CITY OF MERRILL

COMMITTEE OF THE WHOLE

AGENDA ● WEDNESDAY AUGUST 25, 2021

Regular Meeting	**City Hall Council Chambers**	**5:00 PM**

To attend remotely, call 240-803-2994 and PIN 890 447 387 #.

I. Call to Order

II. Public Comment

III. Open Session Agenda Items:

1. Presentation and discussion of 2020 City Audit reports - Jon Trautman from CliffordLarsonAllen, LLC
2. Consider the structural needs and challenges of the Police Department, including a request to return to the former command structure and staffing levels, and the addition of a permanent narcotics detective in 2022.

IV. Closed Session:

1. The Committee may convene in closed session pursuant to Wisconsin State Statutes 19.85(1)(d) to discuss strategies related to crime detection and prevention.

V. Adjournment

City of Merrill, Wisconsin

GOVERNANCE COMMUNICATIONS

December 31, 2020

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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City of Merrill, Wisconsin

DECEMBER 31, 2020

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City Council
City of Merrill, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Merrill as of and for the year ended December 31, 2020, and have issued our report thereon dated August 16, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Merrill are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions, except as disclosed in Note 4.E., have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the unbilled water and sewer charges is based upon analysis of billings in the first quarter of 2021. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the unbilled water and sewer charges in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability (asset) and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related deferred outflows/inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of accumulated sick leave is based upon analysis of the employees sick leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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- Management's estimate of the other postemployment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other postemployment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjusted deferred inflows/outflows and net pension liability in the Water and Sewer Utility based on WRS provided data
- Adjusted deferred inflows/outflows and other postemployment benefits liability in the Water and Sewer Utility based on WRS provided date
- Recorded depreciation expense in Water and Sewer Utility
- Reclassified short-term debt activity out of other financing sources and uses
- Adjusted beginning fund balance in library funds to match prior year financial statements
- Adjusted premium from long-term debt and issuance costs
- Reclassified loan from library fund for capital assets to due from general fund
- Adjusted long-term debt activity to properly present current refunding of prior debt issues

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated August 16, 2021.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Significant findings or issues that were discussed, or the subject of correspondence, with management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. The following summarizes the significant findings or issues arising from the audit that were discussed, or the subject of correspondence, with management:

- CliftonLarsonAllen LLP (CLA) financial statements, schedule of expenditures of federal awards, and schedule of expenditures of state awards, material audit adjustments, procurement and suspension and debarment finding, cash management finding, ambulance over-billing, journal entry review and approval, and library trust considerations.

Other audit findings or issues

We have provided a separate letter to you dated August 16, 2021, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) and the schedule of expenditures of state awards (SESA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA and SESA to determine that the SEFA and SESA comply with the requirements of the Uniform Guidance and the *State Single Audit Guidelines*, the method of preparing the schedules has not changed from the prior period or the reasons for such changes, and the SEFA and SESA are appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA and SESA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated August 16, 2021.

With respect to the combining nonmajor governmental funds statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated August 16, 2021.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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This communication is intended solely for the information and use of the City Council and management of City of Merrill and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wausau, Wisconsin
August 16, 2021

Summary Financial Information

GOVERNMENTAL FUND BALANCES

Presented below is a summary of the City's governmental fund balances on December 31, 2020 and 2019. This information is provided for assessing financial results for 2020 and for indicating financial resources available at the start of the 2021 budget year.

	12/31/20	12/31/19
General Fund		
Nonspendable for		
Inventories and prepaid items	$ 178,329	$ 169,094
Long-term advance to other funds	99,896	99,896
Restricted for		
Capital improvements	50,234	311,252
Committed for		
Nonlapsing reserves	870,819	842,619
Unassigned	1,554,284	1,433,121
Total General Fund Balance	2,753,562	2,855,982
Debt Service Fund		
Restricted for debt service	407,563	(47,387)
Special Revenue Funds		
Restricted for		
Community development	657,522	535,713
Library	483,557	443,521
Library trust	1,292,369	1,381,055
Remedial action	327,355	358,878
Total Special Revenue Funds	2,760,803	2,719,167
Capital Projects Funds		
Restricted for TID project plan		
TIF No. 3	1,366	-
TIF No. 4	3,046	150,500
TIF No. 5	5,379	22,220
TIF No. 12	213	115,796
Unassigned		
TIF No. 3	-	(119,599)
TIF No. 6	(562,643)	(564,263)
TIF No. 7	(138,321)	(139,629)
TIF No. 8	(594,820)	(599,123)
TIF No. 9	(370,492)	(567,672)
TIF No. 10	(58,417)	(31,517)
TIF No. 11	(171,126)	(162,174)
Total Capital Projects Funds	(1,885,815)	(1,895,461)
Total Governmental Fund Balances	$ 4,036,113	$ 3,632,301

Overall the general fund decreased by $102,420 with unassigned fund balance of $1,554,284. The general fund, as reported, incorporates both operating and capital components, as summarized below:

	12/31/20	12/31/19
General Fund		
General operations	$ 1,765,872	$ 1,687,858
Nonlapsing reserve	870,819	842,619
School resource officer	(2,125)	-
Merrill festival grounds	26,643	5,275
Airport aviation fuel	42,119	8,978
Capital improvements	50,234	311,252
Total	$ 2,753,562	$ 2,855,982

The general fund is currently advancing funds to TID capital projects funds with deficit cash positions, providing the financing source for project plan expenditures. If these advances are not anticipated to be repaid within a year, or borrowing reimbursements made portions of general fund balance should be segregated and shown as not available for appropriation, as they are committed to covering cash deficits of these funds.

WATER UTILITY

A comparative summary of the Water Utility's change in net position for the years ended December 31, 2019 and 2020 appears below:

	2020	2019
Operating revenues		
Charges for services	$ 1,468,967	$ 1,466,772
Other	127,982	125,190
Total operating revenues	1,596,949	1,591,962
Operating expenses		
Operation and Maintenance	791,985	804,839
Depreciation	495,038	449,737
Taxes	17,485	17,591
Total operating expenses	1,304,508	1,272,167
Operating income	292,441	319,795
Nonoperating revenues (expenses)		
Interest income	1,214	10,908
Interest and fiscal charges	(54,839)	(41,801)
Amortization of debt discount/premium	387	-
Other income	13,706	4,682
Total nonoperating revenues (expenses)	(39,532)	(26,211)
Income before contributions and transfers	252,909	293,584
Capital contributions	23,212	31,588
Transfer in	-	33,628
Transfers out - payment in lieu of taxes	(381,171)	(370,793)
Change in net position	$ (105,050)	$ (11,993)

The City's water utility reported an operating income of $292,441 compared to $319,795 for the prior year. To further evaluate the operating activities, we have calculated the water utility's rate of return below.

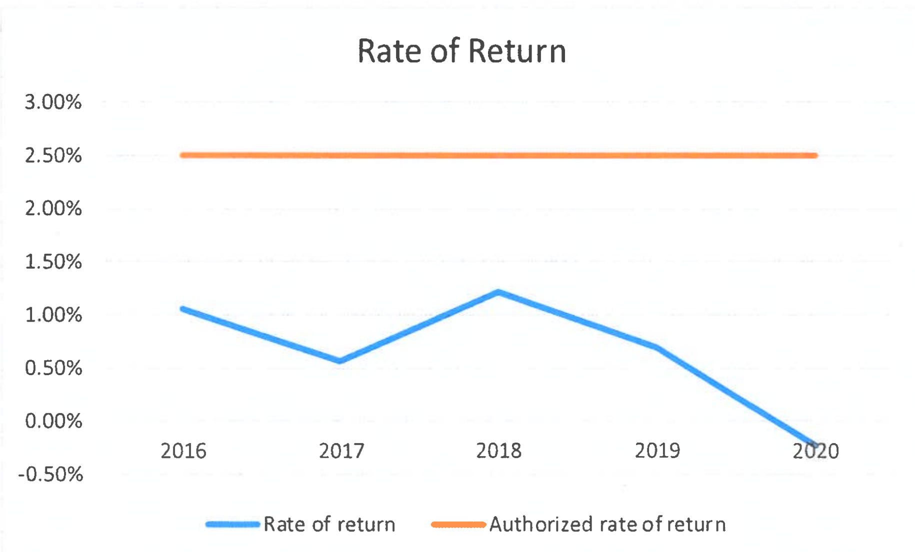
Rate of Return: The Public Service Commission of Wisconsin (PSC) determines rates charged to customers of the water utility by calculating rate of return on the water utility's average net rate base. Presented below is the calculation of the rates of return for 2020 and 2019 for the water utility based on the format used by the PSC: The PSC operating income differs from the above operating income by the following items:

- The PSC considers the property tax equivalent to be an expense in the year accrued while the property tax equivalent is considered an expense for financial reporting purposes in the year transferred to the City.
- The PSC no longer allows the water utility to recover deprecation on contributed plant from current rates; therefore, this depreciation expense is removed from PSC operating income.

	2020	2019
Rate of Return	-0.24%	0.69%

Rate of Return

An analysis of rate of return for the last five years follows:



Summary Comment: The rate of return generated was lower than the authorized rate of return (2.50%). The water utility reported a cash and investment balance at December 31, 2020 of $892,656, compared to a balance of $761,177 at December 31, 2019. The water utility generated cash flows from operations of $800,437 in 2020 compared to $891,636 in 2019 and a positive net cash inflow from all activities of $131,479 in 2020 compared to a negative $43,640 in 2019.

SEWER UTILITY

A comparative summary of the Sewer Utility's change in net position for the years ended December 31, 2020 and 2019 appears below:

	2020	2019
Operating revenues		
Charges for services	$ 1,513,775	$ 1,495,758
Other	168,792	159,404
Total operating revenues	1,682,567	1,655,162
Operating expenses		
Operation and maintenance	1,012,904	991,076
Depreciation	425,913	409,810
Taxes	46,431	45,691
Total operating expenses	1,485,248	1,446,577
Operating income	197,319	208,585
Nonoperating revenues (expenses)		
Interest income	6,426	24,871
Interest expense	(15,625)	(7,027)
Amortization of debt discount/premium	250	-
Other income	6,945	1,206
Total nonoperating revenues (expenses)	(2,004)	19,050
Income before contributions	195,315	227,635
Capital contributions	12,221	-
Transfer out	-	(33,628)
Change in net position	$ 207,536	$ 194,007

Because the sewer utility is not regulated by the PSC and treatment plants are typically capital intensive with depreciation expense being a significant component of operating expenses, it is important to consider cash flows when evaluating the sewer utility operating results. For the year ended December 31, 2020, the cash generated by operating activities totaled $596,078 compared to $611,780 for 2019. As of December 31, 2020, the sewer utility had cash from operations of $169,330, an increase of $120,905 from the prior year, and restricted cash and investment balance of $1,486,658.

As of December 31, 2020, the future debt services are as follows:

Year Ended December 31	General Obligation	Interest	Total
2021	$ 19,550	$ 11,787	$ 31,337
2022	24,550	11,355	35,905
2023	24,550	10,564	35,114
2024	24,875	9,773	34,648
2025	24,550	8,976	33,526
2026-2030	104,225	34,060	138,285
2031-2035	110,000	21,800	131,800
2036-2040	115,000	7,563	122,563
	$ 447,300	$ 115,878	$ 563,178

New Accounting Standard

ACCOUNTING AND REPORTING FOR LEASES

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases* which establishes a single model for lease accounting and revises reporting requirements.

