

**MADISON METROPOLITAN  
SCHOOL DISTRICT  
Madison, Wisconsin**

**FINANCIAL STATEMENTS  
June 30, 2017**

**MADISON METROPOLITAN SCHOOL DISTRICT**  
Madison, Wisconsin

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## INDEPENDENT AUDITOR'S REPORT

To the 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 Madison Metropolitan School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

**Janesville Office:**  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Milwaukee Office:**  
W229 N1433 Westwood Drive  
Suite 105  
Waukesha, WI 53186  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

## **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, 2017, 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 information, schedule of funding progress-other postemployment benefits, schedule of WRS net pension liability, schedule of WRS contributions, schedule of net supplemental pension liability and the schedule of changes in net supplemental pension liability and notes to required supplementary information on pages 4-12 and 49-54 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 general fund financial statements, the combining nonmajor fund financial statements and the charter school schedule of operating costs, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining general fund financial statements, the combining nonmajor fund financial statements, and the charter school schedule of operating costs, 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 general fund financial statements, and the combining nonmajor 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 December 1, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Madison Metropolitan School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison Metropolitan School District's internal control over financial reporting and compliance.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
December 1, 2017

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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 Governmental fund's equity (General, Food Service, Debt Service, Capital Expansion, and Community Service) decreased by \$2,773,171.
- As demonstrated in Note 8 the District maintains a margin of available indebtedness and has available \$2.421 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 District does not report any business-type activities.
- The *statement of net position* presents information on all of the District's assets and liabilities, 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 13 and 14 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.
- 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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

- The District reports two kinds of funds: *governmental* and *fiduciary*. *Governmental funds* include the District's seven permanent funds (general, special revenue trust, special education, debt service, capital projects, food service, and community service) with additional individual capital project funds as needed. The *fiduciary funds* for the District serve as an agency fund for student and parent organizations, scholarship funds, and retiree life insurance.
- Financial information is combined and reported as the general operating fund 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, and community service funds is combined into a single, aggregated nonmajor column. Data for each of these individual non-major funds is provided separately as supplementary information. The governmental fund financial statements are on pages 15 and 16 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 18 and 19.
- 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 page 58 and 59 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 20 to 47 of this report.

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 position, 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**  
**June 30, 2017**

**FINANCIAL ANALYSIS**

**The District as a Whole**

**Net assets.** Table 1, below, provides a summary of the District's net assets for the years ended June 30, 2016 and 2017.

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets and deferred outflows</b>		
Assets	\$ 347,110,066	\$ 327,900,274
Deferred Outflows of Resources	105,470,535	133,511,325
	452,580,601	461,411,599
<b>Liabilities and deferred inflows</b>		
Liabilities	362,930,602	337,663,102
Deferred Inflows of Resources	52,944,354	53,406,393
	415,874,956	391,069,495
<b>Net position</b>		
Net investment in capital assets	108,329,332	80,045,697
Restricted:		
Bassett Funds	363,018	362,881
Debt service	1,379,422	2,046,111
Capital projects	10,453,251	856,429
Community service	1,840,060	392,942
Donations	1,994,724	1,687,025
Child nutrition	1,340,910	838,090
WRS Pension	37,209,651	54,671,007
Unrestricted	(126,204,723)	(70,558,078)
<b>Total Net position</b>	<b>\$ 36,705,645</b>	<b>\$ 70,342,104</b>

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**  
**June 30, 2017**

**Change in net assets.** Table 2 shows the changes in net assets for the fiscal years 2016 and 2017.

**Table 2**

	<b>Total School District</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 18,230,830	\$ 15,706,988
Operating grants and contributions	56,865,474	56,711,214
General revenues		
Property taxes		
General purposes	259,557,675	255,684,135
Debt service	12,086,568	9,382,948
Capital projects	4,000,000	4,500,000
Community service	11,802,150	11,654,696
State and federal aids not restricted to specific functions	63,053,884	60,540,465
Interest and investment earnings	714,893	500,965
Miscellaneous	251,346	272,780
<b>Total revenues</b>	<b>426,562,820</b>	<b>414,954,191</b>
<b>Expenses</b>		
Instruction	215,875,387	218,120,926
Support services	201,059,265	195,847,678
Nonprogram	13,503,864	13,353,616
<b>Total expenses</b>	<b>430,438,516</b>	<b>427,322,220</b>
Change in net position	(3,875,696)	(12,368,029)
Net position, beginning of year, as restated	40,581,341	82,710,133
Net position, end of year	<b>\$ 36,705,645</b>	<b>\$ 70,342,104</b>

