147,236	111,290	(35,946)	137,241
Public charges for services	426,550	505,494	578,015	72,521	449,263
Intergovernmental charges for services	1,548,225	1,558,667	1,573,991	15,324	1,581,510
Miscellaneous	192,271	2,682,475	2,694,899	12,424	1,571,619
<b>Total Revenues</b>	<b>11,729,678</b>	<b>14,565,759</b>	<b>14,583,087</b>	<b>17,328</b>	<b>12,872,541</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	1,567,190	1,532,992	1,649,364	(116,372)	1,422,109
Public safety	5,041,691	5,177,649	5,172,449	5,200	5,254,540
Public works	2,964,738	2,868,475	2,844,440	24,035	2,950,361
Health and human services	103,265	119,985	117,522	2,463	198,819
Culture and recreation	1,873,270	1,978,966	1,951,816	27,150	1,874,882
Conservation and development	27,200	174,752	174,752	-	27,324
Capital outlay	2,228,475	5,399,552	5,793,440	(393,888)	1,751,764
<b>Total Expenditures</b>	<b>13,805,829</b>	<b>17,252,371</b>	<b>17,703,783</b>	<b>(451,412)</b>	<b>13,479,799</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(2,076,151)</b>	<b>(2,686,612)</b>	<b>(3,120,696)</b>	<b>(434,084)</b>	<b>(607,258)</b>
<b>Other Financing Sources (Uses)</b>					
Insurance recoveries - tornado	-	-	42,623	42,623	11,318
Sale of capital assets	350,000	372,669	372,669	-	85,018
Transfers in	323,500	323,500	348,498	24,998	354,736
Transfers out	-	-	(1,000)	(1,000)	(330,000)
<b>Total Other Financing Sources (Uses)</b>	<b>673,500</b>	<b>696,169</b>	<b>762,790</b>	<b>66,621</b>	<b>121,072</b>
<b>Net Change in Fund Balance</b>	<b>(1,402,651)</b>	<b>(1,990,443)</b>	<b>(2,357,906)</b>	<b>(367,463)</b>	<b>(486,186)</b>
<b>Fund Balance - January 1</b>	<b>3,602,848</b>	<b>3,602,848</b>	<b>3,602,848</b>	<b>-</b>	<b>4,089,034</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,200,197</b>	<b>\$ 1,612,405</b>	<b>\$ 1,244,942</b>	<b>\$ (367,463)</b>	<b>\$ 3,602,848</b>

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

**CITY OF MERRILL, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Community Development Block Grant**  
**For the Year Ended December 31, 2015**  
(With summarized comparative information for the year ended December 31, 2014)

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 38,744	\$ 38,744	\$ 38,744	\$ -	\$ 38,744
Intergovernmental charges for services	11,206	11,206	975	(10,231)	1,300
Miscellaneous	83,975	83,975	119,543	35,568	81,674
<b>Total Revenues</b>	<b>133,925</b>	<b>133,925</b>	<b>159,262</b>	<b>25,337</b>	<b>121,718</b>
<b>Expenditures</b>					
Conservation and development	151,450	151,450	135,111	16,339	97,619
<b>Net Change in Fund Balance</b>	<b>(17,525)</b>	<b>(17,525)</b>	<b>24,151</b>	<b>41,676</b>	<b>24,099</b>
<b>Fund Balance - January 1</b>	<b>382,174</b>	<b>382,174</b>	<b>382,174</b>	<b>-</b>	<b>358,075</b>
<b>Fund Balance - December 31</b>	<b>\$ 364,649</b>	<b>\$ 364,649</b>	<b>\$ 406,325</b>	<b>\$ 41,676</b>	<b>\$ 382,174</b>

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

**CITY OF MERRILL, WISCONSIN**

Statement of Net Position

Proprietary Funds

December 31, 2015

(With summarized comparative information as of December 31, 2014)

	Enterprise Funds		Totals	
	Water	Sewer		
	Utility	Utility	2015	2014
<b>ASSETS</b>				
Cash and investments	\$ 1,307,852	\$ 187,504	\$ 1,495,356	\$ 1,386,344
Receivables				
Accounts	349,678	386,902	736,580	723,021
Other	35,440	71,507	106,947	144,846
Inventories and prepaid items	33,844	818	34,662	33,045
Restricted assets				
Cash and investments	95,792	948,231	1,044,023	903,093
Net pension asset	42,366	32,160	74,526	-
Capital assets, nondepreciable				
Land	35,320	21,243	56,563	56,563
Construction in progress	44,803	30,107	74,910	32,576
Capital assets, depreciable	14,148,714	13,378,181	27,526,895	26,997,821
Less: Accumulated depreciation	(5,371,316)	(6,220,829)	(11,592,145)	(10,920,615)
<b>TOTAL ASSETS</b>	<b>10,722,493</b>	<b>8,835,824</b>	<b>19,558,317</b>	<b>19,356,694</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	62,103	42,492	104,595	-
<b>LIABILITIES</b>				
Accounts payable	27,262	35,631	62,893	87,949
Accrued and other current liabilities	21	-	21	25,563
Accrued interest payable	6,844	4,075	10,919	11,885
Long-term obligations				
Due within one year	108,987	38,007	146,994	131,503
Due in more than one year	1,633,084	213,137	1,846,221	1,985,924
<b>TOTAL LIABILITIES</b>	<b>1,776,198</b>	<b>290,850</b>	<b>2,067,048</b>	<b>2,242,824</b>
<b>NET POSITION</b>				
Net investment in capital assets	7,195,205	7,010,478	14,205,683	14,174,307
Restricted for				
Debt service	91,010	-	91,010	88,762
Capital projects	-	948,231	948,231	806,821
Pension benefits	104,469	74,652	179,121	-
Unrestricted	1,617,714	554,105	2,171,819	2,043,980
<b>TOTAL NET POSITION</b>	<b>\$ 9,008,398</b>	<b>\$ 8,587,466</b>	<b>\$ 17,595,864</b>	<b>\$ 17,113,870</b>