Lease accounting is required when a government contracts to use another entity's equipment, building, or other nonfinancial assets for a specific period of time. Under the new guidance, a lease asset and a lease liability are recorded in the government-wide and proprietary financial statements for this contract. The lease liability is calculated by including the following: fixed payments, variable payments, interest rate, purchase options, residual value guarantees, and termination or extension options. The lease liability is discounted and is amortized over the lease term. The lease asset is calculated by starting with the lease liability amount and adjusting for incentives and other costs and is amortized over the shorter of the lease term or the useful life of the underlying asset. The lease asset is reported in the financial statements as an intangible right to use asset, rather than a capital asset under current guidance. Footnote disclosures including lease assets by asset class and related accumulated amortization and future minimum payments among other details are required under the new Statement.

When the government is leasing one of its assets to another entity, a lease receivable and deferred inflow of resources related to the lease receivable is recorded. The lease receivable is calculated similar to the lease asset described above. The lease receivable is discounted and is amortized over the lease term. The deferred inflow of resources is calculated by starting with the lease receivable and adjusting for incentives and other payments. The deferred inflow would be recognized as an inflow of resources in a systematic and rational manner over the lease term.

Some contracts include a nonlease component such as maintenance services. The government will need to allocate the contract cost between the lease component and the nonlease component unless it is not practicable to do so. If it is not practicable, the entire contract should be treated as a lease.

This new standard is effective for fiscal years beginning after June 15, 2021. Early adoption is encouraged by GASB. We recommend the City review the new standard, gather all lease contracts, and identify the terms and conditions of each contract, noting the lease term, all payments, and options in order to properly determine the value of each lease. The City should also review contracts that have both lease and nonlease components to determine if a price allocation is practicable.

APPENDIX

City of Merrill
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August 16, 2021

CliftonLarsonAllen LLP
311 Financial Way, Suite 100
Wausau, WI 54401

This representation letter is provided in connection with your audit of the financial statements of City of Merrill, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of August 16, 2021, the following representations made to you during your audit of the financial statements as of and for the year ended December 31, 2020.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 25, 2021, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

2. We acknowledge and have fulfilled our responsibility for 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.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. You have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.

   We have not identified or been notified of any uncorrected financial statement misstatements.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

11. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

12. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.

13. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.

14. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

15. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

16. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.

17. We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.

18. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

1. We have provided you with:

   a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.

   b. Additional information that you have requested from us for the purpose of the audit.

   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

   e. Access to all audit or relevant monitoring reports, if any, received from funding sources.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

   a. Management;

   b. Employees who have significant roles in internal control; or

   c. Others when the fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.

7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.

9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.

11. We have a process to track the status of audit findings and recommendations.

12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

13. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to City of Merrill, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

15. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

16. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.

17. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

18. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.

19. The financial statements properly classify all funds and activities.

20. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

21. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

22. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

23. Provisions for uncollectible receivables have been properly identified and recorded.

24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

27. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

29. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

30. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

31. We acknowledge our responsibility for presenting the combining nonmajor governmental funds statements (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

32. As part of your audit, you prepared the draft financial statements and related notes, schedule of expenditures of federal awards and schedule of expenditures of state awards. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, schedule of expenditures of federal awards and schedule of expenditures of state awards. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

33. We agree with the findings of specialists in evaluating the other postemployment and pension benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.

34. With respect to federal and state award programs:

    a. We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration including requirements relating to preparation of the schedule of expenditures of federal awards and schedule of expenditures of state awards.

    b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and the schedule of expenditures of state awards (SESA) and related notes in accordance with the requirements of the Uniform Guidance and the *State Single Audit Guidelines*, and we believe the SEFA and SESA, including their form and content, are fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines*. The methods of measurement and presentation of the SEFA and SESA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SESA.

    c. If the SEFA and SESA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SESA no later than the date we issued the SEFA and SESA and the auditors' report thereon.

    d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the *State Single Audit Guidelines* compliance audit, and included in the SEFA and SESA expenditures made during the audit period for all awards provided by federal and state agencies in the form of federal and state awards, federal and state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

    e. Expenditures of federal awards were below the $750,000 threshold (as applicable) and we were not required to have an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or the Uniform Guidance (as applicable) in 2018 and 2019.

    f. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program.

g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

h. We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.

i. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

j. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards.

k. We have disclosed to you any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).

n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

o. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

q. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

r. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.

s. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

t. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.

u. We have charged costs to federal and awards in accordance with applicable cost principles.

v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and the *State Single Audit Guidelines*, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

w. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

x. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

y. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance and the *State Single Audit Guidelines*.

Signature: Kathleen Unertl Title: Finance Director

Kathy Unertl

Signature: Dave Johnson Title: City Administrator

Dave Johnson

City of Merrill, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2020

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

City of Merrill, Wisconsin

DECEMBER 31, 2020

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CliftonLarsonAllen LLP
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Independent auditors' report

City Council
City of Merrill
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, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and the Community Development Block Grant fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

City Council
City of Merrill

EMPHASIS OF MATTER
As described in Note 4.E., the City recorded a prior period adjustment of $14,950 in the government-wide and proprietary fund statements and $48,425 in the governmental fund statements to correct the allocation of debt proceeds and debt payments in a prior year. The City also recorded a prior period adjustment of $164,633 in the governmental activities and governmental fund statements and $18,199 in the business-type activities and proprietary fund statements to correct the recording of accrued payroll in the prior year. 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 and other postemployment benefits on pages 48 through 49 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 of Merrill, Wisconsin's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audits 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 combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

City Council
City of Merrill

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wausau, Wisconsin
August 16, 2021

BASIC FINANCIAL STATEMENTS

City of Merrill, Wisconsin

STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 4,994,668	$ 964,107	$ 5,958,775
Receivables			
Taxes and special charges	4,837,616	-	4,837,616
Delinquent taxes	541	-	541
Accounts	702,681	732,646	1,435,327
Special assessments	25,155	-	25,155
Loans	2,776,523	-	2,776,523
Other	1,292,369	123,845	1,416,214
Inventories and prepaid items	178,329	55,200	233,529
Restricted assets			
Cash and investments	-	1,584,537	1,584,537
Net pension asset	1,953,267	140,283	2,093,550
Capital assets, nondepreciable	4,408,410	87,348	4,495,758
Capital assets, depreciable	39,812,771	18,015,673	57,828,444
Total assets	60,982,330	21,703,639	82,685,969
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	4,570,388	323,458	4,893,846
Other postemployment related amounts	208,687	14,988	223,675
Total deferred outflows of resources	4,779,075	338,446	5,117,521
LIABILITIES			
Accounts payable	150,090	60,153	210,243
Accrued and other current liabilities	235,716	22,739	258,455
Due to other governments	1,888	9	1,897
Accrued interest payable	171,164	11,134	182,298
Special deposits	150,924	-	150,924
Unearned revenues	4,200	-	4,200
Long-term obligations			
Due within one year	3,229,450	134,123	3,363,573
Due in more than one year	22,224,223	2,233,673	24,457,896
Other postemployment benefits	534,136	38,361	572,497
Total liabilities	26,701,791	2,500,192	29,201,983
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	7,441,565	-	7,441,565
Pension related amounts	5,859,539	420,832	6,280,371
Other postemployment related amounts	85,528	6,143	91,671
Total deferred inflows of resources	13,386,632	426,975	13,813,607
NET POSITION			
Net investment in capital assets	19,717,211	15,802,842	35,374,850
Restricted for:			
Community development	3,434,048	-	3,434,048
Remedial action	327,355	-	327,355
Debt Service	236,399	94,391	330,790
Net pension asset	1,953,267	140,283	2,093,550
Library	1,775,926	-	1,775,926
Tax incremental project plan expenses	10,004	-	10,004
Sewer utility plant replacement	-	1,486,658	1,486,658
Unrestricted	(1,781,228)	1,590,744	(45,281)
Total net position	$ 25,672,982	$ 19,114,918	$ 44,787,900

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, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	$ 2,100,779	$ 240,849	$ 7,868	$ 1,000
Public safety	6,164,253	385,706	1,388,696	660,216
Public works	4,114,284	197,467	1,247,348	1,073,981
Health and human services	157,455	16,563	-	260
Culture and recreation	2,479,208	93,628	465,825	8,236
Conservation and development	833,859	123,023	40,414	277,432
Interest and fiscal charges	927,029	-	-	-
Total governmental activities	16,776,867	1,057,236	3,150,151	2,021,125
BUSINESS-TYPE ACTIVITIES				
Water utility	1,358,960	1,596,949	-	23,212
Sewer utility	1,500,623	1,682,567	-	12,221
Total business-type activities	2,859,583	3,279,516	-	35,433
Total	$ 19,636,450	$ 4,336,752	$ 3,150,151	$ 2,056,558

General revenues
Taxes
Property taxes
Tax increments
Other taxes
Federal and state grants and other contributions not restricted to specific functions
Interest and investment earnings
Miscellaneous
Transfers

Total general revenues and transfers

Change in net position

Net position - January 1, as originally reported

Prior period adjustment

Net position - January 1, as 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	Total
$ (1,851,062)	$ -	$ (1,851,062)
(3,729,635)	-	(3,729,635)
(1,595,488)	-	(1,595,488)
(140,632)	-	(140,632)
(1,911,519)	-	(1,911,519)
(392,990)	-	(392,990)
(927,029)	-	(927,029)
(10,548,355)	-	(10,548,355)
-	261,201	261,201
-	194,165	194,165
-	455,366	455,366
(10,548,355)	455,366	(10,092,989)
5,810,002	-	5,810,002
1,349,906	-	1,349,906
129,507	-	129,507
3,757,127	16,368	3,773,495
69,766	7,640	77,406
278,105	4,283	282,388
381,171	(381,171)	-
11,775,584	(352,880)	11,422,704
1,227,229	102,486	1,329,715
24,625,336	19,015,681	43,641,017
(179,583)	(3,249)	(182,832)
24,445,753	19,012,432	43,458,185
$ 25,672,982	$ 19,114,918	$ 44,787,900

City of Merrill, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Community Development Block Grant	Debt Service
ASSETS			
Cash and investments	$ 2,721,976	$ 563,771	$ 961,219
Receivables			
Taxes and special charges	2,783,498	8,365	1,020,265
Delinquent taxes	541	-	-
Accounts	361,423	-	-
Special assessments	25,155	-	-
Loans	-	2,776,523	-
Other	-	-	-
Due from other funds	1,742,303	-	-
Advance to other funds	99,896	100,000	-
Inventories and prepaid items	178,329	-	-
Total assets	$ 7,913,121	$ 3,448,659	$ 1,981,484
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	$ 149,624	$ 47	$ -
Accrued and other current liabilities	234,057	1,659	-
Due to other funds	65,795	-	-
Advance from other funds	269,450	-	-
Due to other governments	1,888	-	-
Special deposits	150,924	-	-
Unearned revenues	4,200	-	-
Total liabilities	875,938	1,706	-
Deferred inflows of resources			
Property taxes levied for subsequent year	4,272,761	12,905	1,573,921
Loans receivable	-	2,776,526	-
Special assessments	10,860	-	-
Total deferred inflows of resources	4,283,621	2,789,431	1,573,921
Fund balances			
Nonspendable	278,225	-	-
Restricted	50,234	657,522	407,563
Committed	870,819	-	-
Unassigned	1,554,284	-	-
Total fund balances	2,753,562	657,522	407,563
Total liabilities, deferred inflows of resources, and fund balances	$ 7,913,121	$ 3,448,659	$ 1,981,484

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

Other Governmental Funds	Total
$ 747,702	$ 4,994,668
1,025,488	4,837,616
-	541
341,258	702,681
-	25,155
-	2,776,523
1,292,369	1,292,369
65,795	1,808,098
269,450	469,346
-	178,329
$ 3,742,062	$ 17,085,326
$ 419	$ 150,090
-	235,716
1,742,303	1,808,098
199,896	469,346
-	1,888
-	150,924
-	4,200
1,942,618	2,820,262
1,581,978	7,441,565
-	2,776,526
-	10,860
1,581,978	10,228,951
-	278,225
2,113,285	3,228,604
-	870,819
(1,895,819)	(341,535)
217,466	4,036,113
$ 3,742,062	$ 17,085,326

