

**MADISON METROPOLITAN
SCHOOL DISTRICT
Madison, Wisconsin**

**FINANCIAL STATEMENTS
June 30, 2014**

MADISON METROPOLITAN SCHOOL DISTRICT
Madison, Wisconsin

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
District-Wide Financial Statements	
Statement of Net Position.....	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	22
Notes to Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund - Budget and Actual - Budgetary Basis (Unaudited)	50
Schedule of Funding Progress for Retiree's Health Plan (Unaudited).....	51
Notes to Required Supplementary Information.....	52
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - General Fund	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund	55
Budgetary Comparison Schedule for the General Fund - Budget and Actual - Budgetary Basis	56
Budgetary Comparison Schedule for the Special Education Fund - Budget and Actual - Budgetary Basis	57
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	59
Schedule of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Trust Fund - Budget to Actual	60
Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund - Budget to Actual	61
Schedule of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Fund - Budget to Actual	62
Schedule of Revenues, Expenditures and Changes in Fund Balance - Food Service Fund - Budget to Actual.....	63
Schedule of Revenues, Expenditures and Changes in Fund Balance - Community Service Fund - Budget to Actual	64
Schedule of Revenues, Expenditures and Changes in Fund Balance - Package Co-op Fund - Budget to Actual	65

Independent Auditors' Report

Board of Education
Madison Metropolitan School District
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Metropolitan School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity'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*. 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 entity'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 entity'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, each major fund, and the aggregate remaining fund information of the Madison Metropolitan School District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the General Fund, and the schedule of funding progress for retiree's health plan be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison Metropolitan School District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of the Madison Metropolitan School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Madison Metropolitan School District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Middleton, Wisconsin
November 14, 2014

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

This discussion and analysis of the Madison Metropolitan School District's financial information provides an overall review of financial activities for the fiscal year. The analysis generally focuses on school district financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The District's financial position, as reflected in governmental net position, decreased by \$11,580,700
- The District's general fund equity decreased by \$7,936,181.
- As demonstrated in Note 9 the District maintains a margin of available indebtedness and has available \$2.169 billion of its bonding authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

District-wide financial statements

- The district-wide financial statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges called *business-type activities*.
- The *statement of net position* presents information on all of the District's assets and deferred inflows of resources and liabilities and deferred outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net position changed during the year. This statement reports the cost of government functions and how those functions were financed for the fiscal year.
- The district-wide financial statements are shown on pages 16 to 17 of this report.

Fund financial statements

- The District also produced *fund financial statements*. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

- There are two governmental fund financial statements, the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance*. Generally, governmental fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of governmental fund financial statements is narrower than that of the district-wide statements, it is useful to make comparison between the information presented. By doing so, readers may better understand the long-term implication of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided either at the bottom of the governmental funds statement or as a separate statement.
- The District has two kinds of funds: *governmental* and *fiduciary*. *Governmental funds* include seven ongoing funds (general, special revenue trust, special education, debt service, food service, community service, and cooperative funds) and individual capital project funds as needed. The *fiduciary funds* for the District serve as an agency fund for student and parent organizations and scholarship funds.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund and special education fund. Data for the special revenue trust, debt service, capital project, food service, cooperative and community service funds is combined into a single, aggregated column. Data for each of these individual nonmajor funds is provided separately as supplementary information. The governmental fund financial statements are on pages 18 to 20 of this report.
- The District serves as a trustee, or *fiduciary*, for student and parent organizations and scholarship fund. The assets of these organizations do not directly benefit nor are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations. *Fiduciary* fund statements are presented on pages 21 to 22.
- The District adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided to demonstrate budget compliance. The budgetary comparison statements are on pages 50 and 56 to 65 of this report.

Notes to the financial statements

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23 to 48 of this report.

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The major features of the District's financial statements, including the portion of the activities reported and the type of information contained is shown in the table below.

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of net assets, and Statement of activities.	Balance sheet, and Statement of revenues, expenditures, and changes in fund balance.	Statement of fiduciary net assets, and Statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that comes due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

FINANCIAL ANALYSIS

The District as a Whole

Net position. Table 1, below, provides a summary of the District's net position for the years ended June 30, 2013 and 2014.

	Governmental Activities		% Change
	2013	2014	2013-14
Assets			
Total current assets	\$ 140,963,713	\$ 133,849,441	(5.05)%
Total noncurrent assets	139,055,693	139,608,740	0.40%
Total assets	280,019,406	273,458,181	(2.34)%
Liabilities			
Total current liabilities	96,499,228	104,294,898	8.08%
Total noncurrent liabilities	148,646,840	145,870,645	(1.87)%
Total liabilities	245,146,068	250,165,543	2.05%
Net position			
Net investment in capital assets	104,990,313	105,037,050	0.04%
Restricted:			
Bassett Funds	362,497	362,621	0.03%
Debt service	261,518	1,490,458	469.92%
Capital projects	1,735,722	8,405	(99.52)%
Donations	773,140	906,088	17.20%
Unrestricted	(73,249,852)	(84,511,984)	15.37%
Total liabilities and net position	\$ 280,019,406	\$ 273,458,181	(2.34)%

The calculation of net assets uses a historical cost for school buildings that may not accurately reflect the current value.

We carefully monitor and maintain our buildings within the District using general operating funds. We continue to prioritize projects associated with these funds on an annual basis, making sure these limited resources are spent where they are needed.

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Change in net position. Table 2 shows the changes in net position for the fiscal years 2013 and 2014.

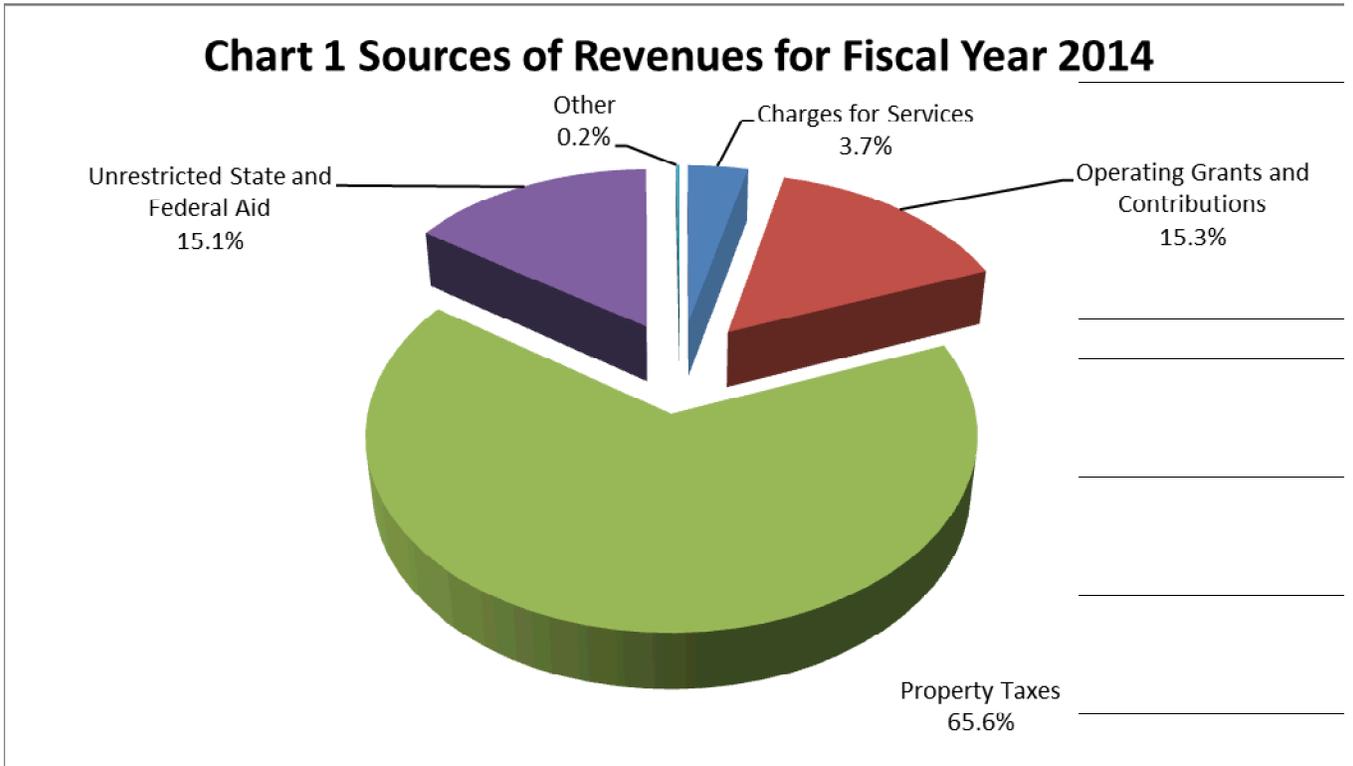
Table 2

	Total	
	School District	
	<u>2013</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 13,749,287	\$ 14,631,479
Operating grants and contributions	59,716,319	60,266,308
General revenues		
Property taxes		
General purposes	230,327,884	236,063,131
Debt service	2,054,223	6,055,277
Capital projects	5,681,809	6,000,000
Community service	11,808,865	9,675,429
State and federal aids not restricted to specific functions	64,972,815	59,320,718
Interest and investment earnings	366,121	398,714
Miscellaneous	555,052	470,904
Special Item-funds released from escrow	-	-
Total revenues	389,232,375	392,881,960
Expenses		
Governmental activities		
Instruction	208,913,220	215,923,783
Support services	174,566,353	177,357,450
Nonprogram	10,218,883	11,181,427
Total expenses	393,698,456	404,462,660
Change in net position	(4,466,081)	(11,580,700)
Net position, beginning of year	39,339,419	34,873,338
Net position, end of year	\$ 34,873,338	\$ 23,292,638

**MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Revenues

- As shown, general state aid and general federal aid provide about 15% of the funding for governmental activities. In addition, the District relies on property taxes for 65.6% of its revenues as shown on Chart 1 below.
- Program revenues, in the form of charges for services and operating grants and contributions, accounted for nearly 19% of the total revenues.