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

**CITY OF MERRILL, WISCONSIN**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**  
(With summarized comparative information for the year ended December 31, 2014)

	Enterprise Funds		Totals	
	Water Utility	Sewer Utility	2015	2014
<b>Operating Revenues</b>				
Charges for services	\$ 1,379,380	\$ 1,448,556	\$ 2,827,936	\$ 2,839,122
Other	109,099	126,246	235,345	268,090
<b>Total Operating Revenues</b>	<b>1,488,479</b>	<b>1,574,802</b>	<b>3,063,281</b>	<b>3,107,212</b>
<b>Operating Expenses</b>				
Operation and maintenance	729,083	932,297	1,661,380	1,621,926
Depreciation	366,574	343,073	709,647	697,671
<b>Total Operating Expenses</b>	<b>1,095,657</b>	<b>1,275,370</b>	<b>2,371,027</b>	<b>2,319,597</b>
<b>Operating Income</b>	<b>392,822</b>	<b>299,432</b>	<b>692,254</b>	<b>787,615</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	1,833	2,249	4,082	5,289
Merchandising and jobbing	43	-	43	14,798
Interest expense	(32,475)	(5,817)	(38,292)	(40,660)
Miscellaneous	-	-	-	22,039
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(30,599)</b>	<b>(3,568)</b>	<b>(34,167)</b>	<b>1,466</b>
<b>Income Before Transfers and Contributions</b>	<b>362,223</b>	<b>295,864</b>	<b>658,087</b>	<b>789,081</b>
Capital contributions	-	-	-	9,004
Transfers out	(348,498)	-	(348,498)	(354,736)
<b>Change in Net Position</b>	<b>13,725</b>	<b>295,864</b>	<b>309,589</b>	<b>443,349</b>
<b>Net Position - January 1, as originally reported</b>	<b>8,895,153</b>	<b>8,218,717</b>	<b>17,113,870</b>	<b>16,670,521</b>
<b>Cumulative effect of change in accounting principle</b>	<b>99,520</b>	<b>72,885</b>	<b>172,405</b>	<b>-</b>
<b>Net Position - January 1, restated</b>	<b>8,994,673</b>	<b>8,291,602</b>	<b>17,286,275</b>	<b>16,670,521</b>
<b>Net Position - December 31</b>	<b>\$ 9,008,398</b>	<b>\$ 8,587,466</b>	<b>\$ 17,595,864</b>	<b>\$ 17,113,870</b>

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

**CITY OF MERRILL, WISCONSIN**

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2015

(With summarized comparative information for the year ended December 31, 2014)

	Enterprise Funds		Totals	
	Water Utility	Sewer Utility	2015	2014
<b>Cash Flows from Operating Activities</b>				
Cash received from user charges	\$ 1,378,005	\$ 1,595,119	\$ 2,973,124	\$ 2,920,265
Cash payments to suppliers and employees	(733,595)	(979,429)	(1,713,024)	(1,592,507)
Public fire protection charge from City	114,540	-	114,540	94,301
<b>Net Cash Provided by Operating Activities</b>	<b>758,950</b>	<b>615,690</b>	<b>1,374,640</b>	<b>1,422,059</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfer - payment in lieu of taxes	(348,498)	-	(348,498)	(354,736)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(222,774)	(383,554)	(606,328)	(1,237,347)
Cost of removal on retirement of plant	(3,197)	-	(3,197)	-
Principal paid on long-term debt	(100,528)	(30,971)	(131,499)	(129,055)
Interest paid on long-term debt	(33,141)	(6,117)	(39,258)	(41,576)
Contributed capital collections	-	-	-	9,004
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(359,640)</b>	<b>(420,642)</b>	<b>(780,282)</b>	<b>(1,398,974)</b>
<b>Cash Flows from Investing Activities</b>				
Interest and dividends on investments	1,833	2,249	4,082	5,289
<b>Change in Cash and Cash Equivalents</b>	<b>52,645</b>	<b>197,297</b>	<b>249,942</b>	<b>(326,362)</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>1,350,999</b>	<b>938,438</b>	<b>2,289,437</b>	<b>2,615,799</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 1,403,644</b>	<b>\$ 1,135,735</b>	<b>\$ 2,539,379</b>	<b>\$ 2,289,437</b>
<b>Reconciliation to Statement of Net Position</b>				
Unrestricted	\$ 1,307,852	\$ 187,504	\$ 1,495,356	\$ 1,386,344
Restricted	95,792	948,231	1,044,023	903,093
<b>Total</b>	<b>\$ 1,403,644</b>	<b>\$ 1,135,735</b>	<b>\$ 2,539,379</b>	<b>\$ 2,289,437</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating income	\$ 392,822	\$ 299,432	\$ 692,254	\$ 787,615
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation	366,574	343,073	709,647	697,671
Depreciation charged to sewer utility	13,989	(13,989)	-	-
Change in pension asset and related outflows	(4,949)	(1,767)	(6,716)	-
Miscellaneous nonoperating revenue	43	-	43	36,837
<b>Changes in current assets and liabilities</b>				
Receivables				
Accounts receivable	(6,941)	(6,618)	(13,559)	(65,376)
Other	10,964	26,935	37,899	(64,107)
Inventories and prepaid items	(1,967)	350	(1,617)	(1,840)
Accounts payable	(3,475)	(21,581)	(25,056)	32,460
Accrued and other current liabilities	(11,724)	(13,818)	(25,542)	214
Compensated absences	3,614	3,673	7,287	(1,415)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 758,950</b>	<b>\$ 615,690</b>	<b>\$ 1,374,640</b>	<b>\$ 1,422,059</b>