City of Merrill, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	$ 4,036,113
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	44,221,181
Long-term assets are not available; therefore, are not reported in the funds:	
Loans receivable	2,776,526
Special assessments	10,860
Net pension asset	1,953,267
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.	
Deferred outflows related to pensions	4,570,388
Deferred inflows related to pensions	(5,859,539)
Deferred outflows related to other postemployment benefits	208,687
Deferred inflows related to other postemployment benefits	(85,528)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(24,156,700)
Premium on debt	(496,583)
Compensated absences	(800,390)
Other postemployment benefit	(534,136)
Accrued interest on long-term obligations	(171,164)
Net position of governmental activities as reported on the statement of net position (see page 4)	$ 25,672,982

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, 2020

	General	Community Development Block Grant	Debt Service
REVENUES			
Taxes	$ 4,389,264	$ 14,000	$ 1,552,201
Special assessments	11,011	-	-
Intergovernmental	6,456,757	-	-
Licenses and permits	172,039	-	-
Fines and forfeits	110,553	-	-
Public charges for services	321,171	-	-
Intergovernmental charges for services	1,661,185	125	-
Miscellaneous	1,030,789	325,905	-
Total revenues	14,152,769	340,030	1,552,201
EXPENDITURES			
Current			
General government	1,724,806	-	-
Public safety	5,928,162	-	-
Public works	2,795,372	-	-
Health and human services	148,841	-	-
Culture and recreation	1,909,594	-	-
Conservation and development	20,200	218,221	-
Debt service			
Principal	-	-	1,791,536
Interest and fiscal charges	62,596	-	659,176
Capital outlay	3,382,297	-	-
Total expenditures	15,971,868	218,221	2,450,712
Excess of revenues over (under) expenditures	(1,819,099)	121,809	(898,511)
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	1,300,000	-	-
Long-term debt issued - Refunding Bonds	-	-	745,000
Premium on debt issued	32,723	-	76,928
Payment to Current Bondholder	-	-	(754,542)
Proceeds from sale of capital assets	30,653	-	-
Transfers in	381,171	-	1,286,075
Transfers out	(27,868)	-	-
Total other financing sources (uses)	1,716,679	-	1,353,461
Net change in fund balances	(102,420)	121,809	454,950
Fund balances - January 1, as originally reported	3,019,318	537,010	1,038
Prior period adjustment	(163,336)	(1,297)	(48,425)
Fund balances - January 1, as restated	2,855,982	535,713	(47,387)
Fund balances - December 31	$ 2,753,562	$ 657,522	$ 407,563

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

Other Governmental Funds	Total
$ 1,349,906	$ 7,305,371
-	11,011
413,344	6,870,101
-	172,039
-	110,553
-	321,171
-	1,661,310
198,725	1,555,419
1,961,975	18,006,975
-	1,724,806
-	5,928,162
31,523	2,826,895
-	148,841
106,779	2,016,373
643,837	882,258
-	1,791,536
171,074	892,846
1,246,782	4,629,079
2,199,995	20,840,796
(238,020)	(2,833,821)
825,000	2,125,000
4,420,000	5,165,000
142,711	252,362
(3,962,011)	(4,716,553)
-	30,653
321,630	1,988,876
(1,579,837)	(1,607,705)
167,493	3,237,633
(70,527)	403,812
287,993	3,845,359
-	(213,058)
287,993	3,632,301
$ 217,466	$ 4,036,113

City of Merrill, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page	$ 403,812
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets reported as capital outlay in governmental fund statements	
Items reported as capital outlay, but not capitalized	4,523,735
Depreciation expense reported in the statement of activities	(1,827,437)
Net book value of disposals	(570,259)
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.	(216,176)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Long-term debt issued	(7,290,000)
Premium on debt issued	(252,362)
Principal repaid	6,451,988
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Accrued interest on long-term debt	(8,739)
Amortization of debt premium and loss on advance refunding	30,657
Compensated absences	42,822
Net pension liability	2,110,577
Net pension asset	1,953,267
Deferred outflows of resources related to pensions	(1,153,696)
Deferred inflows of resources related to pensions	(2,932,938)
Other postemployment benefits	(207,657)
Deferred outflows of resources related to other postemployment benefits	167,834
Deferred inflows of resources related to other postemployment benefits	1,801
Change in net position of governmental activities as reported in the statement of activities (see pages 5 - 6)	$ 1,227,229

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, 2020

	Budget			Variance Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 4,451,376	$ 4,451,376	$ 4,389,264	$ (62,112)
Special assessments	30,000	30,000	11,011	(18,989)
Intergovernmental	6,390,974	6,390,974	6,456,757	65,783
Licenses and permits	183,768	183,768	172,039	(11,729)
Fines and forfeits	116,500	116,500	110,553	(5,947)
Public charges for services	608,866	608,866	321,171	(287,695)
Intergovernmental charges for services	1,767,960	1,767,960	1,661,185	(106,775)
Miscellaneous	432,651	432,651	1,030,789	598,138
Total revenues	13,982,094	13,982,094	14,152,769	170,675
EXPENDITURES				
Current				
General government	1,755,101	1,755,101	1,724,806	30,295
Public safety	5,680,024	5,680,024	5,928,162	(248,138)
Public works	3,261,621	3,261,621	2,795,372	466,249
Health and human services	142,152	142,152	148,841	(6,689)
Culture and recreation	2,274,176	2,274,176	1,909,594	364,582
Conservation and development	20,200	20,200	20,200	-
Debt service				
Interest and fiscal charges	-	-	62,596	(62,596)
Capital outlay	2,664,940	2,664,940	3,382,297	(717,357)
Total expenditures	15,798,214	15,798,214	15,971,868	(173,654)
Excess of revenues under expenditures	(1,816,119)	(1,816,119)	(1,819,099)	(2,980)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	1,242,385	1,242,385	1,300,000	57,615
Premium on debt issued	-	-	32,723	32,723
Proceeds from sale of capital assets	-	-	30,653	30,653
Transfers in	395,000	395,000	381,171	(13,829)
Transfers out	(1,625)	(1,625)	(27,868)	(26,243)
Total other financing sources (uses)	1,635,760	1,635,760	1,716,679	80,919
Net change in fund balance	(180,359)	(180,359)	(102,420)	77,939
Fund balances - January 1, as originally reported	3,019,318	3,019,318	3,019,318	-
Prior period adjustment	-	-	(163,336)	(163,336)
Fund balances - January 1, as restated	3,019,318	3,019,318	2,855,982	(163,336)
Fund balance - December 31	$ 2,838,959	$ 2,838,959	$ 2,753,562	$ (85,397)

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 SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget			Variance Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 14,000	$ 14,000	$ 14,000	$ -
Intergovernmental charges for services	13,185	13,185	125	(13,060)
Miscellaneous	165,300	165,300	325,905	160,605
Total revenues	192,485	192,485	340,030	147,545
EXPENDITURES				
Current				
Conservation and development	177,685	177,685	218,221	(40,536)
Net change in fund balance	14,800	14,800	121,809	107,009
Fund balances - January 1, as originally reported	537,010	537,010	537,010	-
Prior period adjustment	-	-	(1,297)	(1,297)
Fund balances - January 1, as restated	537,010	537,010	535,713	(1,297)
Fund balance - December 31	$ 551,810	$ 551,810	$ 657,522	$ 105,712

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, 2020

	Water Utility	Sewer Utility	Total
ASSETS			
Current assets			
Cash and investments	$ 794,777	$ 169,330	$ 964,107
Receivables			
Customer accounts	352,467	380,179	732,646
Other	46,594	77,251	123,845
Inventories and prepaid items	46,736	8,464	55,200
Total current assets	1,240,574	635,224	1,875,798
Noncurrent assets			
Restricted assets			
Cash and investments	97,879	1,486,658	1,584,537
Other assets			
Net pension asset	84,423	55,860	140,283
Capital assets			
Nondepreciable	35,320	52,028	87,348
Depreciable	9,710,884	8,304,789	18,015,673
Total capital assets	9,746,204	8,356,817	18,103,021
Total assets	11,169,080	10,534,559	21,703,639
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	191,938	131,520	323,458
Other postemployment related amounts	9,020	5,968	14,988
Total deferred outflows of resources	200,958	137,488	338,446
LIABILITIES			
Current liabilities			
Accounts payable	20,006	40,147	60,153
Accrued and other current liabilities	13,006	9,733	22,739
Due to other governments	9	-	9
Accrued interest	8,100	3,034	11,134
Current portion of long-term debt	114,573	19,550	134,123
Total current liabilities	155,694	72,464	228,158
Long-term obligations, less current portion			
General obligation debt	650,000	427,750	1,077,750
Revenue bonds	1,044,958	-	1,044,958
Debt premium	18,503	11,225	29,728
Compensated absences	24,866	56,371	81,237
Other postemployment benefits	23,086	15,275	38,361
Total long-term liabilities	1,761,413	510,621	2,272,034
Total liabilities	1,917,107	583,085	2,500,192
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	253,259	167,573	420,832
Other postemployment related amounts	3,697	2,446	6,143
Total deferred inflows of resources	256,956	170,019	426,975
NET POSITION			
Net investment in capital assets	7,918,170	7,884,672	15,802,842
Restricted for:			
Water utility debt retirement	94,391	-	94,391
Sewer utility plant replacement	-	1,486,658	1,486,658
Net pension asset	84,423	55,860	140,283
Unrestricted	1,098,991	491,753	1,590,744
Total net position	$ 9,195,975	$ 9,918,943	$ 19,114,918

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, 2020

	Water Utility	Sewer Utility	Total
OPERATING REVENUES			
Charges for services	$ 1,468,967	$ 1,513,775	$ 2,982,742
Other	127,982	168,792	296,774
Total operating revenues	1,596,949	1,682,567	3,279,516
OPERATING EXPENSES			
Operation and maintenance	791,985	1,012,904	1,804,889
Depreciation	495,038	425,913	920,951
Taxes	17,485	46,431	63,916
Total operating expenses	1,304,508	1,485,248	2,789,756
Operating income	292,441	197,319	489,760
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,214	6,426	7,640
Interest and fiscal charges	(54,839)	(15,625)	(70,464)
Amortization of debt discount/premium	387	250	637
Other nonoperating revenues (expenses)	13,706	6,945	20,651
Total nonoperating revenues (expenses)	(39,532)	(2,004)	(41,536)
Income before contributions and transfers	252,909	195,315	448,224
Capital contributions	23,212	12,221	35,433
Transfers out	(381,171)	-	(381,171)
Change in net position	(105,050)	207,536	102,486
Net position - January 1, as originally reported	9,311,642	9,704,039	19,015,681
Prior Period Adjustment	(10,617)	7,368	(3,249)
Net position - January 1, as restated	9,301,025	9,711,407	19,012,432
Net position - December 31	$ 9,195,975	$ 9,918,943	$ 19,114,918