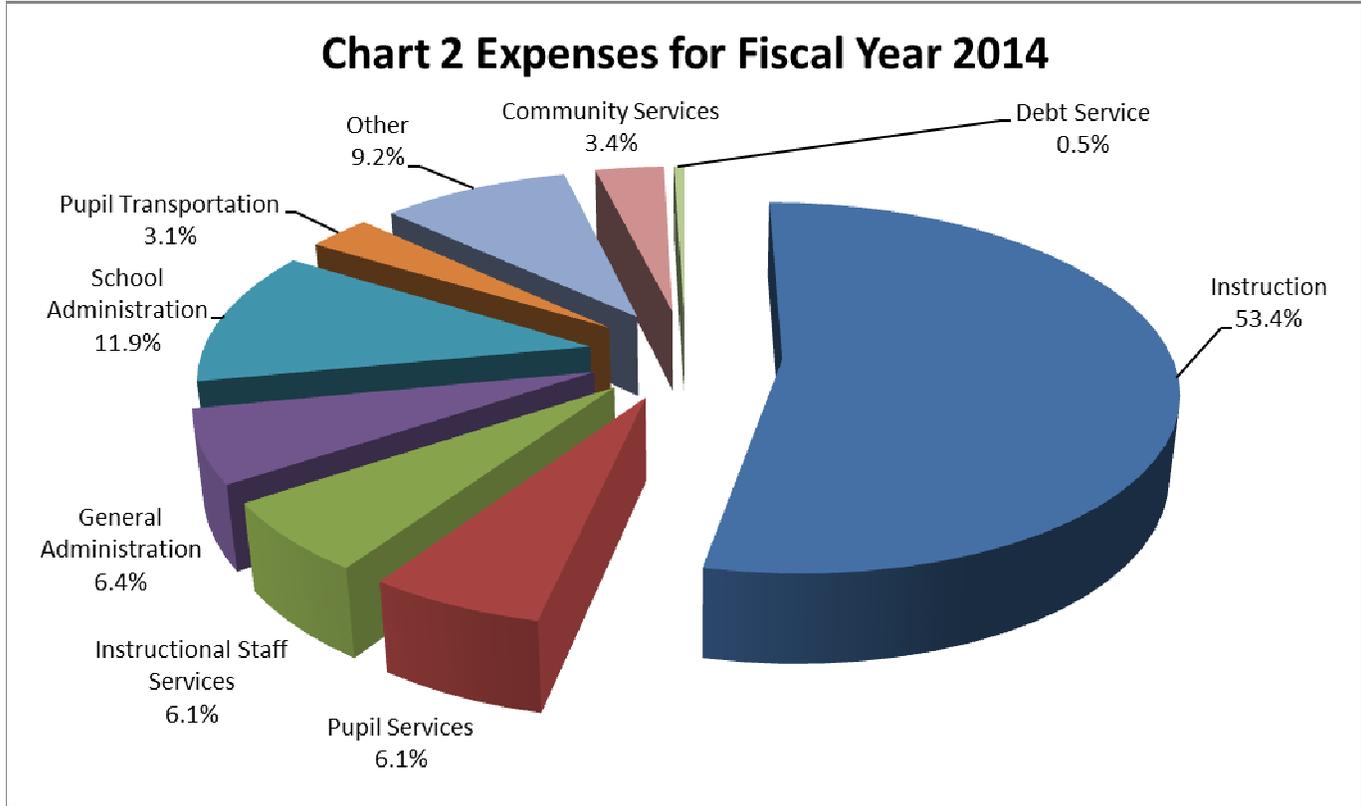


Expenses

The District continued effective management of resources and improved efforts to take advantage of additional funding sources.

- Expenses by major function are illustrated in Chart 2.

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014



Governmental Activities

Net cost of governmental activities. Table 3 reports the cost of eleven major district activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

Table 3
Net Cost of Governmental Activities
June 30, 2014

Functions/Programs	Total Cost		Revenues		2013 Net Cost of Services	2014 Net Cost of Services
	2013	2014	2013	2014		
Total Instruction	\$ 208,913,220	215,923,783	37,514,998	36,712,685	\$ 171,398,222	\$ 179,211,098
Pupil services	22,954,177	24,591,432	9,851,983	11,904,712	13,302,214	12,989,720
Instructional staff services	24,043,309	24,752,298	8,006,320	7,884,855	16,036,989	16,867,431
General administration services	25,828,563	25,731,705	454,508	400,691	25,174,055	25,331,014
Building administration services	45,113,112	47,954,999	11,201,183	11,124,102	33,911,979	36,830,797
Pupil transportation services	11,836,267	12,504,797	1,570,044	1,461,133	10,266,253	11,043,664
Other support services	26,941,838	21,889,839	911,262	1,202,077	26,030,556	20,487,762
Community services	11,546,107	13,642,531	4,155,368	4,807,532	7,390,749	9,134,999
Debt service	1,988,383	2,008,153	-	-	1,988,383	2,008,153
Depreciation-unallocated	4,534,567	4,483,818	-	-	4,534,567	4,483,818
Non-program	10,218,983	11,181,427	-	-	10,218,983	11,181,427
Total governmental activities	\$ 393,899,456	\$ 404,462,660	\$ 73,465,606	\$ 74,997,787	\$ 320,232,950	\$ 329,564,973

**MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Governmental Funds

The District completed the year with a total governmental fund balance of \$42,946,602.

The District's general fund balance provides the following:

- To minimize any short-term borrowing during the annual operating cycle;
- A safeguard against unanticipated expenditures and/or unrealized revenues; and,
- A demonstration of sound fiscal management, resulting in a high credit rating and reducing District financing costs.

The debt service fund balance is, as required by statute, adequate to cover debt payments that are scheduled prior to January 20 of the subsequent year.

The components of the District's governmental fund balances are as follows in Table 4. The District's fund balance classifications are expanded under GASB statement 54 to enhance the usefulness of the information:

Table 4			
Governmental Fund Balances			
Year Ended June 30, 2014			
	General Fund	Nonmajor Governmental Funds	Total
Nonspendable			
Inventories and prepaid items	\$ 859,778	\$ 198,552	\$ 1,058,330
Endowment - Bassett Funds	362,621	-	362,621
Restricted			
Capital projects	-	2,327,258	2,327,258
Debt service retirement	-	2,158,856	2,158,856
Donations	-	906,088	906,088
Committed			
Board designated as committed	-	-	-
Bassett Funds	78,877	-	78,877
Assigned			
Encumbrances	161,837	-	161,837
Community service	-	177,612	177,612
Unassigned	35,913,675	(198,552)	35,715,123
Totals	\$ 37,376,788	\$ 5,569,814	\$ 42,946,602

General Fund Budget

- The District approves an interim budget in June for the subsequent year (beginning July 1st). Consistent with current state statutes and regulations, a final budget is adopted in October. In October, following determination of official enrollment and certification of general state aids, the budget is adjusted. The District monitored and adjusted its original 2013-2014 budget as follows:

**MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

- ❖ Adjusted for several state and federal grants.
- ❖ Adjustments and Amendments based on actuals versus projections when preliminary budget was created.
- ❖ Adjustments in salary and fringe budgets to reflect actual staff assigned to positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2014 fiscal year, the District had invested \$292,638,245 in a broad range of capital assets, including buildings, sites, library books, and equipment (see Table 5). Additional information about capital assets can be found in Note 4. Total accumulated depreciation on these assets was \$153,029,505 for governmental activities.

Table 5			
Capital Assets			
June 30, 2014			
	Governmental Activities		% Change
	2013	2014	2013-2014
Land and construction in progress	\$ 11,034,549	\$ 16,231,015	47.09%
Buildings and building improvements	254,376,976	254,376,976	0.00%
Furniture and equipment	21,882,500	22,030,254	0.68%
Less accumulated depreciation	(148,238,332)	(153,029,505)	3.23%
	\$ 139,055,693	\$ 139,608,740	0.40%

Long-Term Debt and Obligations

At year-end, the District had \$158,594,306 in general obligation bonds and other long-term debt of which \$12,723,661 is due within one year of the close date of June 30, 2014 (see Table 6).

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Table 6				
Long Term Debt				
	Balance	Balance	Due Within	Noncurrent
	2013	2014	One Year	Liabilities
Notes and loans	\$ 10,180,000	\$ 9,180,000	\$ 1,735,000	\$ 7,445,000
Bonds	58,300,000	54,795,000	3,675,000	51,120,000
Deferred amounts for premium/discount	509,469	404,933	104,536	300,397
Total general obligation debt	68,989,469	64,379,933	5,514,536	58,865,397
Capital leases	523,902	20,543	20,543	-
Other postemployment benefits	8,471,005	11,207,168	-	11,207,168
Vested employee benefits	84,072,649	82,986,662	7,188,582	75,798,080
Totals	\$ 162,057,025	\$ 158,594,306	\$ 12,723,661	\$ 145,870,645

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

TABLE 7	
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND	
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	
As of June 30, 2014	
Net change in fund balances - total governmental funds	\$(15,542,507)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense reported in the statement of activities.	
Capital outlay reported in governmental fund statements	5,444,136
Depreciation expense reported in the statement of activities	(4,890,758)
Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.	
Special termination of benefits paid in current year	7,390,936
Special termination of benefits earned in current year	(7,219,103)
An implicit rate subsidy is incurred by the District as retired employees are covered by the District's insurance plan.	
Employer contributions in the current year to the implicit rate subsidy	1,332,000
Actuarially determined costs of the implicit rate subsidy	(4,068,163)
Sick leave is reported in government funds when amounts are paid. The statement of activities reports the expected value of sick leave funds being used for future benefit to the employee. The change in the expected value is smaller in the current year	
	914,154
Repayment of principal on long-term obligations is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term obligations in the statement of net position, and does not affect the statement of activities.	
The amount of long-term obligations principal payments in the current year	5,008,359
The District disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss and has no affect on the governmental fund balance sheet.	
The difference in the value of assets net of recaptured depreciation	(332)
Long-term bond premiums and discounts are reported in governmental funds as other sources and debt service, respectively, but should be amortized over the life of the bonds in the statement of activities.	
Current year amortization of premium/discount	104,536
In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.	
The amount of interest paid during the current period	1,944,400
The amount of interest accrued during the current period	(1,998,359)
Change in net position - governmental activities	\$(11,580,701)

**MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the District's financial status in the future are:

- **Elementary Capacity** Many of MMSD's elementary schools are operating at or near full capacity. Program changes, such as the addition of four-year old kindergarten, along with the reduction of 'mixed grade' classes in favor of 'straight grade' classes, have accounted for much of MMSD's available elementary capacity. MMSD will need to carefully monitor enrollment trends and elementary school capacities as part of a long-term facilities planning effort
- **Revenue Limits** The District operates under a state mandated revenue limit. Revenue limit increases are expected to be in the 1-2% range for the next two years. The District must be very disciplined concerning spending priorities to operate within the revenue limit.
- **Shared Costs** The District is attempting to stabilize it's expenditures to avoid significant swings in general aid under the state funding formula. This goal helps mitigate the effect on the local tax levy.
- **General Fund Balance** The General Fund Balance stands at \$37,376,788, or 11.07% of General Fund Expenditures. Board policy calls for a General Fund Balance between ten percent (10%) and fifteen percent (15%) of annual General Fund expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Michael G. Barry, Assistant Superintendent of Business Services
Madison Metropolitan School District
545 West Dayton Street
Madison, WI 53703

MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
Assets	
Current assets	
Cash and investments	\$ 44,971,792
Receivables	
Taxes	72,930,107
Accounts	4,751,989
Due from other governments	10,143,259
Inventories and prepaid items	1,058,330
Total current assets	133,855,477
Noncurrent assets	
Land	9,395,541
Construction in progress	6,835,474
Site improvements	2,778,678
Buildings and building improvements	251,598,298
Furniture and equipment	22,030,254
Less: Accumulated depreciation	(153,029,505)
Total noncurrent assets	139,608,740
Total assets	273,464,217
Liabilities	
Current liabilities	
Short-term notes payable	64,500,000
Accounts payable	4,210,452
Payroll and related benefits payable	21,398,632
Interest payable	1,237,324
Unearned revenue	230,865
Current portion of long-term obligations	12,723,661
Total current liabilities	104,300,934
Noncurrent liabilities	
Noncurrent portion of long-term obligations	145,870,645
Total liabilities	250,171,579
Net position	
Net investment in capital assets	105,037,050
Restricted for	
Endowment, nonexpendable - Bassett Fund	362,621
Capital projects	8,405
Debt service	1,490,458
Donations	906,088
Unrestricted (deficit)	(84,511,984)
Total net position	\$ 23,292,638

The accompanying notes are an integral part of the financial statements.

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
Instruction				
Regular instruction	\$ 147,198,721	\$ 5,151,246	\$ 12,969,258	\$ (129,078,217)
Vocational instruction	4,348,748	284,682	202,566	(3,861,500)
Special education instruction	53,592,091	48,982	17,028,713	(36,514,396)
Other instruction	10,784,223	1,020,738	6,500	(9,756,985)
Total instruction	<u>215,923,783</u>	<u>6,505,648</u>	<u>30,207,037</u>	<u>(179,211,098)</u>
Support services				
Pupil services	24,591,432	309,051	11,295,661	(12,986,720)
Instructional staff services	24,752,286	268,427	7,616,428	(16,867,431)
General administration services	25,731,705	51,475	349,216	(25,331,014)
Building administration services	47,954,889	3,215,348	7,908,754	(36,830,787)
Pupil transportation services	12,504,797	35,684	1,425,449	(11,043,664)
Other support services	21,689,839	1,038,386	163,691	(20,487,762)
Community services	13,642,531	3,207,460	1,300,072	(9,134,999)
Interest on long-term debt	2,006,153	-	-	(2,006,153)
Depreciation-unallocated	4,483,818	-	-	(4,483,818)
Total support services	<u>177,357,450</u>	<u>8,125,831</u>	<u>30,059,271</u>	<u>(139,172,348)</u>
Nonprogram	11,181,427	-	-	(11,181,427)
Total governmental activities	<u>\$ 404,462,660</u>	<u>\$ 14,631,479</u>	<u>\$ 60,266,308</u>	<u>(329,564,873)</u>
General revenues				
Property taxes:				
General purposes				236,063,131
Debt service				6,055,277
Capital projects				6,000,000
Community service				9,675,429
State and federal aids not restricted to specific functions				59,320,718
Interest and investment earnings				398,714
Miscellaneous				470,904
Total general revenues				<u>317,984,173</u>
Change in net position				(11,580,700)
Net position - beginning of year				<u>34,873,338</u>
Net position - end of year				<u>\$ 23,292,638</u>

The accompanying notes are an integral part of the financial statements.

**MADISON METROPOLITAN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 39,816,675	\$ 5,155,117	\$ 44,971,792
Receivables			
Taxes	72,930,107	-	72,930,107
Accounts	4,132,891	619,098	4,751,989
Due from other governments	10,143,259	-	10,143,259
Due from other funds	482,861	1,064,241	1,547,102
Inventories and prepaid items	859,778	198,552	1,058,330
Total assets	\$ 128,365,571	\$ 7,037,008	\$ 135,402,579
Liabilities and fund balances			
Liabilities			
Short-term note payable	\$ 64,500,000	\$ -	\$ 64,500,000
Accounts payable	3,208,493	888,552	4,097,045
Payroll and related benefits payable	21,398,632	-	21,398,632
Interest and deposit payable	568,926	-	568,926
Due to other organizations	107,371	-	107,371
Unearned revenue	135,084	95,781	230,865
Due to other funds	1,070,277	482,861	1,553,138
Total liabilities	90,988,783	1,467,194	92,455,977
Fund balances			
Nonspendable	1,222,399	198,552	1,420,951
Restricted	-	5,392,202	5,392,202
Committed	78,877	-	78,877
Assigned	161,837	177,612	339,449
Unassigned	35,913,675	(198,552)	35,715,123
Total fund balances	37,376,788	5,569,814	42,946,602
Total liabilities and fund balances	\$ 128,365,571	\$ 7,037,008	135,402,579

Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	\$ 292,638,245	
Governmental accumulated depreciation	(153,029,505)	
		\$ 139,608,740

Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	(63,975,000)	
Premium on general obligation debt	(404,933)	
Capital lease obligations	(20,543)	
Net OPEB obligation	(11,207,168)	
Accrued interest on general obligation debt	(668,398)	
Vested employee benefits	(82,986,662)	
		(159,262,704)
Total net position - governmental activities		\$ 23,292,638

The accompanying notes are an integral part of the financial statements.

MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total
Revenues			
Property taxes	\$ 236,063,131	\$ 21,730,706	\$ 257,793,837
Other local sources	3,972,419	7,567,770	11,540,189
Interdistrict sources	1,978,204	-	1,978,204
State sources	86,573,439	180,251	86,753,690
Federal sources	23,799,589	9,003,772	32,803,361
Other sources	1,669,610	343,401	2,013,011
Total revenues	<u>354,056,392</u>	<u>38,825,900</u>	<u>392,882,292</u>
Expenditures			
Instruction			
Regular instruction	146,048,311	970,264	147,018,575
Vocational instruction	4,262,447	72,126	4,334,573
Special instruction	53,592,091	-	53,592,091
Other instruction	10,648,072	114,458	10,762,530
Total instruction	<u>214,550,921</u>	<u>1,156,848</u>	<u>215,707,769</u>
Support services			
Pupil services	24,417,642	148,314	24,565,956
Instructional staff services	23,112,231	1,587,813	24,700,044
General administration services	25,090,416	560,523	25,650,939
Building administration services	30,542,990	22,790,773	53,333,763
Pupil transportation	12,447,553	77,576	12,525,129
Community services	-	13,665,009	13,665,009
Debt service	627,789	6,437,299	7,065,088
Other support services	19,848,406	181,269	20,029,675
Total support services	<u>136,087,027</u>	<u>45,448,576</u>	<u>181,535,603</u>
Nonprogram	11,181,427	-	11,181,427
Total expenditures	<u>361,819,375</u>	<u>46,605,424</u>	<u>408,424,799</u>
Excess (deficiency) of revenues over expenditures	(7,762,983)	(7,779,524)	(15,542,507)
Other financing sources (uses)			
Transfers in	36,927	210,125	247,052
Transfers out	(210,125)	(36,927)	(247,052)
Net change in fund balances	(7,936,181)	(7,606,326)	(15,542,507)
Fund balances - beginning of year	<u>45,312,969</u>	<u>13,176,140</u>	<u>58,489,109</u>
Fund balances - end of year	<u>\$ 37,376,788</u>	<u>\$ 5,569,814</u>	<u>\$ 42,946,602</u>

The accompanying notes are an integral part of the financial statements.

**MADISON METROPOLITAN SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Net change in fund balances - total governmental funds \$ (15,542,507)

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense reported in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 5,444,136	
Depreciation expense reported in the statement of activities	<u>(4,890,757)</u>	
Amount by which capital outlays is greater than depreciation		553,379

Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Special termination benefits paid in current year	7,390,935	
Special termination benefits earned in current year	<u>(7,219,103)</u>	
Amounts earned are less than amounts paid		171,832

An implicit rate subsidy is incurred by the District as retired employees are covered by the District's insurance plan.

Employer contributions in the current year to the implicit rate subsidy	1,332,000	
Actuarially determined costs of the implicit rate subsidy	<u>(4,068,163)</u>	
Amounts paid are less than amounts incurred		(2,736,163)

Sick leave is reported in governmental funds when amounts are paid. The statement of activities reports the expected value of sick leave funds being used for future benefit to the employee. The change in the expected value is greater in the current year.

914,155

Repayment of principal on long-term obligations is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term obligations in the statement of net position and does not affect the statement of activities.

The amount of long-term obligations principal payments in the current year		5,008,359
--	--	-----------

Long-term bond premiums and discounts are reported in governmental funds as other sources and debt service, respectively, but should be amortized over the life of the bonds in the statement of activities.

Current year amortization of premium/discount		104,536
---	--	---------

The District disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss and has no effect on the governmental fund balance sheet:

The value of capital assets disposed of during the year was	99,916	
The amount of depreciation recapture for the year was	<u>(99,584)</u>	
The difference in the value of assets net of recaptured depreciation creates a loss of		(332)

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.