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

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

The City of Merrill, Wisconsin is a municipal corporation governed by an elected nine member council. In accordance with GAAP, the basic financial statements are required to include the City (the primary government) and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. Government-Wide and Fund Financial Statements

The government-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 City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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 funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The City has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**GENERAL FUND**

This is the City's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

To account for all transactions relating to the operation of the City's revolving loan program. Significant revenues are loan repayments.

**DEBT SERVICE FUND**

To account for the accumulation of resources used for the payment of general obligation bonds and notes issued by the City. Financing for the debt service fund is generally provided from general property taxes and transfers from other funds.

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major enterprise funds:

**WATER UTILITY**

To account for the provision of water service to City residents, public authorities and business entities.

**SEWER UTILITY**

To account for the provision of sewage treatment service to City residents, public authorities and business entities.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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 City 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.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**a. 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 amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

**b. Accounts Receivable**

Accounts receivable are recorded at gross amount 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.

**c. 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. Noncurrent portions of the interfund receivables for the governmental funds are reported as "advances to other funds" and are offset by nonspendable fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

**d. 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 offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**e. Prepaid Items**

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

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

**f. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

<u>Assets</u>	Governmental Activities	Business-type Activities
	Years	
Land improvements	20 - 40	-
Buildings and improvements	25 - 50	25 - 50
Machinery and equipment	3 - 20	3 - 20
Infrastructure	30 - 50	25 - 100

**g. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with bargaining unit agreements and City administrative policies. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund 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.

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category in the government-wide statement of net position. The first is the City currently reports the loss from advance refunding in this category. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category, property taxes and payment in lieu of taxes. The amounts will be recognized as an inflow of resources in the subsequent year for which they were levied. The City also has an additional type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, special assessments and loan receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**i. Long-term Obligations**

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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, whether or not withheld from the actual debt proceeds received, are reported as expenses.

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

j. Pensions

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

k. Fund Equity

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

Fund balance of governmental funds are 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 City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.
- **Assigned fund balance** - Amounts that are constrained for specific purposes by action of City management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned fund balance** - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**GOVERNMENT-WIDE AND PROPRIETARY FUND 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 inflow of resources.

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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.

**5. 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.

**6. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**NOTE B - STEWARDSHIP AND COMPLIANCE**

**1. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During October, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general, special revenue and debt service funds. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions.
- d. Expenditures may not exceed appropriations at the function level for the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
- e. Encumbrance accounting is used by the City to record commitments related to unperformed contracts for goods or services. All outstanding encumbrances lapse at year end.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2015.

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)**

2. Deficit Fund Equity

The following funds had deficit fund balances as of December 31, 2015:

Funds	Deficit Fund Balance
TIF No. 4	\$ 264,838
TIF No. 6	715,831
TIF No. 7	86,833
TIF No. 8	620,112
TIF No. 9	103,893
TIF No. 10	8,491

The City anticipates funding the above deficits from future revenues and tax levies of the funds.

**NOTE C - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

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 library foundation special revenue 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 City's cash and investments totaled \$8,023,546 December 31, 2015 as summarized below:

Petty cash and cash on hand	\$ 7,980
Deposits with financial institutions	7,833,692
Investments	181,874
	<u>\$ 8,023,546</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 6,979,523
Restricted cash and investments	1,044,023
	<u>\$ 8,023,546</u>

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a *depository financial* institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have an additional custodial credit risk policy.

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for 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 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.

As of December 31, 2015, \$6,324,302 of the City's deposits with financial institutions were in excess of federal and state depository insurance. The City has collateralized \$5,452,630 of these deposits with collateral held by a financial institution.

**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 investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The City does not have an additional credit risk policy.

Investment Type	Amount	Exempt From Disclosure	AA	BBB	Not Rated
Corporate Bonds	\$ 18,492	\$ -	\$ -	\$ 18,492	\$ -
Bond Mutual Funds	65,329	-	-	-	65,329
Money Market Mutual Fund	2,261	-	-	-	2,261
Wisconsin Local Government Investment Pool	95,792	-	-	-	95,792
<b>Totals</b>	<b>\$ 181,874</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,492</b>	<b>\$ 163,382</b>

**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 the market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Corporate Bonds	\$ 18,492	\$ -	\$ -	\$ 10,815	\$ 7,677
Bond Mutual Funds	65,329	65,329	-	-	-
Money Market Mutual Fund	2,261	2,261	-	-	-
Wisconsin Local Government Investment Pool	95,792	95,792	-	-	-
<b>Totals</b>	<b>\$ 181,874</b>	<b>\$ 163,382</b>	<b>\$ -</b>	<b>\$ 10,815</b>	<b>\$ 7,677</b>

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Investments

The City has investments in the Wisconsin local government investment pool of \$95,792 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2015, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

**2. Property Taxes**

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in six equal installments from January through June. Real estate taxes not paid by June 30 are purchased by the County as part of the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also levies and collects taxes for the Merrill School District, Lincoln County, North Central Technical College and the State of Wisconsin. Collections and remittances of taxes for other entities are accounted for in the general fund.