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, 2020

	Water Utility	Sewer Utility	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 1,583,631	$ 1,665,188	$ 3,248,819
Cash paid for employee wages and benefits	(330,802)	(191,587)	(522,389)
Cash paid to suppliers	(452,392)	(877,523)	(1,329,915)
Net cash provided by operating activities	800,437	596,078	1,396,515
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due to/from other funds	-	(78,983)	(78,983)
Transfer out	(381,171)	-	(381,171)
Net cash provided (used) by noncapital financing activities	(381,171)	(78,983)	(460,154)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(483,898)	(358,479)	(842,377)
Proceeds of issuance of long-term debt	360,000	200,000	560,000
Premium from issuance of long-term debt	12,756	7,409	20,165
Debt Issuance Costs Paid	(21,255)	(7,300)	(28,555)
Principal paid on long-term debt	(125,706)	(44,919)	(170,625)
Interest paid on long-term debt	(30,898)	(6,892)	(37,790)
Net cash used by capital and related financing activities	(289,001)	(210,181)	(499,182)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,214	6,426	7,640
Change in cash and cash equivalents	131,479	313,340	444,819
Cash and cash equivalents - January 1	761,177	1,342,648	2,103,825
Cash and cash equivalents - December 31	$ 892,656	$ 1,655,988	$ 2,548,644
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 292,441	$ 197,319	$ 489,760
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	495,038	425,913	920,951
Depreciation charged to sewer utility	28,261	(28,261)	-
Change in liability (asset) and deferred outflows and inflows of resources			
Change in WRS Asset/Liability	(171,535)	(120,883)	(292,418)
Change in WRS Deferred Outflow	44,715	42,363	87,078
Change in WRS Deferred Inflow	132,467	77,410	209,877
Change in OPEB Liability	9,611	5,217	14,828
Change in OPEB Deferred Outflow	(7,334)	(4,709)	(12,043)
Change in OPEB Deferred Inflow	93	(244)	(151)
Miscellaneous nonoperating revenue	13,706	6,945	20,651
Change in operating assets and liabilities			
Accounts receivables	(9,744)	559	(9,185)
Other receivables	(17,280)	(24,883)	(42,163)
Inventories and prepaid items	(9,397)	(696)	(10,093)
Accounts payable	(5,331)	12,685	7,354
Accrued liabilities	2,389	2,151	4,540
Due to other governments	9	-	9
Compensated absences	2,328	5,192	7,520
Net cash provided by operating activities	$ 800,437	$ 596,078	$ 1,396,515
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents in current assets	$ 794,777	$ 169,330	$ 964,107
Cash and cash equivalents in restricted assets	97,879	1,486,658	1,584,537
Total cash and cash equivalents	$ 892,656	$ 1,655,988	$ 2,548,644
Noncash capital and related financing activities			
Contributed capital assets	$ 23,212	$ 12,221	$ 35,433
Capital Assets Purchased on Account	-	13,620	13,620

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

City of Merrill, Wisconsin

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2020

	Tax Collection Custodial Fund
ASSETS	
Cash and investments	$ 2,220,122
Taxes receivable	3,555,962
Total assets	5,776,084
DEFERRED INFLOWS OF RESOURCES	
Property taxes levied for subsequent year	5,776,084
FIDUCIARY NET POSITION	
Restricted	$ -

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

City of Merrill, Wisconsin

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Tax Collection Custodial Fund
ADDITIONS	
Property tax collections	$ 6,216,856
DEDUCTIONS	
Payments to taxing jurisdictions	6,216,856
Change in net position	-
Fidcuiary net position - January 1	-
Fiduciary net position - December 31	$ -

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, 2020

NOTE 1: 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:

A. REPORTING ENTITY

The City 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 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.

B. 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 primary 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
This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

City of Merrill, Wisconsin

The City reports the following major enterprise funds:

Water Utility Fund
This fund accounts for the operations of the City's water utility.

Sewer Utility Fund
This fund accounts for the operations of the City's sewer utility.

The City also reports the following fiduciary fund:

Custodial Fund
The custodial fund is used to report fiduciary activities that are not required to be reported in pension or OPEB trust funds, investment trust funds, or private purpose trust funds.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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, 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 proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs 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, 2020

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. **Cash and Investments**
Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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 from date of acquisition are considered to be cash equivalents.

2. **Property Taxes and Special Charges Receivable**
Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against City properties. 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 and special charges 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. Special charges not paid by January 31 are held in trust by the County and remitted to the City, including interest, when collected by the County.

In addition to its levy, the City also levies and collects taxes for the Merrill School District, Lincoln County, and North Central Technical College.

3. **Accounts Receivable**
Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

4. **Loans Receivable**
The City has received federal and state grant funds for economic development and housing rehabilitation loan programs and has passed the funds to various businesses and individuals in the form of loans. The City records a loan receivable and expenditure when the loan has been made and the funds disbursed. 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. In the governmental funds, the City records a deferred inflow of resources for the net amount of the receivable. As the loans are repaid, revenue is recognized. Any unspent loan proceeds are presented as restricted fund balance in the fund financial statements.

5. **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 and business-type activities.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. Prepaid Items

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

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

8. 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 a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Assets	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

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. 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.

10. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Governmental funds may report deferred inflows of resources for unavailable revenues. The City reports unavailable revenues for special assessments, grants, and loan receivables. These inflows are recognized as revenues in the government-wide financial statements.

11. 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 are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Pensions

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

13. Other Postemployment Benefits Other Than Pensions (OPEB)

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

14. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed fund balance.** Amounts that are constrained for specific purposes by action of the 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 adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

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 inflows of resources.
- **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all 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.
3. During the year, formal budgetary integration is employed as a management control device for the governmental funds. Management control for the capital projects funds is also achieved through project authorizations included in debt issue resolutions.
4. Expenditures may not exceed appropriations at the fund level. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.
5. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2020.

B. DEFICIT FUND EQUITY

The following funds had deficit fund balance as of December 31, 2020:

Funds	Deficit Fund Balance
TIF No.6	$ 562,643
TIF No. 7	138,321
TIF No. 8	594,820
TIF No. 9	370,492
TIF No. 10	58,417
TIF No. 11	171,126

The City anticipates future tax increments will finance the deficits of the funds.

C. 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 2020 and 2021 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2020 budget was 1.78%. The actual limit for the City for the 2021 budget was 1.00%. 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.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. 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 on 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.

The carrying amount of the City's cash and investments totaled $9,763,434 on December 31, 2020 as summarized below:

Petty cash and cash on hand	$ 6,328
Deposits with financial institutions	9,560,312
Investments	196,794
Total	$ 9,763,434

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	$ 5,958,775
Restricted cash and investments	1,584,537
Fiduciary Fund Statement of Net Position	
Cash and investments	2,220,122
Total	$ 9,763,434

City of Merrill, Wisconsin

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following fair value measurements as of December 31, 2020:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Mutual bond funds	$ -	$ 95,430	$ -
Money market mutual funds	3,485	-	-
Total	$ 3,485	$ 95,430	$ -

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

Deposits with financial institutions within the state of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000 for the combined amount of all time and savings deposits and $250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of $250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of $250,000 per credit union member. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of $400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2020, $4,953,970 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits but was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	A	B	BB	Not Rated
Mutual bond funds	$ 95,430	$ -	$ -	$ 70,849	$ 24,581	$ -
Money market mutual funds	3,485	-	-	-	-	3,485
Wisconsin local government investment pool	97,879	-	-	-	-	97,879
Totals	$ 196,794	$ -	$ -	$ 70,849	$ 24,581	$ 101,364

Concentration of Credit Risk
The investment policy of the City contains no limitations on the amount that can be invested in any one issuer.

At December 31, 2020, the City had no investments in any one issuer (other than mutual funds, and external investment pools) that represent 5% or more of total City investments.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The 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:

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Mutual bond funds	$ 95,430	$ -	$ -	$ 70,849	$ 24,581
Money market mutual fund	3,485	3,485	-	-	-
Wisconsin local government investment pool	97,879	97,879	-	-	-
Totals	$ 196,794	$ 101,364	$ -	$ 70,849	$ 24,581

Investment in Wisconsin Local Government Investment Pool
The City has investments in the Wisconsin local government investment pool of $97,879 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, 2020, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

B. RESTRICTED ASSETS

Restricted assets on December 31, 2020 totaled $1,584,537 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Enterprise Funds		
Water Utility		
Debt retirement	$ 97,879	To be used for retirement of revenue bonds
Sewer Utility		
Plant replacement	1,486,658	To be used for the replacement of certain assets for the sewer utility
Total	$ 1,584,537	

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	$ 4,071,891	$ -	$ 460,690	$ 3,611,201
Construction in progress	246,579	797,209	246,579	797,209
Total capital assets, nondepreciable	4,318,470	797,209	707,269	4,408,410
Capital assets, depreciable:				
Land improvements	8,523,928	67,417	-	8,591,345
Buildings and improvements	19,588,678	438,210	24,481	20,002,407
Machinery and equipment	11,741,684	1,706,018	237,642	13,210,060
Infrastructure	15,462,747	1,761,460	-	17,224,207
Subtotals	55,317,037	3,973,105	262,123	59,028,019
Less: accumulated depreciation for:				
Land improvements	3,488,485	422,069	-	3,910,554
Buildings and improvements	6,114,244	428,755	20,881	6,522,118
Machinery and equipment	5,652,400	515,573	131,673	6,036,300
Infrastructure	2,285,236	461,040	-	2,746,276
Subtotals	17,540,365	1,827,437	152,554	19,215,248
Total capital assets, depreciable, net	37,776,672	2,145,668	109,569	39,812,771
Governmental activities capital assets, net	$ 42,095,142	$ 2,942,877	$ 816,838	44,221,181
Less: Capital related debt				23,961,263
Less: Capital-related accounts payable, including retainage				46,124
Less: Debt premium				496,583
Net investment in capital assets				$ 19,717,211

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, nondepreciable:				
Land	$ 87,348	$ -	$ -	$ 87,348
Construction in progress	228,178	-	228,178	-
Total capital assets, nondepreciable	315,526	-	228,178	87,348
Capital assets, depreciable:				
Water utility	16,514,874	618,071	51,707	17,081,238
Sewer utility	15,655,299	501,537	-	16,156,836
Subtotals	32,170,173	1,119,608	51,707	33,238,074
Less: accumulated depreciation for:				
Water utility	6,898,761	523,299	51,707	7,370,353
Sewer utility	7,454,396	397,652	-	7,852,048
Subtotals	14,353,157	920,951	51,707	15,222,401
Total capital assets, depreciable, net	17,817,016	198,657	-	18,015,673
Business-type activities capital assets, net	$ 18,132,542	$ 198,657	$ 228,178	18,103,021
Less: Capital related debt				2,256,831
Less: Debt premium				29,728
Less: Capital-related accounts payable, including retainage				13,620
Net investment in capital assets				$ 15,802,842

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

Governmental activities	
General government	$ 91,873
Public safety	277,830
Public works	878,813
Health and human services	8,816
Culture and recreation	570,105
Total depreciation expense - governmental activities	$ 1,827,437
Business-type activities	
Water utility	$ 495,038
Sewer utility	425,913
Total depreciation expense - business-type activities	$ 920,951

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

D. 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, 2020 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary cash advances to finance operating cash deficits		
Governmental Funds		
General	$ 1,742,303	$ -
Library		
TIF No. 6	-	542,364
TIF No. 8	-	617,584
TIF No. 9	-	503,741
TIF No. 10	-	58,417
TIF No. 11	-	20,197
Subtotal	1,742,303	1,742,303
Temporary cash advances to finance capital projects		
Governmental Funds		
General	-	65,795
Library	65,795	-
Subtotal	65,795	65,795
Long-term advances		
General	99,896	269,450
Remedial action	269,450	-
TIF No. 11	-	99,896
Community development block grant	100,000	-
TID No. 7	-	100,000
Subtotal	469,346	469,346
Totals	$ 2,277,444	$ 2,277,444

The advance to the general fund 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. The advance to tax incremental district no. 11 does not have an established repayment schedule. The advance from CDBG to the TID No. 7 is expected to be repaid by 2023 with an interest rate at 3.00%.