The amount of interest paid during the current period	1,944,400	
The amount of interest accrued during the current period	<u>(1,998,359)</u>	
Interest paid is less than interest accrued by		<u>(53,959)</u>

Change in net position - governmental activities **\$ (11,580,700)**

The accompanying notes are an integral part of the financial statements.

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

	<u>Scholarship Fund</u>	<u>Agency Fund</u>
Assets		
Cash and investments	\$ 731,527	\$ 799,811
Due from other funds	<u>6,036</u>	<u>-</u>
Total assets	<u>\$ 737,563</u>	<u>\$ 799,811</u>
Liabilities		
Accounts payable	\$ 15	\$ -
Due to student organizations	<u>-</u>	<u>799,811</u>
Total liabilities	<u>15</u>	<u>\$ 799,811</u>
Net position		
Restricted	<u>\$ 737,548</u>	

The accompanying notes are an integral part of the financial statements.

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2014**

	<u>Scholarship Fund</u>
Additions	
Interest income	\$ 2,214
Gifts and contributions	<u>157,166</u>
Total additions	159,380
Deductions	
Scholarships and awards paid	<u>229,518</u>
Change in net position	(70,138)
Net position - beginning of year	<u>807,686</u>
Net position - end of year	<u>\$ 737,548</u>

The accompanying notes are an integral part of the financial statements.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Madison Metropolitan School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

A. REPORTING ENTITY

The Madison Metropolitan School District is organized as a unified school district. The District, governed by a seven member elected school board, operates grades K through 12 and is comprised of all or parts of ten taxing districts.

This report includes all funds of the Madison Metropolitan School District. The reporting entity for the District consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. These financial statements do not contain any component units.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION

District-wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties. The District does not report any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented.

Funds are organized as major funds or nonmajor funds within the governmental fund statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

The District reports the following major governmental fund:

General Fund - This is the District's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund. It also accounts for activities associated with providing special education programs, previously required to be separately reported as the Special Education Fund as required by the Wisconsin Department of Public Instruction.

The District reports the following nonmajor governmental funds:

Debt Service Fund - This fund accounts for the accumulation of resources for and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Fund - This fund accounts for the resources restricted for the acquisition or construction of specific capital projects.

Special Revenue Trust Fund - This special revenue fund accounts for the resources restricted from donated funds.

Food Service Fund - This special revenue fund accounts for the activities of the District's food service programs.

Community Service Fund - This special revenue fund accounts for the resources restricted for community-wide recreation activities.

Package Co-op Fund - This special revenue fund accounts for resources restricted for vocational education and school to work programs and a software acquisition consortium.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund.

The District accounts for assets that are accumulated to finance scholarships in the fiduciary trust fund.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS & BASIS OF ACCOUNTING

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

State general and categorical aids are recognized as revenue in the entitlement year. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenues.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred if expected to be collected in the subsequent year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Agency funds follow the accrual basis of accounting and do not have a measurement focus.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The legally adopted budget and budgetary expenditure control is exercised at the total operating budget level for all funds. Reported budget amounts are as amended by School Board resolution.

E. INVESTMENTS

Investments are stated at fair value which is the amount at which an investment could be exchanged in a current transaction between willing parties. Determination of fair value for investments in the Local Government Investment Pool and City of Madison Pool is based on information provided by the State of Wisconsin Investment Board and the City of Madison, respectively.

F. PROPERTY TAXES

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town, and village treasurers or clerks who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes.

The District's property taxes are levied on or before October 31 on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31st, and a final payment no later than the following July 31st. The District is paid, by the collecting municipality, its proportionate share of tax collections received through the last day of the preceding month on or before January 15th, and by the 20th of each subsequent month thereafter. On or before August 20th, the county treasurer makes full settlement to the District for any remaining balance. The county assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within sixty days of June 30th and are available to pay current liabilities.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. ACCOUNTS RECEIVABLE

Accounts receivable in the governmental funds are recorded at the 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. All amounts are expected to be collected within one year.

H. INVENTORIES AND PREPAID SUPPLIES

Inventories and prepaid supplies are valued at cost. Inventory in the governmental funds consists of expendable food and supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

I. LONG-TERM OBLIGATIONS

All long-term debt to be repaid from governmental resources is reported as liabilities in the district-wide statements. The long-term obligations consist primarily of notes, bonds or loans payable, capital leases, and vested employee benefits.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures.

J. EQUITY CLASSIFICATIONS

Net Position

On the district-wide financial statements, net position represents the difference between assets and deferred inflows of resources and liabilities and deferred outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets less unexpended. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position reported as unrestricted is all other net position that does not meet the definition of restricted or invested in capital assets, net of related debt.

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

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. EQUITY CLASSIFICATIONS (continued)

Fund Balances

In the governmental fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either:

- a. Not in spendable form; or
- b. Legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District board.

Assigned fund balance is reported for amounts that are constrained by the District management's intent to be used for specific purposes, but is neither restricted nor committed.

Unassigned fund balance is the residual classification.

When committed, assigned, and unassigned amounts are available for use, it is the District's policy to use committed resources first, then assigned resources, then unassigned resources as they are needed.

K. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported in the fund statements as "due to and due from other funds"; long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables are eliminated in the statement of net position.

L. COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid such as vacation and sick leave.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. COMPENSATED ABSENCES (continued)

Vacation Type - The District's policy requires these absences to be used by fiscal year-end. As a result, all costs for these absences have been recorded as expenditures as of year-end, and there exists no liability for future payment of absences attributable to services already rendered.

Sick Leave Type - The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to a maximum vested number of days depending on the type of employee. When conditions as designated in specific contracts are met, the District pays group health, life, and dental insurance until the vested amount of sick pay is exhausted.

Because it is probable that the District will compensate the employees through cash payments or the equivalent conditioned on termination, the costs for these absences are accrued and included in the compensated absences liability in the district-wide financial statements at year-end. The liability is calculated based on the pay rates in effect at year-end.

As provided in applicable negotiated contracts, certified District employees meeting a minimum age and length of service requirement may participate in the District's group health and insurance program upon retirement. The District bears the cost of the employee's participation up to the maximum amount it pays for active employees. For the year ended June 30, 2014, there were 1,168 participants and expenditures on a pay-as-you-go basis were \$3,758,505. The District's sick leave liability at June 30, 2014 was \$76,750,382, which represents \$46,934,654 for currently active employees and 29,815,728 for retirees.

As provided in applicable negotiated contracts, certified District employees meeting a minimum age and length of service requirement are eligible to receive early retirement benefits of 19% of the employee's salary for three years. For the year ended June 30, 2014, there were 352 participants and expenditures on a pay-as-you-go basis were \$3,632,430. After applying a discount rate of 3%, the present value of the District's early retirement liability at June 30, 2014 was \$6,236,280.

M. OTHER POSTEMPLOYMENT BENEFITS

The District contributes 100% of the current year premium for teachers and nonadministrative employees electing coverage and all other nonadministrative employees covered under one of three health plans. Administrators contribute 10% to the plans. The net OPEB obligation at June 30, 2014 was \$11,207,168.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. CAPITAL ASSETS

Capital assets are reported in the district-wide financial statements. Capital assets are reported at actual cost or estimated historical costs, based on inventories conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	50 years
Building improvements	5,000	Straight-line	20 - 25 years
Site improvements	5,000	Straight-line	10 - 20 years
Furniture and equipment	5,000	Straight-line	5 - 15 years
Computer and related technology	5,000	Straight-line	4 - 10 years

O. USE OF ESTIMATES

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

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

1. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report vested employee benefits on a pay-as-you-go basis and the statement of activities reports these amounts as earned by the applicable employees.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

2. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for capital items in the governmental fund statements and depreciation expense on those items in the statement of activities.

3. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

NOTE 3 - CASH AND INVESTMENTS

The District's cash and investments at year-end were comprised of the following:

	Carrying Amount	Bank Balance	Risks
Petty cash	\$ 3,500	\$ -	
Deposits			
Demand deposits, interest-bearing	170,892	170,896	Custodial
Certificates of deposit	228,328	220,568	Custodial
Total deposits	399,220	391,464	
Investments			
Investment pools			
Wisconsin Investment Cooperative Series	7,723,570	7,723,570	Interest rate and credit
City of Madison Investment Pool	38,369,718	38,369,718	Interest rate and credit
Local Government Investment Pool	7,122	7,122	Interest rate and credit
Total investments	46,100,410	46,100,410	
Total cash and investments	\$ 46,503,130	\$ 46,491,874	
Reconciliation to the financial statements			
Statement of net position	\$ 44,971,792		
Statement of fiduciary net position			
Scholarship fund	731,527		
Agency fund	799,811		
Total cash and investments	\$ 46,503,130		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for demand deposits and \$250,000 for time deposits.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (continued)

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution and the Local Government Investment Pool above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at June 30, 2014, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

Certificates of deposit held in the Local Government Investment Pool are covered by FDIC insurance, which applies to the proportionate public unit share of accounts.

Investments are stated at fair value which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement of revenues, expenditures, and changes in fund balance as increases or decreases in investment income.

The Wisconsin Investment Cooperative Series and the City of Madison Investment Pool are pools established by intergovernmental agreement. The pools invest in investments legally permissible under Wisconsin law.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. Agencies).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes, or bonds issued by the University of Wisconsin Hospitals or Clinics Authority or the Wisconsin Aerospace Authority .
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is limited to obligations of the U.S. Treasury and U.S. Agencies or repurchase agreements fully collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 3 - CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Deposits - Custodial risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's investment policy does not address custodial credit risk for deposits. As of June 30, 2014, none of the District's bank balance of \$391,464 was exposed to custodial credit risk as uninsured and uncollateralized.

Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2014, the District does not have investments subject to this risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy minimizes credit risk by limiting investments to the safest type of securities.