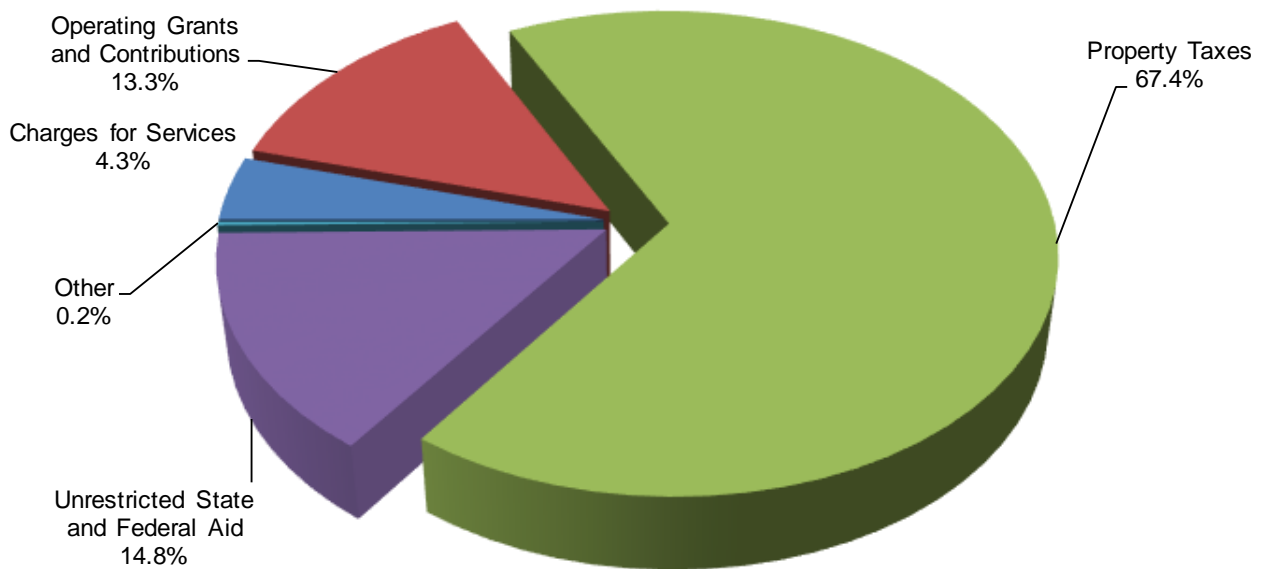
**\* 2017 beginning net position was restated due to a prior period adjustment for GASB 73 - Accounting and Financial Reporting for pensions and Related Assets That Are Not within the Scope of GASB Statement 68.**

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Revenues**

- As shown, general state aid and general federal aid provide about 14.8% of the funding for governmental activities. In addition, the District relies on property taxes for 67.4% 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 over 18% of the total revenues. The District received \$426,562,820 in revenue for the fiscal year 2017. Individuals who directly participated or benefited from a program paid 4.3% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services. Federal and state governments subsidized certain programs with grants and awards of \$56,865,474. Operating grants include Title I, IDEA, Child nutrition, and State Special Education Aid.