City of Merrill, Wisconsin

Interfund transfers for the year ended December 31, 2020 were as follows:

Fund	Transfer In	Transfer Out
General	$ 381,171	$ 27,868
Debt service	1,286,075	-
Library	44,130	-
Library trust	-	44,130
TIF No. 3	-	977,240
TIF No. 4	-	348,902
TIF No. 5	-	2,447
TIF No. 6	40,000	33,985
TIF No. 7	35,000	13,279
TIF No. 8	100,000	49,863
TIF No. 9	102,500	18,650
TIF No. 10	-	20,132
TIF No. 11	-	63,289
TIF No. 12	-	7,920
Water utility	-	381,171
Total	$ 1,988,876	$ 1,988,876

Interfund transfers were made for the following purposes:

Tax equivalent payment made by water utility to general fund	$ 381,171
Tax incremental district transfers for debt retirement related to the Districts	1,535,707
Library expenditures	44,130
General fund debt service	27,868
Total	$ 1,988,876

E. SHORT-TERM DEBT

The City issued short-term notes in 2020 for capital needs. Short-term debt activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Issued	Retired	Ending Balance
Governmental activities:				
Short-term notes	$ -	$ 1,512,254	$ 1,512,254	$ -

Total interest paid for the year on short-term debt totaled $2,592.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

F. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2020:

	Beginning Balance	Adjustment	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:						
General obligation debt						
Bonds	$ 12,510,000	$ (33,475)	$ 2,870,000	$ 653,825	$ 14,692,700	$ 940,450
Notes	4,575,000	-	-	1,050,000	3,525,000	495,000
Direct borrowings	422,163	-	-	422,163	-	-
Total general obligation debt	17,507,163	(33,475)	2,870,000	2,125,988	18,217,700	1,435,450
Tax increment revenue bonds	3,265,000	-	4,420,000	2,826,000	4,859,000	714,000
Note anticipation notes	2,580,000	-	-	1,500,000	1,080,000	1,080,000
Premium on bond issuance	289,593	-	252,362	45,372	496,583	-
Compensated absences	843,212	-	89,736	132,558	800,390	-
Governmental activities Long-term obligations	$ 24,484,968	$ (33,475)	$ 7,632,098	$ 6,629,918	$ 25,453,673	$ 3,229,450

	Beginning Balance	Adjustment	Issued	Retired	Ending Balance	Due Within One Year
Business-type activities:						
General obligation debt						
Bonds	$ 565,000	$ 33,475	$ 560,000	$ 31,175	$ 1,127,300	$ 49,550
Direct borrowings	56,472	-	-	56,472	-	-
Total general obligation debt	621,472	33,475	560,000	87,647	1,127,300	49,550
Direct borrowings						
Revenue bonds	1,212,506	-	-	82,975	1,129,531	84,573
Debt premium	10,200	-	20,165	637	29,728	-
Compensated absences	73,717	-	14,870	7,350	81,237	-
Business-type activities Long-term obligations	$ 1,917,895	$ 33,475	$ 595,035	$ 178,609	$ 2,367,796	$ 134,123

Total interest paid during the year on long-term debt totaled $675,535.

For governmental activities, the other long-term liabilities are generally funded by the general fund.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
General Obligation Bonds					
Series 2013A	09/04/13	05/01/33	2.25 - 4.2%	$ 4,290,000	$ 3,040,000
Series 2016B	10/11/16	10/01/36	2.0 - 2.5%	4,095,000	3,300,000
Series 2017C	10/26/17	10/01/37	2.0 - 3.375%	3,210,000	2,745,000
Series 2018B	09/27/18	04/01/38	2.0 - 3.7%	1,575,000	1,455,000
Series 2019A	11/05/19	10/01/39	2.25 - 3.0%	1,945,000	1,850,000
Series 2020C	11/17/20	05/01/40	2.0 - 4.0%	3,430,000	3,430,000
General Obligation Notes					
Series 2016A	10/11/16	10/01/26	0.8 - 2.2%	2,095,000	1,800,000
Series 2017D	10/26/17	10/01/27	1.25 - 2.15%	860,000	650,000
Series 2018A	09/27/18	04/01/28	1.9 - 2.95%	1,310,000	1,075,000
Total outstanding general obligation debt					$ 19,345,000

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
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Annual principal and interest maturities of the outstanding general obligation debt of $19,345,000 on December 31, 2020 are detailed below:

Year Ended December 31,	Governmental Activities Bonds and Notes Principal	Governmental Activities Bonds and Notes Interest
2021	$ 1,435,450	$ 491,889
2022	1,465,450	461,271
2023	1,485,450	425,565
2024	1,480,125	389,346
2025	1,485,450	353,833
2026-2030	5,255,775	1,233,293
2031-2035	3,865,000	557,917
2036-2040	1,745,000	98,376
Total	$ 18,217,700	$ 4,011,490

Year Ended December 31,	Business-type Activities Bonds and Notes Principal	Business-type Activities Bonds and Notes Interest
2021	$ 49,550	$ 29,628
2022	54,550	28,599
2023	54,550	26,758
2024	54,875	24,917
2025	54,550	23,069
2026-2030	264,225	89,291
2031-2035	300,000	56,181
2036-2040	295,000	18,975
Total	$ 1,127,300	$ 297,418

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2020 was $3,858,345 as follows:

Equalized valuation of the City	$464,066,900
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	23,203,345
Total outstanding general obligation debt applicable to debt limitation	19,345,000
Legal margin for new debt	$ 3,858,345

On November 17, 2020, the City issued $3,430,000 in General Obligation Bonds with a fixed interest rate of 2.045% to finance current year capital projects and refinance prior debt issues from 2013 and 2020 and short-term debt issues from 2020. The refunding resulted in an increase in the cash flow requirements of $140,122 and an economic loss (difference between the present values of the debt service payments on the old and new debt) of $28,091.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note Anticipation Notes

Note anticipation notes outstanding on December 31, 2020 was comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
Taxable Note Anticipation Notes					
Series 2016C	10/11/16	10/01/21	3.99%	$ 1,080,000	$ 1,080,000

Annual principal and interest maturities of the outstanding note anticipation note debt of $1,080,000 on December 31, 2020 are detailed below:

Year Ended	Governmental Activities		
December 31,	Principal	Interest	Total
2021	$ 1,080,000	$ 43,092	$ 1,123,092

Tax Increment Revenue Bonds

Tax increment revenue bonds are limited obligations of the City, payable from tax increments or other appropriated funds and shall not constitute an indebtedness of the City nor a charge against its general credit or taxing power. Tax increment revenue bonds outstanding on December 31, 2020 totaled $4,859,000 and were comprised of the following issues:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
Tax Increment Revenue Bonds					
Series 2017B (TID No. 4)	10/10/17	10/01/28	3.06%	$ 579,000	$ 439,000
Series 2020D (TID No. 3)	11/30/20	10/01/26	2.00%	4,420,000	4,420,000
Total					$ 4,859,000

Annual principal and interest maturities of the outstanding tax increment revenue bonds of $4,859,000 on December 31, 2020 are detailed below:

	Governmental Activities					
Year Ended	TID No. 3		TID No. 4		Total	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 665,000	$ 73,912	$ 49,000	$ 13,433	$ 714,000	$ 87,345
2022	660,000	75,100	51,000	11,934	711,000	87,034
2023	675,000	61,900	52,000	10,373	727,000	72,273
2024	690,000	48,400	54,000	8,782	744,000	57,182
2025	700,000	34,600	56,000	7,130	756,000	41,730
2026-2028	1,030,000	20,600	177,000	10,956	1,207,000	31,556
	$ 4,420,000	$ 314,512	$ 439,000	$ 62,608	$ 4,859,000	$ 377,120

On November 30, 2020, the City issued $4,420,000 in Tax Increment Revenue Refunding Bonds with a fixed interest rate of 1.262% to refinance prior debt issues from 2017, 2018, and 2019. The refunding resulted in an increase in the cash flow requirements of $60,832 and an economic loss (difference between the present values of the debt service payments on the old and new debt) of $588.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
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Tax Incremental Revenue Pledged
The City has pledged future tax increments within TIF No. 3 and TIF no. 4 to pay for the debt service on the tax increment bonds.

Water System Revenue Bonds
Revenue bonds outstanding on December 31, 2020 totaled $1,129,531 and were comprised of the following issue:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/20
Direct borrowings					
Safe water drinking bond	10/10/17	10/01/26	2.92%	$ 1,745,386	$ 1,129,531

The City's outstanding bonds from direct borrowings of $1,129,531 contain the following provisions in the event of a default: 1) Wisconsin Department of Administration can deduct amounts due from any state payments due to the City or add the amounts due as a special charge to the property taxes apportioned; 2) may appoint a receiver for the Program's benefit; 3) may declare the principal amount immediately due and payable; 4) may enforce any right or obligation under the financing agreement including the right to seek specific performance or mandamus; and 5) may increase the interest rate set forth in the financing agreement to the market interest rate.

Annual principal and interest maturities of the outstanding water system revenue bonds of $1,129,531 on December 31, 2020 are detailed below:

Year Ended	Business-type Activities		
December 31,	Principal	Interest	Total
2021	$ 84,573	$ 20,929	$ 105,502
2022	86,201	19,286	105,487
2023	87,861	17,610	105,471
2024	89,552	15,903	105,455
2025	91,276	14,162	105,438
2026-2030	483,421	43,509	526,930
2031-2033	206,647	3,998	210,645
Total	$ 1,129,531	$ 135,397	$ 1,264,928

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 systems. The bonds are payable solely from water customer net revenues and are payable through 2032. The total principal and interest remaining to be paid on the bonds is $1,264,928. Principal and interest paid for the current year and total customer net revenues were $105,518 and $788,693, respectively.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

G. PENSION PLAN

1. Plan Description

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

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

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

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

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

2. Postretirement Adjustments

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

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)

3. Contributions

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

During the year ended December 31, 2020, the WRS recognized $750,027 in contributions from the City.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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

At December 31, 2020, the City reported an asset of $2,093,550 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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, 2019, the City's proportion was 0.06492726%, which was an increase of 0.00132659% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized pension expense of $782,522.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
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At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,974,037	$ 1,988,739
Net differences between projected and actual earnings on pension plan investments	-	4,279,962
Changes in assumptions	163,142	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,640	11,670
Employer contributions subsequent to the measurement date	750,027	-
Total	$ 4,893,846	$ 6,280,371

$750,027 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 liability (asset) in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	Expenses
2021	$ (639,393)
2022	(472,962)
2023	75,488
2024	(1,099,685)
Total	$ (2,136,552)

5. Actuarial Assumptions

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

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

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

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

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

	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Core Fund Asset Class			
Global Equities	49%	8.1%	5.1%
Fixed Income	24.5%	4.9%	2.1%
Inflation Sensitive Assets	15.5%	4.0%	1.2%
Real Estate	9%	6.3%	3.5%
Private Equity/Debt	8%	10.6%	7.6%
Multi-asset	4%	6.9%	4.0%
Cash	-10%	0.9%	N/A
Total Core Fund	100%	7.5%	4.6%
Variable Fund Asset Class			
U.S. Equities	70%	7.5%	4.6%
International Equities	30%	8.2%	5.3%
Total Variable Fund	100%	7.8%	4.9%

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

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

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	One Percent Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	One Percent Increase to Discount Rate (8.00%)
City's proportionate share of the net pension liability (asset)	$ 5,391,268	$ (2,093,550)	$ (7,689,314)

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

6. Payables to the Pension Plan

At December 31, 2020, the City reported a payable of $-0- for the outstanding amount of contributions to the pension plan for the year ended December 31, 2020.

H. OTHER POSTEMPLOYMENT BENEFITS
Local Retiree Life Insurance Fund

Plan Description
The LRLIF is a cost sharing, multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible members.

OPEB Plan Fiduciary Net Position
ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at http://etf.wi.gov/publications/cafr.htm.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do.