**3. Restricted Assets**

Restricted assets on December 31, 2015 totaled \$1,044,023 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Enterprise Fund - sewer utility		
Plant replacement fund	\$ 948,231	To be used for sewer plant replacement.
Enterprise Fund - water utility		
Debt retirement	95,792	To be used for retirement of revenue bonds.
<b>Total Restricted Assets</b>	<b>\$ 1,044,023</b>	

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,449,911	\$ 10,691	\$ 10,500	\$ 2,450,102
Construction in progress	246,158	3,583,522	246,158	3,583,522
Total capital assets, not being depreciated	2,696,069	3,594,213	256,658	6,033,624
Capital assets, being depreciated:				
Land improvements	3,932,620	547,140	3,473	4,476,287
Buildings and improvements	17,927,138	1,048,543	580,511	18,395,170
Machinery and equipment	7,882,427	1,082,167	399,910	8,564,684
Infrastructure	8,785,901	485,600	-	9,271,501
Subtotals	38,528,086	3,163,450	983,894	40,707,642
Less accumulated depreciation for:				
Land improvements	2,262,089	202,951	2,953	2,462,087
Buildings and improvements	7,740,094	279,177	413,904	7,605,367
Machinery and equipment	4,581,950	476,253	334,284	4,723,919
Infrastructure	1,036,379	161,873	-	1,198,252
Subtotals	15,620,512	1,120,254	751,141	15,989,625
Total capital assets, being depreciated, net	22,907,574	2,043,196	232,753	24,718,017
Governmental activities capital assets, net	<u>\$ 25,603,643</u>	<u>\$ 5,637,409</u>	<u>\$ 489,411</u>	30,751,641
Less related long-term debt outstanding				9,714,280
Add deferred charge on refunding				<u>(78,923)</u>
Net investment in capital assets				<u>\$ 21,116,284</u>

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 56,563	\$ -	\$ -	\$ 56,563
Construction in progress	32,576	42,334	-	74,910
Total capital assets, not being depreciated	<u>89,139</u>	<u>42,334</u>	<u>-</u>	<u>131,473</u>
<b>Capital assets, being depreciated:</b>				
<b>Utility plant in service -</b>				
Water utility	13,988,738	194,896	34,920	14,148,714
Sewer utility	13,009,083	369,098	-	13,378,181
Subtotals	<u>26,997,821</u>	<u>563,994</u>	<u>34,920</u>	<u>27,526,895</u>
<b>Less accumulated depreciation for:</b>				
<b>Utility plant in service -</b>				
Water utility	5,028,870	380,563	38,117	5,371,316
Sewer utility	5,891,745	329,084	-	6,220,829
Subtotals	<u>10,920,615</u>	<u>709,647</u>	<u>38,117</u>	<u>11,592,145</u>
Total capital assets, being depreciated, net	<u>16,077,206</u>	<u>(145,653)</u>	<u>(3,197)</u>	<u>15,934,750</u>
Business-type activities capital assets, net	<u>\$ 16,166,345</u>	<u>\$ (103,319)</u>	<u>\$ (3,197)</u>	<u>16,066,223</u>
Less related long-term debt outstanding				<u>1,860,540</u>
Net investment in capital assets				<u>\$ 14,205,683</u>
<b>Depreciation expense was charged to functions of the City as follows:</b>				
<b>Governmental activities</b>				
General government				\$ 73,337
Public safety				226,577
Public works				634,524
Culture and recreation				185,816
Total depreciation expense - governmental activities				<u>\$ 1,120,254</u>
<b>Business-type activities</b>				
Water utility				\$ 366,574
Sewer utility				343,073
Total depreciation expense - business-type activities				<u>\$ 709,647</u>

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

5. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2015 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 1,822,850	\$ -
Capital Projects Funds		
TIF No. 4	-	264,838
TIF No. 6	-	731,786
TIF No. 7	-	85,828
TIF No. 8	-	628,014
TIF No. 9	-	103,893
TIF No. 10	-	8,491
Totals	<u>\$ 1,822,850</u>	<u>\$ 1,822,850</u>
Long-term Advances		
Advance for Retirement of Unfunded Pension Liability		
General Fund	\$ -	\$ 269,450
Remedial Action Special Revenue Fund	269,450	-
Totals	<u>\$ 269,450</u>	<u>\$ 269,450</u>

The advance for the retirement of the unfunded pension liability will be repaid at \$26,945 per year from 2021 through 2030. The advance does not bear interest.

Interfund transfers for the year ended December 31, 2015 were as follows:

	Transfer to:					Total
	General	Debt Service	TIF No. 6	TIF No. 7	TIF No. 8	
Transfers from:						
General Fund	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,000
Capital Projects Funds						
TIF No. 3	-	14,445	250,000	50,000	200,000	514,445
TIF No. 4	-	33,140	-	-	-	33,140
TIF No. 5	-	2,673	-	-	-	2,673
TIF No. 6	-	21,454	-	-	-	21,454
Enterprise Funds						
Water Utility	348,498	-	-	-	-	348,498
Totals	<u>\$ 348,498</u>	<u>\$ 72,712</u>	<u>\$ 250,000</u>	<u>\$ 50,000</u>	<u>\$ 200,000</u>	<u>\$ 921,210</u>

Transfers were made for payment of the payment in lieu of taxes due to the City from the water utility and to provide financial resources for debt service payments.