Wisconsin Statutes limit investments in commercial paper and corporate bonds to securities which bear a rating in the top two rating categories issued by recognized statistical rating organizations. As of June 30, 2014, the District is exposed to credit risk with investments in the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Wisconsin Investment Cooperative Series	\$ 7,723,570	Not rated
City of Madison Investment Pool	38,369,718	Not rated
Local Government Investment Pool	<u>7,122</u>	Not rated
Total fair value of investments subject to credit risk	<u>\$ 46,100,410</u>	

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 3 - CASH AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not address interest rate risk. As of June 30, 2014, the District's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Wisconsin Investment Cooperative Series	\$ 7,723,570	6 Months
City of Madison Investment Pool	38,369,718	Not available
Local Government Investment Pool	7,122	34 Days

NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Removals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Sites (land)	\$ 9,395,541	\$ -	\$ -	\$ 9,395,541
Construction in progress	1,639,008	5,196,466	-	6,835,474
Total capital assets not being depreciated	<u>11,034,549</u>	<u>5,196,466</u>	<u>-</u>	<u>16,231,015</u>
Capital assets being depreciated:				
Site improvements	2,778,678	-	-	2,778,678
Buildings and building improvements	251,598,298	-	-	251,598,298
Furniture and equipment	21,882,500	247,670	99,916	22,030,254
Total capital assets being depreciated	<u>276,259,476</u>	<u>247,670</u>	<u>99,916</u>	<u>276,407,230</u>
Accumulated depreciation:				
Site improvements	1,852,776	91,244	-	1,944,020
Building and building improvements	127,624,393	4,198,440	-	131,822,833
Furniture and equipment	18,761,163	601,073	99,584	19,262,652
Total accumulated depreciation	<u>148,238,332</u>	<u>4,890,757</u>	<u>99,584</u>	<u>153,029,505</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>128,021,144</u>	<u>(4,643,087)</u>	<u>332</u>	<u>123,377,725</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 139,055,693</u>	<u>\$ 553,379</u>	<u>\$ 332</u>	<u>\$ 139,608,740</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation was charged to governmental functions as follows:

Regular instruction	\$ 180,147
Vocational instruction	24,403
Other instruction	21,693
Pupil services	30,851
Instructional staff services	52,242
General administration	87,615
Other support	9,988
Depreciation not charged to a specific function	<u>4,483,818</u>
	<u>\$ 4,890,757</u>

NOTE 5 - INTERFUND BALANCES AND ACTIVITY

Interfund receivable and payable balances in the fund financial statements on June 30, 2014, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 482,861	\$ 1,070,277
Special Revenue Trust Fund	727,866	-
Capital Projects Fund	22,803	16,188
Food Service Fund	-	466,673
Community Service Fund	249,611	-
Package Coop Fund	<u>63,961</u>	<u>-</u>
	1,547,102	1,553,138
Fiduciary Trust Fund	<u>6,036</u>	<u>-</u>
Totals	<u>\$ 1,553,138</u>	<u>\$ 1,553,138</u>

The net amount due from the Fiduciary Trust Fund of \$6,036 is reported as an external accounts payable in the statement of net position.

Interfund balances generally arise from the District's policy to pool cash and investments and hold those account balances in the General Fund.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5 - INTERFUND BALANCES AND ACTIVITY (continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 36,927	\$ 210,125
Community Service Fund	-	24,336
Special Revenue Trust Fund	-	12,591
Debt Service Fund	44,436	-
Food Service Fund	<u>165,689</u>	<u>-</u>
Totals	<u>\$ 247,052</u>	<u>\$ 247,052</u>

The District transfers from the Community Service Fund to the General Fund to cover costs paid by the General Fund. The District transfers from the General Fund to the Debt Service Fund to cover debt service costs. The District transfers from the General Fund to the Food Service Fund to cover any deficiencies in the Food Service program. The District transfers funds from the Special Revenue Trust Fund to the General Fund for indirect costs related to grants and donations.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 6 - FUND BALANCES

The components of the governmental fund balances are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable			
Inventories and prepaid items	\$ 859,778	\$ 198,552	\$ 1,058,330
Endowment - Bassett Funds	362,621	-	362,621
	<u>1,222,399</u>	<u>198,552</u>	<u>1,420,951</u>
Restricted			
Capital projects	-	2,327,258	2,327,258
Debt service retirement	-	2,158,856	2,158,856
Donations	-	906,088	906,088
Total restricted	<u>-</u>	<u>5,392,202</u>	<u>5,392,202</u>
Committed			
Bassett Funds	78,877	-	78,877
Total committed	<u>78,877</u>	<u>-</u>	<u>78,877</u>
Assigned			
Community service	-	177,612	177,612
Encumbrances	161,837	-	161,837
Total assigned	<u>161,837</u>	<u>177,612</u>	<u>339,449</u>
Unassigned	<u>35,913,675</u>	<u>(198,552)</u>	<u>35,715,123</u>
Totals	<u>\$ 37,376,788</u>	<u>\$ 5,569,814</u>	<u>\$ 42,946,602</u>

NOTE 7 - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The General Fund had an excess of actual expenditures over budget for the year ended June 30, 2014 of \$5,319,648 due primarily to capital projects funded and budgeted in 2013, not completed until 2014, and elevated special education costs. The Capital Projects Fund had an excess of actual expenditures over budget for the year ended June 30, 2014 of \$5,455,256 due to QZAB and Energy Efficiency financing and related capital expenditures. The Package Co-op Fund had excess of actual expenditures over budget for the year ended June 30, 2014 as a result of transferring the program to another school district to operate as the fiscal agent.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 8 - SHORT-TERM DEBT

The District issues tax anticipation notes in advance of property tax collections. The notes are necessary because expenditures for the year begin in July whereas the tax collections are received from the municipalities beginning in January. Short-term debt activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes, due September 4, 2013	\$ 53,000,000	\$ -	\$ 53,000,000	\$ -
Tax anticipation notes, due September 9, 2014	<u>-</u>	<u>64,500,000</u>	<u>-</u>	<u>64,500,000</u>
Totals	<u>\$ 53,000,000</u>	<u>\$ 64,500,000</u>	<u>\$ 53,000,000</u>	<u>\$ 64,500,000</u>

On September 29, 2014, the District approved the issuance of \$74.5 million of Tax anticipation notes at an interest rate of .1707%.

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term obligations of the District are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes and loans	\$ 10,180,000	\$ -	\$ 1,000,000	\$ 9,180,000	\$ 1,735,000
Bonds	58,300,000	-	3,505,000	54,795,000	3,675,000
Deferred amounts for premium/discount	<u>509,469</u>	<u>-</u>	<u>104,536</u>	<u>404,933</u>	<u>104,536</u>
Total general obligation debt	68,989,469	-	4,609,536	64,379,933	5,514,536
Capital leases	523,902	-	503,359	20,543	20,543
Other postemployment benefits	8,471,005	4,068,163	1,332,000	11,207,168	-
Vested employee benefits	<u>84,072,649</u>	<u>7,219,103</u>	<u>8,305,090</u>	<u>82,986,662</u>	<u>7,188,582</u>
Totals	<u>\$ 162,057,025</u>	<u>\$ 11,287,266</u>	<u>\$ 14,749,985</u>	<u>\$ 158,594,306</u>	<u>\$ 12,723,661</u>

Payments on bonds and notes are made by the Debt Service Fund. Capital leases are paid by the General Fund. Vested employee benefits will be liquidated by the General Fund.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Details of the vested employee benefits are shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Sick leave liability					
Currently active employees	\$ 47,848,809	\$ -	\$ 914,155	\$ 46,934,654	\$ 469,346
Retirees	29,169,140	4,405,093	3,758,505	29,815,728	3,758,505
Early retirement benefit liability	<u>7,054,700</u>	<u>2,814,010</u>	<u>3,632,430</u>	<u>6,236,280</u>	<u>2,960,731</u>
Totals	<u>\$ 84,072,649</u>	<u>\$ 7,219,103</u>	<u>\$ 8,305,090</u>	<u>\$ 82,986,662</u>	<u>\$ 7,188,582</u>

GENERAL OBLIGATION DEBT

All general obligation debt is secured by the full faith, credit, and unlimited taxing powers of the District. General obligation debt at June 30, 2014, is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Average Interest Rates %</u>	<u>Dates of Final Maturity</u>	<u>Balance June 30, 2014</u>
Bonds payable	3/15/2007	3.95%	9/1/2026	\$ 14,850,000
Bonds payable	10/23/2009	2.28%	10/1/2020	10,070,000
Bonds payable	3/26/2010	5.08%	3/1/2027	10,100,000
QSCB payable	12/29/2010	4.25%	12/1/2020	1,080,000
QZAB payable	3/21/2012	4.00%	12/1/2031	2,770,000
Bonds payable	3/21/2012	2.78%	3/1/2025	17,005,000
Energy efficiency note payable	12/17/2012	1.98%	9/1/2022	<u>8,100,000</u>
Total				<u>\$ 63,975,000</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt on June 30, 2014, follow:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 5,410,000	\$ 2,183,652	\$ 7,593,652
2016	5,370,000	2,026,652	7,396,652
2017	5,625,000	1,858,264	7,483,264
2018	5,910,000	1,644,714	7,554,714
2019	6,210,000	1,421,739	7,631,739
2020-2024	26,845,000	3,872,153	30,717,153
2025-2029	5,835,000	815,712	6,650,712
2030-2031	<u>2,770,000</u>	<u>277,000</u>	<u>3,047,000</u>
Totals	<u>\$ 63,975,000</u>	<u>\$ 14,099,886</u>	<u>\$ 78,074,886</u>

The 2014 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$22,339,239,562. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$22,339,239,562)	\$ 2,233,923,956
General obligation debt outstanding	<u>63,975,000</u>
Margin of indebtedness	<u>\$ 2,169,948,956</u>

ADVANCE REFUNDING

For the year ended June 30, 2011, the District purchased U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$600,000 of QZAB notes and a portion of the future interest obligations on the 2010 Bonds. As a result, the refunded notes are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The amount of refunded debt still outstanding at June 30, 2014 is \$250,000.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

CAPITAL LEASES

The following is an analysis of the leased property under capital leases by major classes on June 30, 2014:

	Cost	Accumulated Depreciation	Depreciation Expense
Equipment	\$ 91,417	\$ 63,964	\$ 18,284

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

Year Ended June 30,		\$
2015		21,815
Total minimum lease payments		21,815
Amount representing interest		1,272
Present value of net minimum lease payments		\$ 20,543

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Defined Benefit Pension Plan

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in WRS. 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 (nonteachers) and 800 hours a year (teachers) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 - EMPLOYEE RETIREMENT PLANS (continued)

Defined Benefit Pension Plan (continued)

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, and 5.8% for Protective Occupations with Social Security and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teacher, and Executives and Elected Officials. Required contributions for protective contributions 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. Contribution rates are as follows:

	Through December 31, 2013		Through June 30, 2014	
	Employee	Employer	Employee	Employer
General	6.65%	6.65%	7.00%	7.00%

The payroll for the District employees covered by the System for the year ended June 30, 2014, was \$211,624,310; the employer's total payroll was \$225,454,153. The total required contribution for the year ended June 30, 2014, was \$29,142,898, or 13.77%, which consisted of \$14,571,449 or 6.89% of covered payroll from the employer and \$14,571,449 or 6.89% of covered payroll from the employee. The District's contributions to the Plan for both employee and employer portions for the years ending June 2013 and 2012 were \$26,089,595 and \$23,573,867, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65, (62 for elected officials and 55 for protective occupation employees), are entitled to receive a retirement benefit. Employees may retire at age 55, (50 for protective occupation employees), and receive actuarially reduced benefits. The factors influencing the benefits are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings.