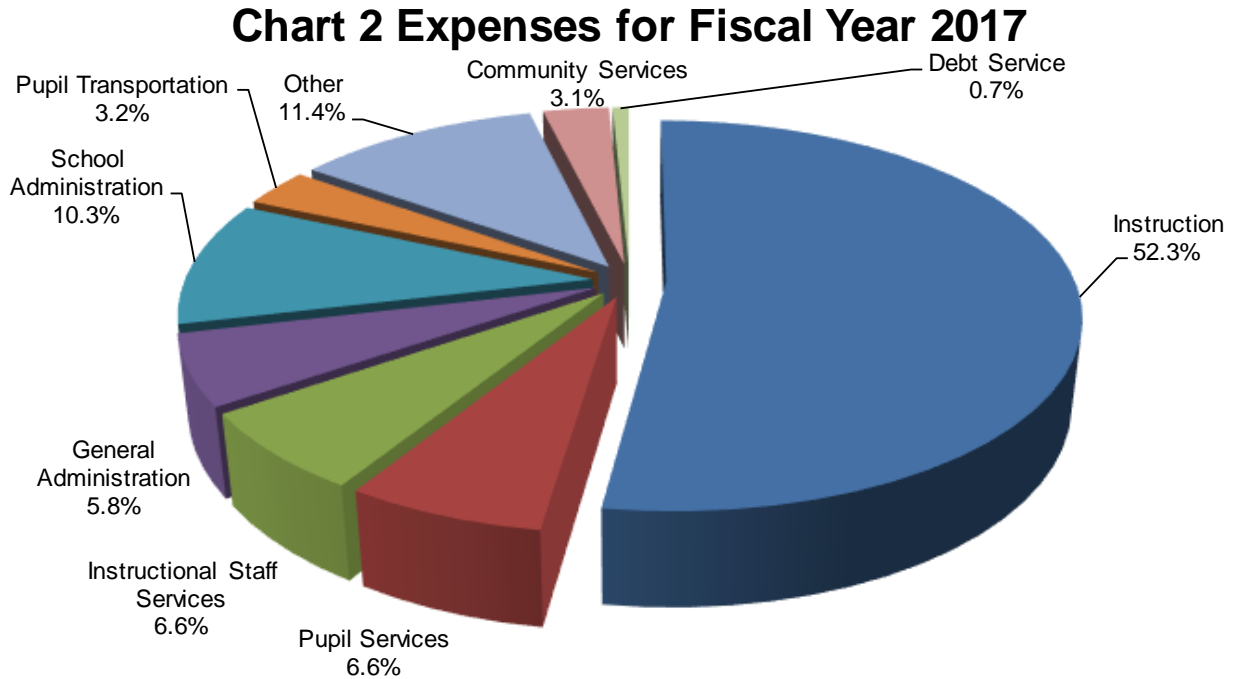
**Chart 1 Sources of Revenues for Fiscal Year 2017**



**MADISON METROPOLITAN SCHOOL DISTRICT  
Management's Discussion and Analysis  
June 30, 2017**

**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.



**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, 2017**

<b>Functions/Programs</b>	<b>2017 Net Cost of Services</b>	<b>2016 Net Cost of Services</b>
Total instruction	\$ 176,962,899	\$ 182,173,993
Pupil services	17,529,430	17,970,419
Instructional staff services	18,191,211	18,086,207
General administration services	23,823,021	23,880,729
Building administration services	30,884,644	29,104,085
Pupil transportation services	11,471,874	11,436,585
Other support services	46,387,177	40,995,545
Community services	8,970,088	9,779,269
Debt service	3,092,154	3,498,020
Depreciation-unallocated	4,525,850	4,625,550
Non-program	13,503,864	13,353,616
<b>Total governmental activities</b>	<b>\$ 355,342,212</b>	<b>\$ 354,904,018</b>

**MADISON METROPOLITAN SCHOOL DISTRICT  
Management's Discussion and Analysis  
June 30, 2017**

**Governmental Funds**

The District completed the year with a total governmental fund balance of \$65,591,811.

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, 2017**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable			
Inventories and prepaid items	\$ 2,539,457	\$ 61,296	\$ 2,600,753
Endowment - Bassett Funds	363,018	-	363,018
Restricted			
Capital Projects	-	10,453,251	10,453,251
Food Service	-	1,279,614	1,279,614
Debt Service Retirement	-	2,206,688	2,206,688
Community Service	-	1,840,060	1,840,060
Special Revenue - Donation	-	1,994,724	1,994,724
Committed			
Bassett Funds	45,700	-	45,700
Assigned			
Encumbrances	1,366,719	-	1,366,719
Unassigned	43,441,284	-	43,441,284
<b>Totals</b>	<b>\$ 47,756,178</b>	<b>\$ 17,835,633</b>	<b>\$ 65,591,811</b>

**General Fund Budget**

- The District approves an interim budget in June for the subsequent year (beginning July 1<sup>st</sup>). 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 preliminary 2016-17 budget as follows:
  - ❖ 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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the 2017 fiscal year, the District had invested \$332,673,040 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 6. Total accumulated depreciation on these assets was \$167,074,775 for governmental activities.