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2015:

	Outstanding 1/1/15	Issued	Retired	Outstanding 12/31/15	Due Within One Year
<b>Governmental activities:</b>					
<b>General Obligation Debt</b>					
Bonds	\$ 9,824,902	\$ -	\$ 819,928	\$ 9,004,974	\$ 836,736
Notes	836,751	-	127,445	709,306	127,954
Total General Obligation Debt	10,661,653	-	947,373	9,714,280	964,690
<b>Post-employment health benefits payable</b>					
	9,244	-	9,244	-	-
Compensated absences	835,063	289,462	203,701	920,824	230,000
Premium received on debt	197,614	-	19,913	177,701	19,913
Governmental activities long-term obligations	<u>\$ 11,703,574</u>	<u>\$ 289,462</u>	<u>\$ 1,180,231</u>	<u>\$ 10,812,805</u>	<u>\$ 1,214,603</u>

**Business-type activities:**

	Outstanding 1/1/15	Issued	Retired	Outstanding 12/31/15	Due Within One Year
<b>General Obligation Debt</b>					
Bonds	\$ 122,525	\$ -	\$ 14,067	\$ 108,458	\$ 14,264
Notes	265,052	-	42,002	223,050	42,847
Total General Obligation Debt	387,577	-	56,069	331,508	57,111
Revenue bonds	1,604,462	-	75,430	1,529,032	76,883
Compensated absences	125,388	14,038	6,751	132,675	13,000
Business-type activities long-term obligations	<u>\$ 2,117,427</u>	<u>\$ 14,038</u>	<u>\$ 138,250</u>	<u>\$ 1,993,215</u>	<u>\$ 146,994</u>

Total interest paid during the year on long-term debt totaled \$414,169.

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

**Bonds**

\$680,000 issued 2/3/04; \$70,000 to \$80,000 due annually through 2020; interest 3.2% to 4.4%	\$ 380,000
\$1,600,000 issued 12/28/06, \$75,000 to \$125,000 due annually through 2026; interest 3.7% to 4.3%	990,000
\$885,000 issued 1/3/08, \$50,000 to \$60,000 due annually through 2027; interest 3.6% to 4.4%	710,000
\$632,275 issued 12/21/10, \$27,000 to \$43,275 due annually through 2030; interest 5.0%	532,282
\$430,150 issued 12/21/10, \$47,000 to \$52,150 due annually through 2020; interest 3.75%	251,150
\$4,290,000 issued 9/4/13, \$170,000 to \$290,000 due annually through 2033; interest 2.25% to 4.20%	3,955,000
\$2,765,000 issued 9/4/13, \$125,000 to \$400,000 due annually through 2023; interest 2.25% to 3.00%	<u>2,295,000</u>
<b>Total Bonds</b>	<u><u>9,113,432</u></u>

**Notes**

\$425,000 issued 1/15/04; \$20,888 to \$31,451 due annually through 2023; interest 5.25%	211,762
\$275,000 issued 8/25/05; \$13,676 to \$22,275 due annually through 2025; interest 5.0%	180,557
\$730,000 issued 1/5/05; \$51,221 to \$56,594 due annually through 2020; interest 2.0%	272,008
\$200,000 issued 12/28/06; \$16,000 due in 2016; interest 5.0%	16,000
\$106,500 issued 2/10/09; \$12,336 to \$14,077 due annually through 2018; interest 4.5%	40,436
\$110,000 issued 11/10/09; \$12,325 to \$14,697 due annually through 2019; interest 4.5%	55,093
\$299,500 issued 1/8/10; \$38,000 to \$44,000 due annually through 2019; interest 4.5%	<u>156,500</u>
<b>Total Notes</b>	<u><u>932,356</u></u>

<b>Total Outstanding General Obligation Debt</b>	<u><u>\$ 10,045,788</u></u>
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**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$10,045,788 as of December 31, 2015 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 964,690	\$ 344,155	\$ 57,111	\$ 8,426	\$ 1,021,801	\$ 352,581
2017	977,282	314,519	58,168	7,017	1,035,450	321,536
2018	992,463	284,358	59,242	5,587	1,051,705	289,945
2019	987,900	252,146	60,525	4,129	1,048,425	256,275
2020	948,669	220,337	61,462	2,637	1,010,131	222,974
2021-2025	2,416,980	753,209	25,000	5,310	2,441,980	758,519
2026-2030	1,601,275	358,160	10,000	430	1,611,275	358,590
2031-2033	825,021	57,100	-	-	825,021	57,100
	<u>\$ 9,714,280</u>	<u>\$ 2,583,984</u>	<u>\$ 331,508</u>	<u>\$ 33,536</u>	<u>\$10,045,788</u>	<u>\$ 2,617,520</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund. The City's debt issues for 2010 qualified for the Build America Bonds rebate. The total future rebate on these debt issues is \$96,253 at December 31, 2015.