Benefits Provided
The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions
The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on member contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Contribution rates as of December 31, 2020 are:

Coverage Type	Employer Contribution
50% Postretirement coverage	40% of employee contribution
25% Postretirement coverage	20% of employee contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per $1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2019 are listed below:

Life Insurance
Member Contribution Rates*
For the Year Ended December 31, 2019

Attained Age	Basic	Supplemental
Under 30	$0.05	$0.05
30 - 34	0.06	0.06
35 - 39	0.07	0.07
40 - 44	0.08	0.08
45 - 49	0.12	0.12
50 - 54	0.22	0.22
55 - 59	0.39	0.39
60 - 64	0.49	0.49
65 - 69	0.57	0.57

*Disabled members under age 70 receive a waiver-of-premium benefit.

During the year ended December 31, 2020, the LRLIF recognized $2,825 in contributions from the employer.

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

At December 31, 2020, the City reported a liability of $572,497 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the City's proportion was 0.13444600%, which was a decrease of 0.00120000% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the City recognized OPEB expense of $60,488.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 25,648
Net differences between projected and actual earnings on OPEB plan investments	10,799	-
Changes in assumptions	211,196	62,970
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,680	3,053
Total	$ 223,675	$ 91,671

City of Merrill, Wisconsin

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Expense
2021	$ 22,667
2022	22,667
2023	21,503
2024	20,304
2025	16,561
Thereafter	28,302
Total	$ 132,004

Actuarial assumptions. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2019
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	2.74%
Long-term expected rate of return:	4.25%
Discount rate:	2.87%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Asset Class	Index	Target Allocation	Long-term Expected Geometric Real Rate of Return %
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-term expected rate of return			4.25%

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly form 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single discount rate. A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the City's proportionate share of net OPEB liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.87%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (1.87%) or one-percentage-point higher (3.87%) than the current rate:

	One Percent Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	One Percent Increase to Discount Rate (3.87%)
City's proportionate share of the net OPEB liability (asset)	$ 790,523	$ 572,497	$ 406,622

Payable to the OPEB Plan

At December 31, 2020, the City reported a payable of $-0- for the outstanding amount of contribution to the Plan required for the year ended December 31, 2020.

I. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2020, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventory and prepaids	$ 178,329
Long-term advance to other funds	99,896
Total Nonspendable Fund Balance	$ 278,225

City of Merrill, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

Restricted Fund Balance
In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2020, restricted fund balance was as follows:

General Fund	
Restricted for	
Capital projects	$ 50,234
Special Revenue Funds	
Restricted for	
Community development	657,522
Library endowment	483,557
Library trust	1,292,369
Remedial action	327,355
Capital Projects Funds	
Restricted for	
TIF No. 3	1,366
TIF No. 4	3,046
TIF No. 5	5,379
TIF No. 12	213
Debt Service Fund	
Restricted for	
Debt service	407,563
Total Restricted Fund Balance	$ 3,228,604

Committed Fund Balance
In the fund financial statements, portions of government fund balances are committed by City Council action. At December 31, 2020, General Fund balance was committed as follows:

General Fund	
Committed for	
Nonlapsing reserves	
General government	$ 346,982
Public safety	246,236
Public works	13,794
Health and Human Services	52,466
Culture and recreation	211,341
Total Committed Fund Balance	$ 870,819

NOTE 4: OTHER INFORMATION

A. TAX INCREMENTAL FINANCING DISTRICTS

The City has established separate capital projects funds for Tax Incremental Financing Districts (TIFs) which were created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the TIFs were created, the property tax base within the TIFs were "frozen" and increment taxes resulting from increase is to the property tax base are used to finance District 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 TIFs with the exception of TIF No. 3 are still eligible to incur project costs.

The City established TIF No. 3 on September 13, 2005 as a mixed-use district and amended the boundaries on July 11, 2006, September 24, 2013, September 22, 2015 and on April 26, 2017. The City intends that the TIF will include industrial, commercial, and residential development.

The City established TIF No. 4 on September 11, 2007 as a mixed-use district and amended the boundaries on September 24, 2013. The City intends that the District will be used to assure a combination of private industrial and commercial development.

The City established TIF 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 TIF No. 6 on May 12, 2009 as a blighted area district and amended the boundaries on September 22, 2015. The City intends that the TIFs will be used to assure a combination of private industrial, commercial, and residential development.

The City established TIF No. 7 on August 11, 2009 as a blighted area district and amended the boundaries on September 22, 2015. The City intends that the TIFs will be used to assure a combination of private industrial, commercial, and residential development.

The City established TIF No. 8 on September 27, 2011 as a blighted area district and amended the boundaries on September 24, 2013, September 22, 2015 and on August 23, 2017. The City intends that the TIFs will be used to assure a combination of private industrial, commercial, and residential development.

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

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

The City established TIF No. 11 on May 10, 2016 as a mixed use development district. The City intends that the TIFs will be used to assure a combination of private industrial, commercial, and residential development.

The City established TIF No. 12 on August 23, 2017 as a mixed-use development district. The City intends that the TIFs will be used to assure a combination of private industrial, commercial, and residential development.

Since creation of the above TIFs, the City has provided various financing sources to the TIF. The following amounts are not recorded as liabilities in the TIF capital project fund but can be recovered by the City from any future excess tax increment revenues.

	Unreimbursed Costs
TIF No. 3	$ 4,301,534
TIF No. 4	630,954
TIF No. 5	19,423
TIF No. 6	924,216
TIF No. 7	383,322
TIF No. 8	1,854,821
TIF No. 9	650,493
TIF No. 10	553,417
TIF No. 11	1,451,126
TIF No. 12	119,787

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

	Termination Year
TIF No. 3	2025
TIF No. 4	2027
TIF No. 5	2027
TIF No. 6	2036
TIF No. 7	2036
TIF No. 8	2038
TIF No. 9	2040
TIF No. 10	2042
TIF No. 11	2037
TIF No.12	2037

B. 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. Settled claims have not exceeded coverage in each of the last three years.

C. 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.

D. RISKS AND UNCERTAINTIES

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations, and local communities. Specific to the City, COVID-19 may impact parts of its 2021 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impacts of COVID-19 is unknown and cannot be reasonably estimated as of August 16, 2021.

E. PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment of $14,950 in the government-wide and proprietary fund statements and $48,425 governmental fund statements to correct allocation of debt proceeds and debt payments in a prior year. The City also recorded a prior period adjustment of $164,633 in the governmental activities and governmental fund statements and $18,199 in the business-type activities and proprietary fund statements to correct the recording of accrued payroll in the prior year

F. SUBSEQUENT EVENT

The City Council approved the creation of Tax Incremental Financing District No. 13 in February 2021 and the creation of Tax Incremental Financing District No. 14 in June 2021.

REQUIRED SUPPLEMENTARY INFORMATION

City of Merrill, Wisconsin

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

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (plan year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.05946372%	$ (1,460,591)	$ 6,308,015	23.15%	102.74%
12/31/15	0.06016318%	977,641	6,640,714	14.72%	98.20%
12/31/16	0.06118127%	504,280	6,647,432	7.59%	99.12%
12/31/17	0.06255663%	(1,857,380)	6,746,319	27.53%	102.93%
12/31/18	0.06360067%	2,262,712	6,972,423	32.45%	96.45%
12/31/19	0.06492726%	(2,093,550)	7,254,325	28.86%	102.96%

SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll (fiscal year)	Contributions as a Percentage of Covered Payroll
12/31/15	$ 596,197	$ 596,197	$ -	$ 6,640,714	8.98%
12/31/16	587,229	587,229	-	6,647,432	8.83%
12/31/17	649,476	649,476	-	6,746,319	9.63%
12/31/18	672,929	672,929	-	6,972,423	9.65%
12/31/19	688,367	688,367	-	7,254,325	9.49%
12/31/20	750,027	750,027	-	7,389,371	10.15%

See notes to required supplementary information.

City of Merrill, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.13536800%	$ 407,265	$ 6,746,319	6.04%	44.81%
12/31/18	0.13564600%	350,012	6,972,423	5.02%	48.69%
12/31/19	0.13444600%	572,497	7,254,325	7.89%	37.58%

SCHEDULE OF CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
12/31/18	$ 2,571	$ 2,571	$ -	$ 6,972,423	0.04%
12/31/19	2,662	2,662	-	7,254,325	0.04%
12/31/20	2,825	2,825	-	7,389,371	0.04%

See notes to required supplementary information.

City of Merrill, Wisconsin

NOTES TO REQUIRED FINANCIAL STATEMENTS
DECEMBER 31, 2020

A. WISCONSIN RETIREMENT SYSTEM
Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. No significant change in assumptions were noted in the prior year.

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

B. LRLIF OPEB
Changes of benefit terms. There were no changes of benefit terms for any participating employer in LRLIF.

Changes of assumptions. Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the Actuarial Assumptions section above for additional details.

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

SUPPLEMENTARY INFORMATION

City of Merrill, Wisconsin

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Special Revenue					
	Library	**Library Trust**	**Remedial Action**	**TIF No. 3**	**TIF No. 4**	**TIF No. 5**
ASSETS						
Cash and investments	$ 417,762	$ -	$ 58,324	$ 177,364	$ 72,650	$ 11,522
Receivables						
Taxes and special charges	-	-	-	627,925	128,264	11,321
Accounts	-	-	-	164,751	-	-
Other	-	1,292,369	-	-	-	-
Due from other funds	65,795	-	-	-	-	-
Advance to other funds	-	-	269,450	-	-	-
Total assets	$ 483,557	$ 1,292,369	$ 327,774	$ 970,040	$ 200,914	$ 22,843
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	$ -	$ -	$ 419	$ -	$ -	$ -
Due to other funds	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Total liabilities	-	-	419	-	-	-
Deferred inflows of resources						
Property taxes levied for subsequent year	-	-	-	968,674	197,868	17,464
Fund balances						
Restricted	483,557	1,292,369	327,355	1,366	3,046	5,379
Unassigned	-	-	-	-	-	-
Total fund balances	483,557	1,292,369	327,355	1,366	3,046	5,379
Total liabilities, deferred inflows of resources and fund balances	$ 483,557	$ 1,292,369	$ 327,774	$ 970,040	$ 200,914	$ 22,843

Capital Projects							
TIF No. 6	TIF No. 7	TIF No. 8	TIF No. 9	TIF No. 10	TIF No. 11	TIF No. 12	Total
$ -	$ 2,693	$ -	$ -	$ -	$ -	$ 7,387	$ 747,702
37,369	75,580	37,766	-	-	94,042	13,221	1,025,488
-	-	43,258	133,249	-	-	-	341,258
-	-	-	-	-	-	-	1,292,369
-	-	-	-	-	-	-	65,795
-	-	-	-	-	-	-	269,450
$ 37,369	$ 78,273	$ 81,024	$ 133,249	$ -	$ 94,042	$ 20,608	$ 3,742,062
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 419
542,364	-	617,584	503,741	58,417	20,197	-	1,742,303
-	100,000	-	-	-	99,896	-	199,896
542,364	100,000	617,584	503,741	58,417	120,093	-	1,942,618
57,648	116,594	58,260	-	-	145,075	20,395	1,581,978
-	-	-	-	-	-	213	2,113,285
(562,643)	(138,321)	(594,820)	(370,492)	(58,417)	(171,126)	-	(1,895,819)
(562,643)	(138,321)	(594,820)	(370,492)	(58,417)	(171,126)	213	217,466
$ 37,369	$ 78,273	$ 81,024	$ 133,249	$ -	$ 94,042	$ 20,608	$ 3,742,062