**Table 5**  
**Capital Assets**  
**June 30, 2017**

	<u>Governmental Activities</u>		<u>% Change</u>
	<u>2017</u>	<u>2016</u>	<u>2017-16</u>
Land and construction in progress	\$ 41,951,461	\$ 26,045,726	61.07%
Buildings and building improvements	267,596,831	265,382,872	0.83%
Furniture and equipment	23,124,748	22,811,728	1.37%
Less accumulated depreciation	(167,074,775)	(162,452,417)	2.85%
	<u>\$ 165,598,265</u>	<u>\$ 151,787,909</u>	9.10%

**Long-Term Debt and Obligations**

At year-end, the District had \$169,840,295 in general obligation bonds and other long-term debt of which \$18,668,058 is due within one year of the close date of June 30, 2017 (see Table 8).

**Table 6**  
**Long Term Debt**

	<u>Balance</u>	<u>Balance</u>	<u>Due Within</u>	<u>Noncurrent</u>
	<u>2017</u>	<u>2016</u>	<u>One Year</u>	<u>Liabilities</u>
Notes and loans	\$ 43,983,287	\$ 47,108,387	\$ 4,938,716	\$ 39,044,571
Bonds	41,140,000	46,055,000	5,165,000	35,975,000
Deferred amounts for premium/discount	1,805,076	2,131,905	326,829	1,478,247
Total general obligation debt	86,928,363	95,295,292	10,430,545	76,497,818
Capital leases	-	221,920	-	-
Vested employee benefits	82,911,932	80,245,013	8,237,513	5,020,812
<b>Totals</b>	<u>\$ 169,840,295</u>	<u>\$ 175,762,225</u>	<u>\$ 18,668,058</u>	<u>\$ 81,518,630</u>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**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 and generally smaller class sizes, 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 0% for the next two years. In lieu of revenue limit changes, the district expects an increase of \$200 per pupil categorical aid for each of 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 \$47,756,178, or 13.74% 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.
- **Long Range Master Plan** The District is creating a new long-range master plan for school facilities. The new study will project enrollment, community growth, and facility needs for the next twenty years, along with a capital financing plan.
- **Tax Incremental District (TID) Advance** The District negotiated a \$9.27 million advance from the City of Madison in anticipation of a future distribution of TID surplus funds in TID #25. The advance is in the form of a promissory note. Since the principal will be repaid from the TID surplus funds already existing in TID #25, the district is not at risk for principal repayment. This provides \$9.27 million to be spent over the next four to five years to support general fund operations.

**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, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 114,465,289
Receivables	
Taxes	51,187,324
Accounts	6,023,292
Due from other governments	7,235,143
Inventories and prepaid items	2,600,753
Capital assets not being depreciated	41,951,461
Capital assets being depreciated	123,646,804
Total assets	347,110,066
<b>Deferred outflows of resources</b>	
Loss on Refinancing	496,369
Deferred outflows related to WRS pension	102,731,342
Deferred outflows related to supplemental pension	2,242,824
Total deferred outflows of resources	105,470,535
<b>Liabilities</b>	
Short-term notes payable	79,000,000
Accounts payable	5,768,782
Payroll and related benefits payable	29,364,523
Interest payable	2,190,906
Unearned revenue	423,045
Net pension WRS liability	12,577,337
Net pension supplemental pension liability	40,098,031
Long term obligations	
Due within one year	15,451,357
Due in more than one year	178,056,621
Total liabilities	362,930,602
<b>Deferred inflows of resources</b>	
Deferred inflows related to WRS pension	52,944,354
Total deferred inflows of resources	52,944,354
<b>Net position</b>	
Net investment in capital assets	108,329,332
Restricted for	
Endowment - Bassett Fund	363,018
Capital projects	10,453,251
Debt service	1,379,422
Donations	1,994,724
Community service	1,840,060
Child nutrition	1,340,910
WRS pension	37,209,651
Unrestricted (deficit)	(126,204,722.51)
<b>Total net position</b>	<b>\$ 36,705,645</b>