**Legal Margin for New Debt**

The City's legal margin for creation of additional general obligation debt on December 31, 2015 was \$8,530,457 as follows:

Equalized valuation of the City	371,510,700.00
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>18,575,535</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 10,045,788
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>710</u>
Total outstanding general obligation debt applicable to debt limitation	10,045,078
Legal Margin for New Debt	<u><u>\$ 8,530,457</u></u>

**Revenue Bonds**

Revenue bond debt service requirements are financed from operations of the water utility enterprise fund. Revenue bonds outstanding on December 31, 2015 totaled \$1,529,032 and were comprised of the following issue:

**Water Utility**

\$1,961,565 authorized 9/26/12; \$1,745,386 issued; \$76,883 to \$96,133 due annually through 2032; interest 1.93%

\$ 1,529,032

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the above outstanding water utility enterprise fund revenue bonds of \$1,529,032 on December 31, 2015 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2016	\$ 76,883	\$ 30,160	\$ 107,043
2017	78,362	28,694	107,056
2018	79,871	27,200	107,071
2019	81,409	25,677	107,086
2020	82,976	24,124	107,100
2021-2025	439,463	96,270	535,733
2026-2030	483,421	52,727	536,148
2031-2032	206,647	7,937	214,584
	<u>\$ 1,529,032</u>	<u>\$ 292,789</u>	<u>\$ 1,821,821</u>

**Utility Revenues Pledged**

The City has pledged future water customer revenues, net of specified operating expenses, to repay the water system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the system. The bonds are payable through 2032. The total principal and interest remaining to be paid on the bonds is \$1,821,821. Principal and interest paid for the current year and total customer net revenues were \$106,846 and \$759,396, respectively.

**7. Pension Plan**

**a. Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

**b. Post-Retirement Adjustments**

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%

**c. 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, and Executives and Elected Officials. 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 reporting period, the WRS recognized \$590,770 in contributions from the City.

Contribution rates as of December 31, 2015 are:

Employee Category	Employee	Employer
General	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

At December 31, 2015, the City reported an asset of \$1,460,592 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the City's proportion was 0.05946372%, which was a decrease of 0.00041169% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$577,993.

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 211,740
Net differences between projected and actual earnings on pension plan investments	707,290
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,171
Employer contributions subsequent to the measurement date	607,930
<b>Total</b>	<b>\$ 1,548,131</b>

\$607,930 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflow of Resources
2015	\$ 214,354
2016	214,354
2017	214,354
2018	214,354
2019	82,785
<b>Total</b>	<b>\$ 940,201</b>

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

e. Actuarial Assumption

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Asset:	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

\* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

*Single Discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
City's proportionate share of the net pension asset (liability)	\$ (4,120,581)	\$ 1,460,592	\$ 5,868,376

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

**NOTE D - OTHER INFORMATION**

**1. Tax Incremental Financing Districts**

The City has established separate capital projects funds for Tax Incremental Financing Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the TID was created, the property tax base within the TID was "frozen" and increment taxes resulting from increases to the property tax base are used to finance TID improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The City's Districts are still eligible to incur project costs.

The City established TID No. 3 on September 13, 2005 as a mixed-use district and amended the boundaries on July 11, 2006 and September 10, 2013. The City intends that the District will include industrial, commercial, and residential development.

The City established TID No. 4 on September 11, 2007 as a mixed-use district and amended the boundaries on September 10, 2013. The City intends that the District will be used to assure a combination of private industrial and commercial development.

The City established TID No. 5 on September 11, 2007 as a mixed-use district. The City intends that the District will be used to assure a combination of private industrial and residential development.

The City established TID No. 6 on May 12, 2009 as a blighted area district. The City intends that the District will be used to assure a combination of private industrial, commercial, and residential development.

**CITY OF MERRILL, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2015

**NOTE D - OTHER INFORMATION (Continued)**

The City established TID No. 7 on August 11, 2009 as a blighted area district. The City intends that the District will be used to assure a combination of private industrial, commercial, and residential development.

The City established TID No. 8 on September 27, 2011 as a blighted area district and amended the boundaries on September 10, 2013. The City intends that the District will be used to assure a combination of private industrial, commercial, and residential development.

The City established TID No. 9 on September 24, 2013 as a blighted area district. The City intends that the District will be used to assure a combination of private industrial, commercial, and residential development.

The City established TID No. 10 on September 22, 2015 as a blighted area district. The City intends that the District will be used to assure a combination of private industrial, commercial, and residential development.

Since creation of the above Districts, the City has provided various financing sources to each TID and has also recorded eligible TID project costs in other funds of the City. The foregoing amounts are not recorded as liabilities in the TID capital project funds but can be recovered by the City from any future excess tax increment revenues.

	Total	TID No. 3	TID No. 4	TID No. 5	TID No. 6	TID No. 7	TID No. 8	TID No. 9	TID No. 10
Net Unreimbursed Project Costs	\$ 2,444,583	\$ 78,721	\$ 564,838	\$ 18,354	\$ 963,340	\$ 86,833	\$ 620,113	\$ 103,893	\$ 8,491

The intent of the City is to recover all unreimbursed costs from future TID surplus funds, if any, prior to termination of the respective Districts. Unless terminated by the City prior thereto, each TID has a statutory termination year as follows:

	Termination Year
TID No. 3	2025
TID No. 4 and 5	2027
TID No. 6 and 7	2036
TID No. 8	2038
TID No. 9	2040
TID No. 10	2042

**2. Risk Management**

The City 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 City completes an annual review of its insurance coverage to ensure adequate coverage.