City of Merrill, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Special Revenue					
	Library	Library Trust	Remedial Action	TIF No. 3	TIF No. 4	TIF No. 5
REVENUES						
Taxes	$ -	$ -	$ -	$ 889,641	$ 208,267	$ 17,322
Intergovernmental	-	-	-	252,460	23,877	137
Miscellaneous	14,641	43,488	-	89,518	-	-
Total revenues	14,641	43,488	-	1,231,619	232,144	17,459
EXPENDITURES						
Current						
Public works	-	-	31,523	-	-	-
Culture and recreation	18,735	88,044	-	-	-	-
Conservation and development	-	-	-	267,157	4,996	8,435
Debt service						
Interest and fiscal charges	-	-	-	127,384	-	-
Capital outlay	-	-	-	309,396	25,700	23,418
Total expenditures	18,735	88,044	31,523	703,937	30,696	31,853
Excess of revenues over (under) expenditures	(4,094)	(44,556)	(31,523)	527,682	201,448	(14,394)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	-	-	-	-	-
Long-term debt issued - Refunding Bonds	-	-	-	4,420,000	-	-
Premium on debt issued	-	-	-	112,534	-	-
Payment to Current Bondholder	-	-	-	(3,962,011)	-	-
Transfers in	44,130	-	-	-	-	-
Transfers out	-	(44,130)	-	(977,240)	(348,902)	(2,447)
Total other financing sources (uses)	44,130	(44,130)	-	(406,717)	(348,902)	(2,447)
Net change in fund balances	40,036	(88,686)	(31,523)	120,965	(147,454)	(16,841)
Fund balances - January 1	443,521	1,381,055	358,878	(119,599)	150,500	22,220
Fund balances - December 31	$ 483,557	$ 1,292,369	$ 327,355	$ 1,366	$ 3,046	$ 5,379

Capital Projects							
TIF No. 6	TIF No. 7	TIF No. 8	TIF No. 9	TIF No. 10	TIF No. 11	TIF No. 12	Total
$ 41,797	$ 18,501	$ 40,348	$ -	$ -	$ 113,060	$ 20,970	$ 1,349,906
2,844	1,476	3,668	112,577	-	16,305	-	413,344
5,000	-	43,258	2,820	-	-	-	198,725
49,641	19,977	87,274	115,397	-	129,365	20,970	1,961,975
-	-	-	-	-	-	-	31,523
-	-	-	-	-	-	-	106,779
33,330	10,188	77,389	901	-	201,000	40,441	643,837
-	-	32,694	-	-	10,996	-	171,074
20,706	30,202	665,719	1,166	6,768	75,515	88,192	1,246,782
54,036	40,390	775,802	2,067	6,768	287,511	128,633	2,199,995
(4,395)	(20,413)	(688,528)	113,330	(6,768)	(158,146)	(107,663)	(238,020)
-	-	620,000	-	-	205,000	-	825,000
-	-	-	-	-	-	-	4,420,000
-	-	22,694	-	-	7,483	-	142,711
-	-	-	-	-	-	-	(3,962,011)
40,000	35,000	100,000	102,500	-	-	-	321,630
(33,985)	(13,279)	(49,863)	(18,650)	(20,132)	(63,289)	(7,920)	(1,579,837)
6,015	21,721	692,831	83,850	(20,132)	149,194	(7,920)	167,493
1,620	1,308	4,303	197,180	(26,900)	(8,952)	(115,583)	(70,527)
(564,263)	(139,629)	(599,123)	(567,672)	(31,517)	(162,174)	115,796	287,993
$ (562,643)	$ (138,321)	$ (594,820)	$ (370,492)	$ (58,417)	$ (171,126)	$ 213	$ 217,466

City of Merrill, Wisconsin

FEDERAL AND STATE AWARDS

December 31, 2020

City of Merrill, Wisconsin

DECEMBER 31, 2020

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CliftonLarsonAllen LLP
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Independent auditors' report on compliance for each major federal and state program and on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state awards required by the Uniform Guidance and the *State Single Audit Guidelines*

City Council
City of Merrill, Wisconsin

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM

We have audited the City of Merrill, Wisconsin's (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2020. The City's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2020.

City Council
City of Merrill, Wisconsin

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the State Single Audit Guidelines, and which are described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005. Our opinion on each major federal and state program is not modified with respect to these matters.

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-003, 2020-004, and 2020-005, that we consider to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

City Council
City of Merrill, Wisconsin

REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated August 16, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and the *State Single Audit Guidelines* and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wausau, Wisconsin
August 16, 2021

City of Merrill, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Grantor Agency/Federal Program or Cluster Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 1/1/20	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/20	Total Expenditures	Subrecipient Payment
U.S. DEPARTMENT OF AGRICULTURE								
Child Nutrition Cluster								
Summer Food Service Program - COVID 19	10.559	WI DPI	2020-357563-DPI-SFSP-586	$ -	$ 838	$ -	$ 838	$ -
Total Child Nutrition Cluster				-	838	-	838	-
Cooperative Forestry Assistance	10.664	WI DNR	FFP-20F-140	-	5,570	-	5,570	-
Total U.S. Department of Agriculture				-	6,408	-	6,408	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Community Development Block Grants	14.228	WI DOA	Unknown	-	76,974	-	76,974	-
Total U.S. Department Housing and Urban Development				-	76,974	-	76,974	-
U.S. DEPARTMENT OF TRANSPORTATION								
Airport Improvement Program - COVID 19	20.106	WI DOT	Unknown	-	-	30,000	30,000	-
Formula Grants for Rural Areas	20.509	WI DOT	Unknown	(48,073)	48,073	-	-	-
Formula Grants for Rural Areas COVID 19	20.509	WI DOT	WI-2020-014-00	-	176,131	109,845	285,976	-
Total Formula Grants for Rural Areas				(48,073)	224,204	109,845	285,976	-
Federal Transit Cluster								
Bus and Bus Facilities Formula Program	20.526	WI DOT	WI-2019-035-00	-	1,062,970	-	1,062,970	-
Total Bus and Bus Facilities Formula Program and Federal Transit Cluster				-	1,062,970	-	1,062,970	-
Highway Safety Cluster								
State and Community Highway Safety	20.600	Lincoln County, Wisconsin	GS-2021-LINCOLN-05567	-	-	7,860	7,860	-
National Priority Safety Programs	20.616	WI DOT	FG-2020-Merrill-05469	-	2,904	-	2,904	-
Total Highway Safety Cluster				-	2,904	7,860	10,764	-
Total U.S. Department of Transportation				(48,073)	1,290,078	147,705	1,389,710	-
U.S. DEPARTMENT OF THE TREASURY								
COVID-19 Coronavirus Relief Fund	21.019	WI DOA	Unknown	-	160,040	-	160,040	-
COVID-19 Coronavirus Relief Fund	21.019	WI DHS	Unknown	-	5,977	-	5,977	-
Total Coronavirus Relief Funds				-	166,017	-	166,017	-
Total U.S. Department of the Treasury				-	166,017	-	166,017	-
U.S. ELECTION ASSISTANCE COMMISSION								
2018 HAVA Election Security Grants	90.404	WI DOA	Unknown	-	5,489	-	5,489	-
Total U.S. Election Assistance Commission				-	5,489	-	5,489	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ (48,073)	$ 1,544,966	$ 147,705	$ 1,644,598	$ -

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

City of Merrill, Wisconsin

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 1/1/20	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/20	Total Expenditures	Subrecipient Payment
DEPARTMENT OF NATURAL RESOURCES								
Urban Nonpoint Source and Stormwater	370.658	Direct Program	USP35251Y20	$ -	$ 6,843	$ -	$ 6,843	$ -
Recycling Grants to Responsible Units	370.670	Direct Program	Unknown	-	32,577	-	32,577	-
Dry Cleaner	370.686	Direct Program	Unknown	(35,238)	35,238	-	-	-
Total Department of Natural Resources				(35,238)	74,658	-	39,420	-
DEPARTMENT OF TRANSPORTATION								
Transit Operating Assistance	395.104	Direct Program	Unknown	-	69,232	-	69,232	-
DEPARTMENT OF MILITARY AFFAIRS								
Computer and Hazmat Equipment Grant	465.308	Lincoln County, WI	Unknown	-	-	2,247	2,247	-
TOTAL STATE PROGRAMS				$ (35,238)	$ 143,890	$ 2,247	$ 110,899	$ -

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

City of Merrill, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the City are presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the City. Because the schedules present only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3: OVERSIGHT AGENCIES

The federal and state oversight agencies for the City are as follows:

Federal - U.S. Department of Transportation
State - Wisconsin Department of Transportation

NOTE 4: PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services
WI DPI - Wisconsin Department of Public Instruction
WI DNR - Wisconsin Department of Natural Resources
WI DOT - Wisconsin Department of Transportation
WI DOA - Wisconsin Department of Administration

City of Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

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

FEDERAL AND STATE AWARDS

Internal control over major program:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*?	Yes

Identification of major federal programs:

CFDA Number	Name of Federal Program
20.509	Formula Grants for Rural Areas
	Federal Transit Cluster
20.526	Bus and Bus Facilities Formula Program

Identification of major state programs:

State ID Number	Name of State Program
395.104	Transit Operating Assistance

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

Federal Awards	$750,000
State Awards	$250,000

Auditee qualified as low-risk auditee	No

City of Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING NO.	CONTROL DEFICIENCIES
2020-001	**Preparation of Annual Financial Report** Repeat of Finding 2019-001
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	Current 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.
Context:	While performing audit procedures, it was noted that management does not have proper internal controls in place to prepare financial statements in accordance with U.S. GAAP.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.
Cause:	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.
Effect:	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.
Recommendation:	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.
Management Response:	Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management will continue to review and approve the annual financial report prior to issuance.

FINDING NO.	CONTROL DEFICIENCIES
2020-002	**Material Adjustment to the City's Financial Records** Repeat of Finding 2019-002
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the City's financial statements. The material adjustments were related to beginning fund balance, debt service, and interfund receivables, payables, and transfers.
Context:	While performing audit procedures, it was noted that management does not have sufficient controls in place related to year end closing procedures.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.

City of Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Cause:	City staff maintain financial records which accurately report revenues and expenditures throughout the year and have applied year-end procedures consistently with prior years; however, a final review of general ledger amounts prior to the audit did not identify some inaccurate balances which caused the material adjustments.
Effect:	Year-end financial records prepared by the City may contain material misstatements.
Recommendation:	We recommend the City during year-end closing procedures include a final review of general ledger accounts to ensure beginning balances are accurate, interfund accounts balances, and other balances are reasonable based on the City's activities for the year.
Management Response:	The 2020 audit report will be reconciled as soon as all journal entries received and posted.

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

FINDING NO.	UNIFORM GUIDANCE AND *STATE SINGLE AUDIT GUIDELINES* FINDINGS
2020-003	**Financial Reporting for Federal and State Awards**
Repeat Finding:	No
	All Federal Programs *All State Programs* *All Pass-through Agencies*
Award Period:	January 1, 2020 – December 31, 2020
Type of Finding:	Significant deficiency in internal control over compliance
Compliance Requirement:	Other
Criteria:	Having staff with expertise in federal financial reporting prepare the City's schedules of federal and state awards is an internal control intended to prevent, detect and correct a potential misstatement in the schedule of expenditures of federal awards or schedule of expenditures of state awards or accompanying notes to the schedules.
Context:	While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that the schedule of expenditures of federal awards and the schedule of expenditures of state awards are prepared in accordance with U.S. GAAP.
Condition:	Section 200.510 of the Uniform Guidance and Section 2.1.6 of the main document of the SSAG requires the City to prepare appropriate financial statements, including the schedule of expenditures of federal awards and the schedule of expenditures of state awards. While the current staff of the City maintains financial records supporting amounts reported in the schedule of expenditures of federal awards and schedule of expenditures of state awards , the City contracts with CLA to compile the data from these records and prepare the schedule of expenditures of federal awards and schedule of expenditures of state awards for the City.
Questioned costs:	None.
Cause:	The additional costs associated with hiring staff sufficiently experienced to prepare the City's schedule of expenditures of federal awards and schedule of expenditures of state awards, including the additional training time, outweigh the derived benefits.