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2017

<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>	
<b>Governmental activities</b>				
Instruction				
Regular instruction	\$ 145,662,689	\$ 8,181,305	\$ 11,836,389	\$ (125,644,995)
Vocational instruction	4,256,563	37,519	336,212	(3,882,832)
Special education instruction	54,692,164	-	17,300,065	(37,392,099)
Other instruction	<u>11,263,971</u>	<u>1,220,998</u>	<u>-</u>	<u>(10,042,973)</u>
Total instruction	215,875,387	9,439,822	29,472,666	(176,962,899)
Support services				
Pupil services	27,097,215	731,488	8,836,297	(17,529,430)
Instructional staff services	27,056,554	970,412	7,894,931	(18,191,211)
General administration services	24,086,622	43,404	220,197	(23,823,021)
Building administration services	42,618,944	2,798,576	8,935,724	(30,884,644)
Pupil transportation services	13,050,494	87,159	1,491,461	(11,471,874)
Other support services	46,858,924	471,747	-	(46,387,177)
Community services	12,672,508	3,688,222	14,198	(8,970,088)
Interest on long-term debt	3,092,154	-	-	(3,092,154)
Depreciation-unallocated	<u>4,525,850</u>	<u>-</u>	<u>-</u>	<u>(4,525,850)</u>
Total support services	201,059,265	8,791,008	27,392,808	(164,875,449)
Nonprogram	<u>13,503,864</u>	<u>-</u>	<u>-</u>	<u>(13,503,864)</u>
<b>Total governmental activities</b>	<b><u>\$ 430,438,516</u></b>	<b><u>\$ 18,230,830</u></b>	<b><u>\$ 56,865,474</u></b>	<b><u>(355,342,212)</u></b>
<b>General revenues</b>				
Property taxes:				
General purposes				259,557,675
Debt service				12,086,568
Capital projects				4,000,000
Community service				11,802,150
State and federal aids not restricted to specific functions				63,053,884
Interest and investment earnings				714,893
Miscellaneous				<u>251,346</u>
<b>Total general revenues</b>				<b>351,466,516</b>
Change in net position				(3,875,696)
Net position - beginning of year, as restated				<u>40,581,341</u>
<b>Net position - end of year</b>				<b><u>\$ 36,705,645</u></b>

See accompanying notes.



**MADISON METROPOLITAN SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 101,656,498	\$ 12,808,791	\$ 114,465,289
Receivables			
Taxes	51,187,324	-	51,187,324
Accounts	4,440,351	1,589,042	6,029,393
Due from other governments	7,235,143	-	7,235,143
Due from other funds	-	6,961,147	6,961,147
Inventories and prepaid items	2,539,457	61,296	2,600,753
<b>Total assets</b>	<u>\$ 167,058,773</u>	<u>\$ 21,420,276</u>	<u>\$ 188,479,049</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Short-term note payable	\$ 79,000,000	\$ -	\$ 79,000,000
Accounts payable	2,280,897	3,379,862	5,660,759
Payroll and related benefits payable	29,364,523	-	29,364,523
Interest and deposit payable	1,363,640	-	1,363,640
Due to other organizations	108,023	-	108,023
Unearned revenue	226,646	196,399	423,045
Due to other funds	6,958,866	8,382	6,967,248
<b>Total liabilities</b>	119,302,595	3,584,643	122,887,238
<b>Fund balances</b>			
Nonspendable	2,902,475	61,296	2,963,771
Restricted	-	17,774,337	17,774,337
Committed	45,700	-	45,700
Assigned	1,366,719	-	1,366,719
Unassigned	43,441,284	-	43,441,284
<b>Total fund balances</b>	<u>47,756,178</u>	<u>17,835,633</u>	<u>65,591,811</u>
<b>Total liabilities and fund balances</b>	<u>\$ 167,058,773</u>	<u>\$ 21,420,276</u>	<u>\$ 188,479,049</u>

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	\$ 332,673,040	
Governmental accumulated depreciation	<u>(167,074,775)</u>	
		165,598,265