**3. Property Tax Levy Limit**

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2015 and 2016 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2015 budget was 3.03%. The actual limit for the City for the 2016 budget was .83%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

**CITY OF MERRILL, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**NOTE D - OTHER INFORMATION (Continued)**

4. Contingencies

From time to time, the City 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 and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

5. Cumulative Effect of Change in Accounting Principles

The City has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. The cumulative effect of this change is summarized below:

	Governmental Activities	Business-type Activities			Total
		Water Utility	Sewer Utility	Total	
Net Pension Asset	\$ 2,225,256	\$ 78,469	\$ 56,862	\$ 135,331	\$ 2,360,587
Deferred Outflows of Resources	553,696	21,051	16,023	37,074	590,770
<b>Total Cumulative Effect of Change in Accounting Principle</b>	<b>\$ 2,778,952</b>	<b>\$ 99,520</b>	<b>\$ 72,885</b>	<b>\$ 172,405</b>	<b>\$ 2,951,357</b>

6. Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also requires disclosures about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MERRILL, WISCONSIN**  
Schedule of Proportionate Share of the Net Pension Asset  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

	2015
Proportion of the net pension asset	0.05946372%
Proportionate share of the net pension asset	\$1,460,592
Covered-employee payroll	\$6,308,015
Plan fiduciary net position as a percentage of the total pension asset	102.74%

\* The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

**CITY OF MERRILL, WISCONSIN**  
**Schedule of Contributions**  
**Wisconsin Retirement System**  
**Last 10 Fiscal Years\***

	2015
Contractually required contributions	\$590,770
Contributions in relation to the contractually required contributions	\$590,770
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$6,308,015
Contributions as a percentage of covered-employee payroll	9.37%

\* The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

**CITY OF MERRILL, WISCONSIN**  
Notes to Required Supplementary Information  
December 31, 2015

**NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71**

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the fiscal year ended December 31, 2015. Information for prior years is not available.

**NOTE B - WISCONSIN RETIREMENT SYSTEM**

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

## **SUPPLEMENTARY INFORMATION**

**CITY OF MERRILL, WISCONSIN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2015**

(With summarized comparative information as of December 31, 2014)

	Special Revenue Funds		Capital Projects Funds							Total Nonmajor Governmental Funds		
	Library	Remedial Action	TIF No. 3	TIF No. 4	TIF No. 5	TIF No. 6	TIF No. 7	TIF No. 8	TIF No. 9	TIF No. 10	2015	2014
<b>ASSETS</b>												
Cash and investments	\$ 483,340	\$ 187,779	\$ 22,210	\$ -	\$ 13,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 707,243	\$ 1,152,714
Receivables												
Taxes	-	-	604,516	25,925	15,408	-	-	-	-	-	645,849	587,297
Accounts	-	-	-	-	-	18,423	-	-	47,500	-	65,923	-
Advance to other funds	-	269,450	-	-	-	-	-	-	-	-	269,450	269,450
Due from other governments	-	-	-	-	-	-	-	71,250	-	-	71,250	202,706
<b>TOTAL ASSETS</b>	<b>\$ 483,340</b>	<b>\$ 457,229</b>	<b>\$ 626,726</b>	<b>\$ 25,925</b>	<b>\$ 29,322</b>	<b>\$ 18,423</b>	<b>\$ -</b>	<b>\$ 71,250</b>	<b>\$ 47,500</b>	<b>\$ -</b>	<b>\$ 1,759,715</b>	<b>\$ 2,212,167</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>												
<b>Liabilities</b>												
Accounts payable	\$ -	\$ 4,322	\$ 930	\$ -	\$ -	\$ 2,468	\$ 1,005	\$ 13,348	\$ 47,500	\$ -	\$ 69,573	\$ 8,758
Deposits	-	-	-	-	-	-	-	50,000	-	-	50,000	90,000
Due to other funds	-	-	-	264,838	-	731,786	85,828	628,014	103,893	8,491	1,822,850	1,791,134
<b>Total Liabilities</b>	<b>-</b>	<b>4,322</b>	<b>930</b>	<b>264,838</b>	<b>-</b>	<b>734,254</b>	<b>86,833</b>	<b>691,362</b>	<b>151,393</b>	<b>8,491</b>	<b>1,942,423</b>	<b>1,889,892</b>
<b>Deferred Inflows of Resources</b>												
Property taxes	-	-	604,516	25,925	15,408	-	-	-	-	-	645,849	587,297
<b>Fund Balances (Deficits)</b>												
<b>Restricted for</b>												
Library endowment	483,340	-	-	-	-	-	-	-	-	-	483,340	504,016
TID project plan	-	-	21,280	-	13,914	-	-	-	-	-	35,194	399,965
Landfill monitoring	-	452,907	-	-	-	-	-	-	-	-	452,907	475,437
<b>Unassigned, reported in</b>												
Capital projects funds	-	-	-	(264,838)	-	(715,831)	(86,833)	(620,112)	(103,893)	(8,491)	(1,799,998)	(1,644,440)
<b>Total Fund Balances (Deficits)</b>	<b>483,340</b>	<b>452,907</b>	<b>21,280</b>	<b>(264,838)</b>	<b>13,914</b>	<b>(715,831)</b>	<b>(86,833)</b>	<b>(620,112)</b>	<b>(103,893)</b>	<b>(8,491)</b>	<b>(828,557)</b>	<b>(265,022)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 483,340</b>	<b>\$ 457,229</b>	<b>\$ 626,726</b>	<b>\$ 25,925</b>	<b>\$ 29,322</b>	<b>\$ 18,423</b>	<b>\$ -</b>	<b>\$ 71,250</b>	<b>\$ 47,500</b>	<b>\$ -</b>	<b>\$ 1,759,715</b>	<b>\$ 2,212,167</b>