Administrator's Retirement Plan

The District has an administrators' retirement plan which covers eligible administrators with over 10 years of experience with the District. The plan requires contributions by administrators electing to participate in the plan. The District is required to make a defined contribution ranging from \$39,299 to \$48,299 annually to the plan upon the administrators' retirement for administrators with at least 15 years of service. The District contributed \$190,158 to the plan for the year ended June 30, 2014.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 - EMPLOYEE RETIREMENT PLANS (continued)

403(b) Retirement Plan

The District maintains a qualified contributory retirement/savings plan that covers substantially all employees. The plan allows salary deferrals up to limits as determined by federal law. The plan does not have an employer match component.

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

The District has several legal cases that it is defending. Although the outcome of these matters is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 12 - SELF-FUNDED INSURANCE PROGRAMS

The District has established a self-funded dental benefit plan for its employees. The plan administrator is responsible for the approval, processing, and payment of claims, after which the plan administrator bills the District each week for reimbursement.

Accounting and budgeting requirements for the plan are established by the Wisconsin Department of Public Instruction. The plan is accounted for in the General Fund.

At June 30, 2014, the District reported a liability of \$1,085,499, which represents an estimate of reported and unreported claims and premiums which were incurred on or before June 30, 2014, but were not paid by the District as of that date. This amount consists of claims reported to the District by the plan administrator, claims reported to the plan administrator but not the District, and claims which were not yet reported to either the plan administrator or the District.

The amounts not reported to the District were estimated by the District based on a monthly accrual rate per employee depending on single versus family coverage.

Reported claims and claims incurred but not reported:

	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2012-2013	\$ 1,382,173	\$ 3,712,970	\$ 3,815,608	\$ 1,279,535
2013-2014	1,279,535	3,904,161	4,098,197	1,085,499

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 13 - LIMITATION ON SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, except employee dental, the District's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reductions in insurance coverage from coverage in the prior year.

NOTE 15 - POSTEMPLOYMENT BENEFITS

Annual OPEB Cost and Net OPEB Obligation

The District administers a single-employer defined benefit healthcare plan. The plan provides health insurance contributions for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the District and the unions. The District contributes 100% of the current year premiums on behalf of the retiree.

For active employees, the District contributes 90% and the employee contributes 10% of the current year premium for administrative employees; the District contributes 100% of the current year premium for teachers and all other nonadministrative employees covered under the District's plans.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years using the level percentage of projected payroll method. The remaining amortization period at June 30, 2014 was 24 years.

The following table shows the components of the District's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 4,096,400
Interest on annual required contribution	254,130
Adjustment to annual required contribution	<u>(282,367)</u>
Annual OPEB cost	4,068,163
Contributions made	<u>(1,332,000)</u>
Increase in net OPEB obligation	2,736,163
Net OPEB obligation, beginning of year	<u>8,471,005</u>
Net OPEB obligation, end of year	<u>\$ 11,207,168</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2014 and the 3 preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 3,769,159	41.60%	\$ 6,403,096
6/30/2013	3,922,909	47.29%	8,471,005
6/30/2014	4,068,163	32.74%	11,207,168

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014 is as follows:

Actuarial accrued liability (AAL)	\$ 34,053,331
Actuarial value of plan assets	<u> -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 34,053,331</u>
Covered payroll (active plan members)	\$ 225,454,153
UAAL as a percentage of covered payroll	15.1%

The schedule of funding progress presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

The retiree healthcare valuation was based on the entry age normal cost method. Under this method, each participant's projected benefits are assumed to be funded by annual installments, equal to a level percentage of compensation, payable from date of participation to assumed date of retirement. The total normal cost is the sum of the current year's annual installment determined for all active participants. The actuarial accrued liability is the excess value of the present value of future benefits for all participants (both active and retired) over the present value of future normal costs.

The actuary used a level percentage of pay amortization method with a 30-year amortization period and the following assumptions. Where consistent with the terms of the plan, the actuary used the Wisconsin Retirement System (WRS) assumptions as provided in the July 1, 2012 actuarial valuation report.

1. **Interest Discount Rate:** 3.00% compounded annually.
2. **Inflation:** 3.00%
3. **Wage inflation:** 3.00%

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

4. **Mortality:** Healthy-Retiree, Disabled-Retiree and Healthy Active rates used were from the WRS December 31, 2012 actuarial valuation report.
5. **Employee Turnover/Withdrawal:** Ten-year select and ultimate rates of WRS for General were used from the WRS December 31, 2012 actuarial valuation report.
6. **Disablement:** WRS disability rates for General were used from the WRS December 31, 2012 actuarial valuation report.
7. **Retirement:** WRS retirement rates for General were used from the WRS December 31, 2012 actuarial valuation report.
8. **Percentage of Family Retirees Electing Family Coverage:**
 - Future retirees: 20% of future retirees assumed to elect two person coverage at retirement.
 - Current retirees: Actual family coverage election.
9. **Percentage of Retirees Participating in Retiree Medical Coverage:**
 - Future retirees: 75% of future retirees are expected to participate in the District's retiree medical coverage, as of their retirement date.
 - Current retirees: Actual retiree participation.
10. **Age Difference of Active Employees and Spouses:** Spouses are assumed the same age as participants.
11. **Annual Medical Trend Rate Assumptions:** The following healthcare trend rates are based on recent experience, the experience of medical insurers, the Actuary's future trend expectations, and management's judgment.

<u>Calendar Year</u>	<u>Healthcare Trend</u>
2014	7.80%
2015	5.80%
2016	5.40%
2017-2024	5.50%
2024-2025	6.10%

12. **Participant Data:** The actuary relied on the following participant data as of May, 2014.

<u>Members</u>	<u>Participant Count</u>	<u>Average Age</u>	<u>Average Service</u>
Active	5,018	44.6	9.8

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

**MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 236,266,586	\$ 236,266,586	\$ 236,063,131	\$ (203,455)
Other local sources	3,867,102	3,875,296	3,972,419	97,123
Interdistrict sources	2,163,722	2,173,722	1,978,204	(195,518)
State sources	85,240,761	85,197,505	86,573,439	1,375,934
Federal sources	19,379,305	23,673,338	23,799,589	126,251
Other sources	1,501,356	1,501,356	1,669,610	168,254
Total revenues	<u>348,418,832</u>	<u>352,687,803</u>	<u>354,056,392</u>	<u>1,368,589</u>
Expenditures				
Instruction:				
Regular instruction	146,105,773	146,587,682	146,048,311	539,371
Vocational instruction	4,007,911	4,095,148	4,262,447	(167,299)
Special instruction	51,580,515	52,575,947	53,592,091	(1,016,144)
Other instruction	10,287,302	10,292,465	10,648,072	(355,607)
Total instruction	<u>211,981,501</u>	<u>213,551,242</u>	<u>214,550,921</u>	<u>(999,679)</u>
Support services:				
Pupil services	24,341,340	24,367,606	24,417,642	(50,036)
Instructional staff services	22,808,523	25,170,814	23,112,231	2,058,583
General administration services	25,829,599	25,812,864	25,090,416	722,448
Building administration services	26,678,364	26,700,410	30,542,990	(3,842,580)
Pupil transportation	11,381,284	11,664,950	12,447,553	(782,603)
Principal and interest	623,939	623,939	627,789	(3,850)
Other support services	17,072,450	16,998,151	19,848,406	(2,850,255)
Total support services	<u>128,735,499</u>	<u>131,338,734</u>	<u>136,087,027</u>	<u>(4,748,293)</u>
Nonprogram	<u>11,508,118</u>	<u>11,609,751</u>	<u>11,181,427</u>	<u>428,324</u>
Total expenditures	<u>352,225,118</u>	<u>356,499,727</u>	<u>361,819,375</u>	<u>(5,319,648)</u>
Excess (deficiency) of revenues over expenditures	(3,806,286)	(3,811,924)	(7,762,983)	(3,951,059)
Other financing sources (uses)				
Transfers in	74,843	846,063	36,927	(809,136)
Transfers out	(69,369)	(839,074)	(210,125)	628,949
Net change in fund balance	(3,800,812)	(3,804,935)	(7,936,181)	(4,131,246)
Fund balance - beginning of year	<u>45,312,969</u>	<u>45,312,969</u>	<u>45,312,969</u>	<u>-</u>
Fund balance - end of year	<u>\$ 41,512,157</u>	<u>\$ 41,508,034</u>	<u>\$ 37,376,788</u>	<u>\$ (4,131,246)</u>

The accompanying notes to required supplemental information are an integral part of the financial statements.

**MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE'S HEALTH PLAN
June 30, 2014**

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) - Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2012	7/1/2011	\$ -	\$ 35,480,934	\$ 35,480,934	0%	\$212,486,572	16.7%
6/30/2013	7/1/2012	-	37,592,110	37,592,110	0%	218,475,740	17.2%
6/30/2014	7/1/2013	-	34,053,331	34,053,331	0%	225,454,153	15.1%

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014**

NOTE 1 - BUDGET SCHEDULE

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the fund level for all funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may alter the proposed budget.
- After the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.

NOTE 2 - CAPITAL LEASES

The District budgets for certain capital leases in the functional expenditures of the General Fund. This differs from the fund statements where all capital lease payments are reported as debt service expenditures.

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations in the General Fund in the amounts noted in the schedule below.

<u>Function</u>	<u>Amount</u>
Instruction	
Vocational instruction	\$ 167,299
Special instruction	1,016,144
Other instruction	355,067
Support services	
Pupil services	50,036
Building Administration	3,842,580
Principal and interest	3,850
Pupil transportation	782,603
Other support services	2,850,255

This information is an integral part of the accompanying required supplementary information.

OTHER SUPPLEMENTARY INFORMATION

**MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2014**

	General Fund	Special Education Fund	Eliminations	Total
Assets				
Cash and investments	\$ 39,816,525	\$ 150	\$ -	\$ 39,816,675
Receivables				
Taxes	72,930,107	-	-	72,930,107
Accounts	4,120,841	12,050	-	4,132,891
Due from other governments	10,143,259	-	-	10,143,259
Due from other funds	482,861	387,774	(387,774)	482,861
Inventories and prepaid items	859,778	-	-	859,778
Total assets	<u>\$ 128,353,371</u>	<u>\$ 399,974</u>	<u>\$ (387,774)</u>	<u>\$ 128,365,571</u>
Liabilities and fund balances				
Liabilities				
Short-term note payable	\$ 64,500,000	\$ -	\$ -	\$ 64,500,000
Accounts payable	2,808,519	399,974	-	3,208,493
Payroll and related benefits payable	21,398,632	-	-	21,398,632
Interest and deposit payable	568,926	-	-	568,926
Due to other organizations	107,371	-	-	107,371
Unearned revenues	135,084	-	-	135,084
Due to other funds	1,458,051	-	(387,774)	1,070,277
Total liabilities	<u>90,976,583</u>	<u>399,974</u>	<u>(387,774)</u>	<u>90,988,783</u>
Fund balances				
Nonspendable				
Inventories and prepaid items	859,778	-	-	859,778
Endowment - Bassett Funds	362,621	-	-	362,621
Committed				
Designated - Bassett Funds	78,877	-	-	78,877
Assigned - encumbrances	161,837	-	-	161,837
Unassigned	35,913,675	-	-	35,913,675
Total fund balances	<u>37,376,788</u>	<u>-</u>	<u>-</u>	<u>37,376,788</u>
Total liabilities and fund balances	<u>\$ 128,353,371</u>	<u>\$ 399,974</u>	<u>\$ (387,774)</u>	<u>\$ 128,365,571</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
For the Year Ended June 30, 2014**

	General Fund	Special Education Fund	Eliminations	Total
Revenues				
Property taxes	\$ 236,063,131	\$ -	\$ -	\$ 236,063,131
Other local sources	3,970,958	1,461	-	3,972,419
Interdistrict sources	1,930,683	47,521	-	1,978,204
State sources	67,937,692	18,635,747	-	86,573,439
Federal sources	18,018,344	5,781,245	-	23,799,589
Other sources	1,669,610	-	-	1,669,610
Total revenues	<u>329,590,418</u>	<u>24,465,974</u>	<u>-</u>	<u>354,056,392</u>
Expenditures				
Instruction				
Regular instruction	145,577,774	470,537	-	146,048,311
Vocational instruction	4,262,447	-	-	4,262,447
Special instruction	265,316	53,326,775	-	53,592,091
Other instruction	10,648,072	-	-	10,648,072
Total instruction	<u>160,753,609</u>	<u>53,797,312</u>	<u>-</u>	<u>214,550,921</u>
Support services				
Pupil services	11,924,248	12,493,394	-	24,417,642
Instructional staff services	20,329,760	2,782,471	-	23,112,231
General administration services	25,019,014	71,402	-	25,090,416
Building administration services	30,523,826	19,164	-	30,542,990
Pupil transportation	9,187,096	3,260,457	-	12,447,553
Debt service	627,789	-	-	627,789
Other support services	19,486,078	362,328	-	19,848,406
Total support services	<u>117,097,811</u>	<u>18,989,216</u>	<u>-</u>	<u>136,087,027</u>
Nonprogram	11,086,146	95,281	-	11,181,427
Total expenditures	<u>288,937,566</u>	<u>72,881,809</u>	<u>-</u>	<u>361,819,375</u>
Excess (deficiency) of revenues over expenditures	40,652,852	(48,415,835)	-	(7,762,983)
Other financing sources (uses)				
Transfer in	151,536	48,530,444	(48,645,053)	36,927
Transfer out	(48,740,569)	(114,609)	48,645,053	(210,125)
Net change in fund balances	(7,936,181)	-	-	(7,936,181)
Fund balances - beginning of year	<u>45,312,969</u>	<u>-</u>	<u>-</u>	<u>45,312,969</u>
Fund balances - end of year	<u>\$ 37,376,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,376,788</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 236,266,586	\$ 236,266,586	\$ 236,063,131	\$ (203,455)
Other local sources	3,867,102	3,875,296	3,970,958	95,662
Interdistrict sources	2,113,722	2,123,722	1,930,683	(193,039)
State sources	67,715,255	67,671,999	67,937,692	265,693
Federal sources	10,076,025	12,500,853	18,018,344	5,517,491
Other sources	<u>1,501,356</u>	<u>1,501,356</u>	<u>1,669,610</u>	<u>168,254</u>
Total revenues	<u>321,540,046</u>	<u>323,939,812</u>	<u>329,590,418</u>	<u>5,650,606</u>
Expenditures				
Instruction				
Regular instruction	145,713,159	146,129,839	145,577,774	552,065
Vocational instruction	4,007,911	4,095,148	4,262,447	(167,299)
Special instruction	285,308	568,596	265,316	303,280
Other instruction	<u>10,287,302</u>	<u>10,292,465</u>	<u>10,648,072</u>	<u>(355,607)</u>
Total instruction	<u>160,293,680</u>	<u>161,086,048</u>	<u>160,753,609</u>	<u>332,439</u>
Support services				
Pupil services	12,705,484	12,610,770	11,924,248	686,522
Instructional staff services	20,608,035	21,937,799	20,329,760	1,608,039
General administration services	25,829,599	25,812,479	25,019,014	793,465
Building administration services	26,628,364	26,646,510	30,523,826	(3,877,316)
Pupil transportation	8,326,798	8,403,986	9,187,096	(783,110)
Principal and interest	623,939	623,939	627,789	(3,850)
Other support services	<u>16,720,365</u>	<u>16,646,066</u>	<u>19,486,078</u>	<u>(2,840,012)</u>
Total support services	<u>111,442,584</u>	<u>112,681,549</u>	<u>117,097,811</u>	<u>(4,416,262)</u>
Nonprogram	<u>11,488,118</u>	<u>11,584,751</u>	<u>11,086,146</u>	<u>498,605</u>
Total expenditures	<u>283,224,382</u>	<u>285,352,348</u>	<u>288,937,566</u>	<u>(3,585,218)</u>
Excess of revenues over expenditures	38,315,664	38,587,464	40,652,852	2,065,388
Other financing sources (uses)				
Transfers in	197,606	199,121	151,536	(47,585)
Transfers out	<u>(42,314,082)</u>	<u>(42,591,520)</u>	<u>(48,740,569)</u>	<u>(6,149,049)</u>
Net change in fund balance	(3,800,812)	(3,804,935)	(7,936,181)	(4,131,246)
Fund balance - beginning of year	<u>45,312,969</u>	<u>45,312,969</u>	<u>45,312,969</u>	<u>-</u>
Fund balance - end of year	<u>\$ 41,512,157</u>	<u>\$ 41,508,034</u>	<u>\$ 37,376,788</u>	<u>\$ (4,131,246)</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other local sources	\$ -	\$ -	\$ 1,461	\$ 1,461
Interdistrict sources	50,000	50,000	47,521	(2,479)
State sources	17,525,506	17,525,506	18,635,747	1,110,241
Federal sources	9,303,280	11,172,485	5,781,245	(5,391,240)
Total revenues	<u>26,878,786</u>	<u>28,747,991</u>	<u>24,465,974</u>	<u>(4,282,017)</u>
Expenditures				
Instruction				
Regular instruction	392,614	457,843	470,537	(12,694)
Special instruction	51,295,207	52,007,351	53,326,775	(1,319,424)
Total instruction	<u>51,687,821</u>	<u>52,465,194</u>	<u>53,797,312</u>	<u>(1,332,118)</u>
Support services				
Pupil services	11,635,856	11,756,836	12,493,394	(736,558)
Instructional staff services	2,200,488	3,233,015	2,782,471	450,544
General administration services	-	385	71,402	(71,017)
Building administration services	50,000	53,900	19,164	34,736
Pupil transportation	3,054,486	3,260,964	3,260,457	507
Other support services	352,085	352,085	362,328	(10,243)
Total support services	<u>17,292,915</u>	<u>18,657,185</u>	<u>18,989,216</u>	<u>(332,031)</u>
Nonprogram	20,000	25,000	95,281	(70,281)
Total expenditures	<u>69,000,736</u>	<u>71,147,379</u>	<u>72,881,809</u>	<u>(1,734,430)</u>
Excess (deficiency) of revenues over expenditures	(42,121,950)	(42,399,388)	(48,415,835)	(6,016,447)
Other financing sources (uses)				
Transfers out	(166,556)	(166,556)	(114,609)	51,947
Transfers in	42,288,506	42,565,944	48,530,444	5,964,500
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