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	(85,123,287)	
Premium on general obligation debt	(1,805,076)	
Net WRS pension liability	37,209,651	
Net supplemental pension liability	(37,855,207)	
Net OPEB obligation	(23,171,314)	
Accrued interest on general obligation debt	(827,266)	
Vested employee benefits	<u>(82,911,932)</u>	<u>(194,484,431)</u>
<b>Total net position - governmental activities</b>		<u>\$ 36,705,645</u>

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>			
Property taxes	\$ 259,557,675	\$ 27,888,718	\$ 287,446,393
Other local sources	4,526,296	9,017,260	13,543,556
Interdistrict sources	2,738,327	-	2,738,327
Intermediate sources	103,655	-	103,655
State sources	93,407,417	176,982	93,584,399
Federal sources	19,672,321	8,677,704	28,350,025
Other sources	637,626	158,839	796,465
Total revenues	<u>380,643,317</u>	<u>45,919,503</u>	<u>426,562,820</u>
<b>Expenditures</b>			
Instruction			
Regular instruction	144,507,301	1,078,331	145,585,632
Vocational instruction	4,240,381	4,337	4,244,718
Special education instruction	54,692,164	-	54,692,164
Other instruction	11,114,297	139,145	11,253,442
Total instruction	<u>214,554,143</u>	<u>1,221,813</u>	<u>215,775,956</u>
Support services			
Pupil services	26,629,581	452,660	27,082,241
Instructional staff services	26,197,336	829,607	27,026,943
General administration services	23,970,535	73,561	24,044,096
Building administration services	30,734,193	29,994,141	60,728,334
Pupil transportation	12,964,009	86,485	13,050,494
Community services	-	12,672,592	12,672,592
Other support services	23,039,573	630,786	23,670,359
Total support services	<u>143,535,227</u>	<u>44,739,832</u>	<u>188,275,059</u>
Debt service	817,327	13,018,785	13,836,112
Nonprogram	13,503,864	-	13,503,864
Total expenditures	<u>372,410,561</u>	<u>58,980,430</u>	<u>431,390,991</u>
Excess (deficiency) of revenues over expenditures	8,232,756	(13,060,927)	(4,828,171)
Note proceeds	2,055,000	-	2,055,000
Transfers in	-	41,225	41,225
Transfers out	(41,225)	-	(41,225)
<b>Net change in fund balances</b>	<u>10,246,531</u>	<u>(13,019,702)</u>	<u>(2,773,171)</u>
<b>Fund balances - beginning of year</b>	<u>37,509,647</u>	<u>30,855,335</u>	<u>68,364,982</u>
<b>Fund balances - end of year</b>	<u>\$ 47,756,178</u>	<u>\$ 17,835,633</u>	<u>\$ 65,591,811</u>

See accompanying notes.

**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, 2017**

**Net change in fund balances - total governmental funds** (2,773,171.00)

*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 a depreciation expense reported in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 18,595,513	
Depreciation expense reported in the statement of activities	<u>(4,785,157)</u>	
Amount by which capital outlays is greater than depreciation		13,810,356

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	4,532,465	
Special termination benefits earned in current year	<u>(6,302,938)</u>	
Amounts earned are less than amounts paid		(1,770,473)

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

Employer contributions in the current year to the implicit rate subsidy	2,078,000	
Actuarially determined costs of the implicit rate subsidy	<u>(5,216,625)</u>	
Amounts paid are less than amounts incurred		(3,138,625)

Defined pension benefits are reported in the government funds when funded by the District

The statement of activities reports the WRS pension benefits expense when earned by employees

WRS Pension benefits funded in current year	14,534,514	
WRS Pension benefits earned in current year	<u>(31,995,870)</u>	
Amounts earned are less than amounts paid		(17,461,356)

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 employees

The change in the expected value is greater in the current year (896,446)

Defined supplemental pension benefits are reported in the government funds when funded by the District

The statement of activities reports the pension benefits expense when earned by employees

Supplemental pension benefits funded in current year	3,768,391	
Supplemental pension benefits earned in current year	<u>(4,103,330)</u>	
Amounts earned are less than amounts paid		(334,939)

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.