**CITY OF MERRILL, WISCONSIN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2015  
(With summarized comparative information for the year ended December 31, 2014)

	Special Revenue Funds		Capital Projects Funds								Total Nonmajor Governmental Funds	
	Library	Remedial Action	TIF No. 3	TIF No. 4	TIF No. 5	TIF No. 6	TIF No. 7	TIF No. 8	TIF No. 9	TIF No. 10	2015	2014
<b>Revenues</b>												
Taxes	\$ -	\$ -	\$ 525,218	\$ 49,087	\$ 12,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 587,298	\$ 302,926
Special assessments	-	-	-	-	-	18,423	-	-	-	-	18,423	-
Intergovernmental	-	-	2,590	7,133	338	4,224	1,763	2,419	3,861	-	22,328	208,713
Miscellaneous	49,064	-	160	941	-	100	-	157,263	83,715	-	291,243	621,048
<b>Total Revenues</b>	<b>49,064</b>	<b>-</b>	<b>527,968</b>	<b>57,161</b>	<b>13,331</b>	<b>22,747</b>	<b>1,763</b>	<b>159,682</b>	<b>87,576</b>	<b>-</b>	<b>919,292</b>	<b>1,132,687</b>
<b>Expenditures</b>												
<b>Current</b>												
Public works	-	22,530	-	-	-	-	-	-	-	-	22,530	17,012
Culture and recreation	69,740	-	-	-	-	-	-	-	-	-	69,740	72,596
Conservation and development	-	-	367,307	2,910	2,912	110,961	68,848	143,331	86,219	-	782,488	820,872
Capital outlay	-	-	18,733	53,621	-	183,085	13,200	213,754	45,473	8,491	536,357	745,686
<b>Total Expenditures</b>	<b>69,740</b>	<b>22,530</b>	<b>386,040</b>	<b>56,531</b>	<b>2,912</b>	<b>294,046</b>	<b>82,048</b>	<b>357,085</b>	<b>131,692</b>	<b>8,491</b>	<b>1,411,115</b>	<b>1,656,166</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(20,676)</b>	<b>(22,530)</b>	<b>141,928</b>	<b>630</b>	<b>10,419</b>	<b>(271,299)</b>	<b>(80,285)</b>	<b>(197,403)</b>	<b>(44,116)</b>	<b>(8,491)</b>	<b>(491,823)</b>	<b>(523,479)</b>
<b>Other Financing Sources (Uses)</b>												
Transfers in	-	-	-	-	-	250,000	50,000	200,000	-	-	500,000	-
Transfers out	-	-	(514,445)	(33,140)	(2,673)	(21,454)	-	-	-	-	(571,712)	(74,453)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(514,445)</b>	<b>(33,140)</b>	<b>(2,673)</b>	<b>228,546</b>	<b>50,000</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>(71,712)</b>	<b>(74,453)</b>
<b>Net Change in Fund Balances</b>	<b>(20,676)</b>	<b>(22,530)</b>	<b>(372,517)</b>	<b>(32,510)</b>	<b>7,746</b>	<b>(42,753)</b>	<b>(30,285)</b>	<b>2,597</b>	<b>(44,116)</b>	<b>(8,491)</b>	<b>(563,535)</b>	<b>(597,932)</b>
<b>Fund Balances (Deficit) - January 1</b>	<b>504,016</b>	<b>475,437</b>	<b>393,797</b>	<b>(232,328)</b>	<b>6,168</b>	<b>(673,078)</b>	<b>(56,548)</b>	<b>(622,709)</b>	<b>(59,777)</b>	<b>-</b>	<b>(265,022)</b>	<b>332,910</b>
<b>Fund Balances (Deficit) - December 31</b>	<b>\$ 483,340</b>	<b>\$ 452,907</b>	<b>\$ 21,280</b>	<b>\$ (264,838)</b>	<b>\$ 13,914</b>	<b>\$ (715,831)</b>	<b>\$ (86,833)</b>	<b>\$ (620,112)</b>	<b>\$ (103,893)</b>	<b>\$ (8,491)</b>	<b>\$ (828,557)</b>	<b>\$ (265,022)</b>

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

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

To the Mayor and City Council  
City of 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 business-type activities, each major fund, and the aggregate remaining fund information of the City of Merrill, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Merrill's basic financial statements, and have issued our report thereon dated May 18, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

### **City of Merrill, Wisconsin's Response to Findings**

City of Merrill, Wisconsin's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Merrill, Wisconsin'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 City of Merrill, Wisconsin'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 City of Merrill, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
May 18, 2016

**CITY OF MERRILL, WISCONSIN**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2015**

**Section I – Internal Control Over Financial Reporting**

Finding No.	Control Deficiencies
<b>2014-001</b>	<p><b>Preparation of Annual Financial Report</b></p> <p><b>Condition:</b> Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the City contracts with us to compile the Wisconsin Municipal Financial Report Form C and the Public Service Commission Report.</p> <p><b>Criteria:</b> The preparation and review of the annual financial report, municipal financial report, and public service commission report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.</p> <p><b>Cause:</b> City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.</p> <p><b>Effect:</b> Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.</p> <p><b>Recommendation:</b> We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report, municipal financial report, and public service commission report.</p> <p><b>Management Response:</b> Management believes that the cost of hiring additional staff to prepare year end adjusting and closing entries and to prepare financial reports outweighs the benefits to be received. Management will continue to review and approve the financial statements prior to issuance.</p>

**Section II - Compliance and Other Matters**

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2015.