City of Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Effect:	The City could receive federal or state grant awards which are not included in the accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards.
Recommendation:	We recommend the City's personnel review the City's schedule of expenditures of federal awards and schedule of expenditures of state awards and accompany notes. A thorough review of this information by appropriate staff of the City is necessary to ensure all federal and state assistance programs are properly reported in the City's schedule of expenditures of federal awards and schedule of expenditures of state awards.
View of responsible officials:	There is no disagreement with the finding.

FINDING NO.	**UNIFORM GUIDANCE AND *STATE SINGLE AUDIT GUIDELINES* FINDINGS**
2020-004	**Procurement, Suspension, and Debarment**
Repeat Finding:	No
Federal Agency:	U.S. Department of Transportation
CFDA Number:	20.526
Pass-through Agency:	Wisconsin Department of Transportation
Pass-through Entity Identifying Number:	WI-2019-035-00
Award Period:	May 1, 2019 – December 31, 2021
Type of Finding:	Uniform Guidance compliance finding Significant deficiency in internal control over compliance
Compliance Requirement:	Procurement, Suspension and Debarment
Criteria:	2 CFR 200.320(a)(2)(ii) requires that "The non-Federal entity is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk and its documented procurement procedures which must not exceed the threshold established in the FAR. When applicable, a lower simplified acquisition threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations." When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction
Context:	The City's current financial policies lack the necessary requirements related to procurement of items other than construction over the simplified acquisition threshold, conflict of interest, and suspension and debarment.

City of Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Condition:	The City has established a simplified acquisition threshold for public construction but not for "nonpublic works items". The current policy only requires two or more quotes for purchases over $5,000 or sealed bids in the event that any city department or committee wishes but with no established threshold. The City had not implemented formal controls related to ensuring suspension and debarment status was verified prior to entering into contract with vendors.
Questioned costs:	None.
Cause:	The City did not adopt policies and implement internal controls to address the procurement, conflict of interest and suspension and debarment requirements of the Uniform Guidance.
Effect:	Contracts for nonconstruction related procurements and those over the simplified acquisition threshold may not be in compliance with the Uniform Guidance. City could contract with a vendor that has been suspended or debarred from receiving federal funds.
Recommendation:	We recommend that the City adopts a comprehensive financial policy and procedure manual that complies with the Uniform Guidance. We recommend the District consider implementing approval of procurement contracts by the board, administrator or other individuals so that another individual is reviewing competition and selecting the winner, reviewing documentation for how each one is chosen and that there was open competition in accordance with Uniform Guidance requirements. We recommend the District use sam.gov or the ELPS listing to review vendors at the beginning of the year or before a transaction is incurred in accordance with Uniform Guidance requirements.
View of responsible officials:	There is no disagreement with the finding.

FINDING NO.	**UNIFORM GUIDANCE AND *STATE SINGLE AUDIT GUIDELINES* FINDINGS**
2020-005	**Cash Management**
Repeat Finding:	No
Federal Agency: State Agency:	U.S. Department of Transportation Wisconsin Department of Transportation
CFDA Number: State ID Number:	20.509 395.104
Pass-through Agency:	Wisconsin Department of Transportation
Pass-through Entity Identifying Number:	Unknown
Award Period:	January 1, 2020 – December 31, 2020
Type of Finding:	Uniform Guidance compliance finding State Single Audit Guidelines compliance finding Significant deficiency in internal control over compliance

City of Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Compliance Requirement:	Cash Management
Criteria:	Supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request and program revenue properly applied as a contra expense should be maintained. Review of the supporting documentation and compiled totals prior to submitting the reimbursement request is an internal control intended to prevent or decrease the occurrence of errors.
Context:	On two of the four quarterly requests filed for 2020, program income or other funding were not applied as contra-expenses as required per the grant agreement.
Condition:	A review of the financial information entered into the BlackCat system for reimbursement from the granting agency is not reviewed by someone other than the preparer.
Questioned costs:	$9,435
Cause:	The City has not implemented formal controls related to cash management and reimbursement requests.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities.
Recommendation:	We recommend the City implement a control where someone other than the preparer review a draft copy of the quarterly report prior to submitting the report to the state. This review would include comparing the amounts in the report to the general ledger and other city documents.
View of responsible officials:	There is no disagreement with the finding.

City of Merrill, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION IV - OTHER ISSUES

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

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

Department of Natural Resources	No
Department of Transportation	Yes
Department of Health Services	No
Department of Public Instruction	No
Department of Administration	No

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? — No

4. Name and signature of partner

Jon T Trautman

Jon Trautman, CPA

Date of report — August 16, 2021

ADDITIONAL INDEPENDENT AUDITORS' REPORT

CliftonLarsonAllen LLP
CLAconnect.com

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*

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 (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 16, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a significant deficiency.

City Council
City of Merrill, Wisconsin

COMPLIANCE AND OTHER MATTERS

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

CITY OF MERRILL, WISCONSIN'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wausau, Wisconsin
August 16, 2021

CliftonLarsonAllen LLP
CLAconnect.com

Management
City of Merrill, Wisconsin

In planning and performing our audit of the financial statements of City of Merrill as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. A separate communication dated August 16, 2021, contains our written communication of significant deficiencies and material weaknesses in the entity's internal control. This letter does not affect our report on the financial statements dated August 16, 2021, nor our internal control communication dated August 16, 2021.

Ambulance expenditure reporting

The City requests reimbursement from the County for ambulance expenditures on a monthly basis. During 2020, the City incurred expenses for the ambulance department related to the COVID-19 pandemic. Those expenses were funded in part by Routes to Recovery and other CARES funding. However, the City did not take this new funding into consideration when invoicing the county for reimbursement of ambulance activity. As a result of our audit testing, a refund payable to the County of approximately $18,000 needed to be recorded. We recommend the City review its procedures related to invoicing the county and implement controls to identify new or other local revenues that should be considered during this process.

Journal entry review and approval

As part of the audit we reviewed the City's journal entry process and tested a sample of journal entries posted by City personnel for 2020. Departments send requests for journal entries to the finance director who reviews the information and prepares and posts the entry to the accounting system. The finance director provides copies of the journal entries as posted to the departments for review to ensure allocations or corrections were made accurately. We noted during our testing that these reviews are not consistently documented by the departments. We recommend the City develop a policy for journal entry processing that includes documentation expectations related to the review and approval by someone other than the preparer. When the journal entries affect federal or state grants, we recommend the City have the grant manager review and approve the journal entries posted by finance.

Library Zander Trust

In a prior year, a resident gifted a portion of her estate to the T.B. Scott Free Library. This gift is presented on the City's financial statements as a receivable as the investments have not been formally transferred into the T.B. Scott Free Library's name or a formal written trust agreement has not been created that clearly states the nature of the trust. The Library Board currently receives a distribution from this investment based on annual earnings that the Library Board can utilize to fund Library activities. We recommend the T.B. Scott Free Library work with its attorney and the current trustee of the investment to determine the long-term plan for the investment, including the drafting of a formal trust agreement. A formal trust agreement will allow the investment to be reported as an *investment held in trust* on the City's financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, City Council, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wausau, Wisconsin
August 16, 2021

City of Merrill
Kathy Unertl, Finance Director
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

City of Merrill, Wisconsin respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2020.

Audit period: January 1, 2020 through December 31, 2020

The findings from 2019's schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT

2019-001 Preparation of Annual Financial Report

Condition: 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.

Status: See current year finding 2020-001.

Reason for finding's recurrence: Due to limited staff and expertise, the City will continue to rely upon the audit firm to prepare the annual financial statements and related footnote disclosures. Management will review and approve the financial statements prior to issuance.

Corrective Action: None planned.

2019-002 Material Adjustment to the City's Financial Records

Condition: As part of the audit, the auditors proposed a material adjusting journal entry to the City's financial statements.

Status: See current year finding 2020-002.

Reason for finding's recurrence: Due to limited staff and expertise, the City will continue to rely upon the audit firm to prepare the annual financial statements and assist with adjusting journal entries. Management will review and approve the financial statements prior to issuance.

Corrective Action: None planned.

FINDINGS— FEDERAL AND STATE AWARD PROGRAMS AUDITS

There were no federal or state award program audit findings in the prior year.

City of Merrill
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CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2020

City of Merrill, Wisconsin respectfully submits the following corrective action plan for the year ended December 31, 2020.

Audit period: January 1, 2020 through December 31, 2020

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2020-001 Preparation of Annual Financial Report

Recommendation: CLA recommends 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.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City will continue to rely upon the audit firm to prepare the annual financial statements and related footnote disclosures. Management will review and approve the financial statements prior to issuance.

Name of the contact person responsible for corrective action: Finance Director Kathy Unertl.

Planned completion date for corrective action plan: None planned.

MATERIAL WEAKNESS

2020-002 Material Adjustments to the City's Financial Records

Recommendation: We recommend the City during year-end closing procedures include a final review of general ledger accounts to ensure beginning balances are accurate, interfund accounts balances, and other balances are reasonable based on City's activity for the year.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The 2020 audit report will be reconciled as soon as all journal entries received and posted.

Name(s) of the contact person(s) responsible for corrective action: Finance Director Kathy Unertl.

Planned completion date for corrective action plan: By September 1st annually.

FINDINGS—FEDERAL AND STATE AWARD PROGRAMS AUDITS

2020-003 Financial Reporting for Federal and State Awards

All CFDA Numbers

All State ID Numbers

Recommendation: CLA recommends the City's personnel review the City's schedule of expenditures of federal awards and schedule of expenditures of state awards and accompany notes. A thorough review of this information by appropriate staff of the City is necessary to ensure all federal and state assistance programs are properly reported in the City's schedule of expenditures of federal award and schedule of expenditures of state awards.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: City Departments Heads will assist in tracking grants as awarded and received.

Name(s) of the contact person(s) responsible for corrective action: Finance Director Kathy Unertl.

Planned completion date for corrective action plan: This will be on-going process.

U.S. Department of Transportation and Wisconsin Department of Transportation

2020-004 Federal Transit Cluster – Bus and Bus Facilities Formula Program – CFDA No. 20.526

Recommendation: CLA recommends that the City adopts a comprehensive financial policy and procedure manual that complies with the Uniform Guidance. We recommend the District consider implementing approval of procurement contracts by the board, administrator or other individuals so that another individual is reviewing competition and selecting the winner, reviewing document how each one is chosen and that there was open competition in accordance with Uniform Guidance requirements. We recommend the District use sam.gov or the ELPS listing to review clients at the beginning of the year or before a transaction is incurred in accordance with Uniform Guidance requirements.

Explanation of disagreement with audit finding: City purchased new Transit buses using State of Wisconsin bid award pricing. Bid award process followed State of Wisconsin procedures and was reviewed by Merrill Transit Commission. Future bus replacements will follow same procedure if State bid price available.

Action taken in response to finding: City Personnel and Finance Committee will review purchasing procedure policy.

Name(s) of the contact person(s) responsible for corrective action: Finance Director Kathy Unertl.

Planned completion date for corrective action plan: By October 1st, 2021.

U.S. Department of Transportation and Wisconsin Department of Transportation

2020-005 Formula Grants for Rural Areas – CFDA No. 20.526

Transit Operating Assistance – State ID 395.104

Recommendation: CLA recommends the City implement a control where someone other than the preparer review a draft copy of the quarterly report prior to submitting the report to the state. This review would include comparing the amounts in the report to the general ledger and other city documents.

Explanation of disagreement with audit finding: Due to limited City staff, Finance Director will continue to provide fiscal analysis of general ledger information for input by the Transit Administrator.

Action taken in response to finding: The fiscal analysis spreadsheet will include new use of color and bold highlights as to amounts that need to be entered by the Transit Administrator.

Name(s) of the contact person(s) responsible for corrective action: Finance Director Kathy Unertl.

Planned completion date for corrective action plan: By July 15, 2021.

If the U.S. Department of Transportation or Wisconsin Department of Transportation has questions regarding this plan, please call Finance Director Kathy at (715) 536-5594.