The amount of long-term obligations principal payments in the current year 10,317,020

Long-term bonds and notes and Operating loans are reported in governmental funds as an other financing source, but are reported as an increase in outstanding long-term debt in the statement of net position.

The amount of long-term notes incurred is (2,055,000)

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.

Adjustment to current year amortization of premium/discount 326,829

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	2,930,193	
The amount of interest accrued during the current period	<u>(2,830,084)</u>	
Interest paid is more than interest accrued by		<u>100,109</u>

**Change in net position - governmental activities** \$ (3,875,696)

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2017**

	<u>Scholarship Trust</u>	<u>Employee Benefit Trust</u>	<u>Agency Fund</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 601,902	\$ 16,298,788	\$ 851,306
Due from other funds	<u>6,101</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	608,003	16,298,788	851,306
<b>Liabilities</b>			
Due to student organizations	<u>-</u>	<u>-</u>	<u>\$ 851,306</u>
<b>Net position</b>			
Restricted	<u>\$ 608,003</u>	<u>\$ 16,298,788</u>	

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2017**

	<u>Scholarship Trust</u>	<u>Employee Benefit Trust</u>
<b>Additions</b>		
Contributions	\$ 116,460	\$ 873,927
Interest income	<u>4,299</u>	<u>33,076</u>
Total additions	120,759	907,003
<b>Deductions</b>		
Scholarships and awards paid	116,942	-
Other postemployment benefits	<u>-</u>	<u>358,500</u>
Total deductions	116,942	358,500
<b>Change in net position</b>	3,817	548,503
<b>Net position - beginning of year as restated</b>	<u>604,186</u>	<u>15,750,285</u>
<b>Net position - end of year</b>	<u>\$ 608,003</u>	<u>\$ 16,298,788</u>

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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.

Effective July 1, 2016, the District implemented GASB Statement No. 73, Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68. A description of the supplemental pension and the impact on the financial statements of the District is provided in note 12.

**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.

**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. 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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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, liabilities, 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.

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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally the district reports the following fiduciary fund types:

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

**Scholarship Trust Fund** - The District accounts for assets that are accumulated to finance scholarships in the fiduciary trust fund.

**Employee Benefit Trust Fund** - The District accounts for resources accumulated to finance post retirement life insurance benefits in a fiduciary trust fund.

**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.



**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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. Appropriations lapse at year end unless otherwise specifically carried over.

**E. CASH AND INVESTMENTS**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments either with original maturities of three months or less from date of acquisition or available per the district's intergovernmental cooperation agreement with the City of Madison for treasury services and fund investment. Cash and investment balances for individual funds are pooled unless maintained in segregated 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. 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 31<sup>st</sup>, and a final payment no later than the following July 31<sup>st</sup>. 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 15<sup>th</sup>, and by the 20<sup>th</sup> of each subsequent month thereafter. On or before August 20<sup>th</sup>, 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 1<sup>st</sup>, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30<sup>th</sup> and are available to pay current liabilities.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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 are recorded at cost based on the first-in, first-out method using the consumption method of accounting. Inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in the school nutrition services at the fair value when originally donated by the USDA.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the district-wide and the fund financial statements.

**I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Items that meet this criterion, relate to the allocation of the pension activity for the WRS pension and the Supplemental Pension

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has reported deferred inflows of resources related to WRS pension activity.

**J. 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, interest, and debt issue costs are reported as expenditures.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. EQUITY CLASSIFICATIONS**

**Net Position**

On the district-wide financial statements, net position represent the difference between assets and liabilities. 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 any unexpended proceeds. 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.

**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, adoption of a resolution, 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 and are available for any purpose. Unassigned amounts are only reported in the general fund.

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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. 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.

**M. COMPENSATED ABSENCES**

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

**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 expensed 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, 2017, there were 1,368 participants and expenditures on a pay-as-you-go basis were \$4,532,465. The District’s sick leave liability at June 30, 2017 was \$82,911,931, which represents \$48,834,729 for currently active employees and \$34,077,202 for retirees.