	Special Revenue Trust Fund	Debt Service Fund	Food Service Fund	Capital Projects Fund	Community Service Fund	Package Co-op Fund	Total
Assets							
Cash and investments	\$ -	\$ 2,158,856	\$ -	\$ 2,948,321	\$ 47,940	\$ -	\$ 5,155,117
Receivables	211,508	-	383,864	-	23,726	-	619,098
Due from other funds	727,866	-	-	22,803	249,611	63,961	1,064,241
Inventory	-	-	198,552	-	-	-	198,552
Total assets	<u>\$ 939,374</u>	<u>\$ 2,158,856</u>	<u>\$ 582,416</u>	<u>\$ 2,971,124</u>	<u>\$ 321,277</u>	<u>\$ 63,961</u>	<u>\$ 7,037,008</u>
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ 33,286	\$ -	\$ 19,962	\$ 627,678	\$ 143,665	\$ 63,961	\$ 888,552
Unearned revenues	-	-	95,781	-	-	-	95,781
Due to other funds	-	-	466,673	16,188	-	-	482,861
Total liabilities	<u>33,286</u>	<u>-</u>	<u>582,416</u>	<u>643,866</u>	<u>143,665</u>	<u>63,961</u>	<u>1,467,194</u>
Fund balances							
Nonspendable	-	-	198,552	-	-	-	198,552
Restricted	906,088	2,158,856	-	2,327,258	-	-	5,392,202
Assigned	-	-	-	-	177,612	-	177,612
Unassigned	-	-	(198,552)	-	-	-	(198,552)
Total fund balances	<u>906,088</u>	<u>2,158,856</u>	<u>-</u>	<u>2,327,258</u>	<u>177,612</u>	<u>-</u>	<u>5,569,814</u>
Total liabilities and fund balances	<u>\$ 939,374</u>	<u>\$ 2,158,856</u>	<u>\$ 582,416</u>	<u>\$ 2,971,124</u>	<u>\$ 321,277</u>	<u>\$ 63,961</u>	<u>\$ 7,037,008</u>

MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Special Revenue Trust Fund	Debt Service Fund	Food Service Fund	Capital Projects Fund	Community Service Fund	Package Co-op Fund	Total
Revenues							
Property taxes	\$ -	\$ 6,055,277	\$ -	\$ 6,000,000	\$ 9,675,429	\$ -	\$ 21,730,706
Other local sources	1,834,331	863	2,487,596	37,474	3,207,506	-	7,567,770
State sources	-	-	180,251	-	-	-	180,251
Federal sources	-	-	7,709,340	-	1,294,432	-	9,003,772
Other sources	-	145,418	-	-	29,976	168,007	343,401
Total revenues	<u>1,834,331</u>	<u>6,201,558</u>	<u>10,377,187</u>	<u>6,037,474</u>	<u>14,207,343</u>	<u>168,007</u>	<u>38,825,900</u>
Expenditures							
Instruction							
Regular instruction	970,264	-	-	-	-	-	970,264
Vocational instruction	72,126	-	-	-	-	-	72,126
Other instruction	114,458	-	-	-	-	-	114,458
Total instruction	<u>1,156,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,156,848</u>
Support services							
Pupil services	42,235	-	-	-	106,079	-	148,314
Instructional staff services	274,174	-	-	-	1,146,146	167,493	1,587,813
General administration services	12,745	-	-	-	547,264	514	560,523
Building administration services	126,605	-	10,542,876	11,455,256	666,036	-	22,790,773
Transportation	76,185	-	-	-	1,391	-	77,576
Community services	-	-	-	-	13,665,009	-	13,665,009
Other support services	-	-	-	-	181,269	-	181,269
Principal and interest	-	6,437,299	-	-	-	-	6,437,299
Total support services	<u>531,944</u>	<u>6,437,299</u>	<u>10,542,876</u>	<u>11,455,256</u>	<u>16,313,194</u>	<u>168,007</u>	<u>45,448,576</u>
Total expenditures	<u>1,688,792</u>	<u>6,437,299</u>	<u>10,542,876</u>	<u>11,455,256</u>	<u>16,313,194</u>	<u>168,007</u>	<u>46,605,424</u>
Excess (deficiency) of revenues over expenditures	145,539	(235,741)	(165,689)	(5,417,782)	(2,105,851)	-	(7,779,524)
Other financing sources (uses)							
Transfer in	-	44,436	165,689	-	-	-	210,125
Transfer out	(12,591)	-	-	-	(24,336)	-	(36,927)
Net change in fund balances	132,948	(191,305)	-	(5,417,782)	(2,130,187)	-	(7,606,326)
Fund balances - beginning of year	<u>773,140</u>	<u>2,350,161</u>	<u>-</u>	<u>7,745,040</u>	<u>2,307,799</u>	<u>-</u>	<u>13,176,140</u>
Fund balances - end of year	<u>\$ 906,088</u>	<u>\$ 2,158,856</u>	<u>\$ -</u>	<u>\$ 2,327,258</u>	<u>\$ 177,612</u>	<u>\$ -</u>	<u>\$ 5,569,814</u>

MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE TRUST FUND - BUDGET TO ACTUAL
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Local sources	\$ 1,247,403	\$ 1,834,331	\$ 586,928
Expenditures			
Instruction			
Regular instruction	1,313,179	970,264	342,915
Vocational instruction	89,590	72,126	17,464
Other instruction	<u>32,205</u>	<u>114,458</u>	<u>(82,253)</u>
Total instruction	<u>1,434,974</u>	<u>1,156,848</u>	<u>278,126</u>
Support services			
Pupil services	41,795	42,235	(440)
Instructional staff services	270,826	274,174	(3,348)
General administration services	9,975	12,745	(2,770)
Building administration services	164,186	126,605	37,581
Transportation	89,855	76,185	13,670
Other support services	<u>2,920</u>	<u>-</u>	<u>2,920</u>
Total support services	<u>579,557</u>	<u>531,944</u>	<u>47,613</u>
Total expenditures	<u>2,014,531</u>	<u>1,688,792</u>	<u>325,739</u>
Excess (deficiency) of revenues over expenditures	(767,128)	145,539	912,667
Other financing uses			
Transfer out	<u>(6,012)</u>	<u>(12,591)</u>	<u>(6,579)</u>
Net change in fund balance	(773,140)	132,948	906,088
Fund balance - beginning of year	<u>773,140</u>	<u>773,140</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 906,088</u>	<u>\$ 906,088</u>

MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND - BUDGET TO ACTUAL
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 6,055,277	\$ 6,055,277	\$ -
Other local sources	145,418	145,418	-
Interest earnings	<u>1,350</u>	<u>863</u>	<u>(487)</u>
	6,202,045	6,201,558	(487)
Expenditures			
Principal, interest, and related uses	<u>6,437,300</u>	<u>6,437,299</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	(235,255)	(235,741)	(486)
Other financing sources			
Transfer in	<u>-</u>	<u>44,436</u>	<u>44,436</u>
Net change in fund balance	(235,255)	(191,305)	43,950
Fund balance - beginning of year	<u>2,350,161</u>	<u>2,350,161</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,114,906</u>	<u>\$ 2,158,856</u>	<u>\$ 43,950</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND - BUDGET TO ACTUAL
For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 6,000,000	\$ 6,000,000	\$ -
Other local sources	<u>-</u>	<u>37,474</u>	<u>37,474</u>
Total revenues	6,000,000	6,037,474	37,474
Expenditures			
Building administration services	<u>6,000,000</u>	<u>11,455,256</u>	<u>(5,455,256)</u>
Net change in fund balance	-	(5,417,782)	(5,417,782)
Fund balance - beginning of year	<u>7,745,040</u>	<u>7,745,040</u>	<u>-</u>
Fund balance - end of year	<u>\$ 7,745,040</u>	<u>\$ 2,327,258</u>	<u>\$ (5,417,782)</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOOD SERVICE FUND - BUDGET TO ACTUAL
For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Other local sources	\$ 2,802,815	\$ 2,487,596	\$ (315,219)
State sources	175,000	180,251	5,251
Federal sources	8,070,693	7,709,340	(361,353)
Total revenues	<u>11,048,508</u>	<u>10,377,187</u>	<u>(671,321)</u>
Expenditures			
Building administration services	<u>11,074,084</u>	<u>10,542,876</u>	<u>531,208</u>
Excess (deficiency) of revenues over expenditures	(25,576)	(165,689)	(140,113)
Other financing sources			
Transfer in	<u>25,576</u>	<u>165,689</u>	<u>140,113</u>
Net change in fund balance	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMMUNITY SERVICE FUND - BUDGET TO ACTUAL
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 9,675,429	\$ 9,675,429	\$ -
Other local sources	2,925,525	3,207,506	281,981
Other sources	17,000	29,976	12,976
Federal sources	<u>1,498,848</u>	<u>1,294,432</u>	<u>(204,416)</u>
Total revenues	<u>14,116,802</u>	<u>14,207,343</u>	<u>90,541</u>
Expenditures			
Pupil services	104,656	106,079	(1,423)
Instructional staff services	1,158,436	1,146,146	12,290
General administration	546,444	547,264	(820)
Building administration services	707,944	666,036	41,908
Transportation	3,500	1,391	2,109
Other support services	58,441	181,269	(122,828)
Community services	<u>13,834,816</u>	<u>13,665,009</u>	<u>169,807</u>
Total expenditures	<u>16,414,237</u>	<u>16,313,194</u>	<u>101,043</u>
Excess (deficiency) of revenues over expenditures	(2,297,435)	(2,105,851)	191,584
Other financing uses			
Transfer out	<u>(32,565)</u>	<u>(24,336)</u>	<u>8,229</u>
Net change in fund balance	(2,330,000)	(2,130,187)	199,813
Fund balance - beginning of year	<u>2,307,799</u>	<u>2,307,799</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ (22,201)</u>	<u>\$ 177,612</u>	<u>\$ 199,813</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
PACKAGE CO-OP FUND - BUDGET TO ACTUAL
For the Year Ended June 30, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Other sources	\$ -	\$ 168,007	\$ 168,007
Total revenues	<u>-</u>	<u>168,007</u>	<u>168,007</u>
Expenditures			
Instruction	-	-	-
Instructional staff services	-	167,493	(167,493)
General administration	-	514	(514)
Total support services	-	168,007	(168,007)
Total expenditures	<u>-</u>	<u>168,007</u>	<u>(168,007)</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Other financing sources (uses)			
Transfers out	-	-	-
Transfers in	-	-	-
Net change in fund balance	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>