**N. PENSION**

**Wisconsin Retirement System**

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

**Teacher Emeritus Plan and Administrator’s Retirement Plan**

Qualifying teachers and administrators are provided with a stipend/supplemental pension. The stipend is a single employer defined benefit pension plan administered by the District. For purposes of measuring the net supplemental pension liability and related deferred outflows related to pensions and pension expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**P. 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. Capital assets are defined by the District as assets with an initial individual cost of \$5,000. Donated assets are reported at estimated fair value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Building improvements	20 - 25 years
Site improvements	10 - 20 years
Furniture and equipment	5-15 years
Computer and related technology	4-10 years

**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.
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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 2 - Explanation of Certain Differences Between Governmental Fund Statements  
And District-Wide Statements**

For the Year Ended June 30, 2017	Total Governmental Funds	Long -Term Revenues/ Expenses	Capital Related Items	Long -Term Debt Transactions	Statement of Activities Total
<b>Revenues:</b>					
Property taxes	\$ 287,446,393	\$ -	\$ -	\$ -	\$ 287,446,393
Other local sources	13,543,556	-	-	-	13,543,556
Intermediate sources	2,738,327	-	-	-	2,738,327
Interdistrict sources	103,655	-	-	-	103,655
State sources	93,584,399	-	-	-	93,584,399
Federal sources	28,350,025	-	-	-	28,350,025
Other sources	796,465	-	-	-	796,465
	<hr/>				
Total revenues	426,562,820	-	-	-	426,562,820
<b>Expenditures</b>					
Instruction:					
Regular instruction	145,585,632	-	77,057	-	145,662,689
Vocational instruction	4,244,718	-	11,845	-	4,256,563
Special instruction	54,692,164	-	-	-	54,692,164
Other instruction	11,253,442	-	10,529	-	11,263,971
	<hr/>				
Total instruction	215,775,956	-	99,431	-	215,875,387
Support Services:					
Pupil services	27,082,241	-	14,974	-	27,097,215
Instructional staff services	27,026,943	-	29,611	-	27,056,554
General administration services	24,044,096	-	42,526	-	24,086,622
Building administration services	60,728,334	-	(18,109,390)	-	42,618,944
Pupil transportation	13,050,494	-	-	-	13,050,494
Community services	12,672,592	-	(84)	-	12,672,508
Debt service	13,836,112	-	-	(10,743,958)	3,092,154
Other support services	23,670,359	23,601,839	(413,274)	-	46,858,924
Depreciation-Unallocated	-	-	4,525,850	-	4,525,850
	<hr/>				
Total support services	202,111,171	23,601,839	(13,909,787)	(10,743,958)	201,059,265
Non-program	13,503,864	-	-	-	13,503,864
	<hr/>				
Total expenditures	431,390,991	23,601,839	(13,810,356)	(10,743,958)	430,438,516
<b>Other financing sources (uses):</b>					
Proceeds from Promissory Note	2,055,000	-	-	(2,055,000)	-
	<hr/>				
<b>Net Change for Year</b>	<b>\$ (2,773,171)</b>	<b>\$ (23,601,839)</b>	<b>\$ 13,810,356</b>	<b>\$ 8,688,958</b>	<b>\$ (3,875,696)</b>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS**

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Risks</u>
Petty cash	\$ 3,450	\$ -	
Deposits			
Demand deposits	16,468,849	20,850,210	Custodial
Certificates of deposit	67,561	67,561	Custodial
Total Deposits	<u>16,536,410</u>	<u>20,917,771</u>	
Wisconsin Local Government Investment Pool	7,187	7,187	Interest rate and credit
City of Madison Investment Pool	98,199,475	98,199,475	Interest rate and credit
Wisconsin Investment Cooperative	17,470,763	17,470,763	Interest rate and credit
	<u>115,677,425</u>	<u>115,677,425</u>	
Total cash and cash equivalents	<u>\$ 132,217,285</u>		
Reconciliation to the Financial Statements			
Per Statement of Net Position	\$ 114,465,289		
Per Statement of Fiduciary Net Position			
Scholarship Trust	601,902		
Employee Benefit Trust	16,298,788		
Agency Fund	<u>851,306</u>		
Total cash and cash equivalents	<u>\$ 132,217,285</u>		

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.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has adopted an investment policy which minimizes credit risk by limiting investments to the safest type of securities, specifically those authorized by the Wisconsin Statute 66.0603 including the following:

- 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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

- 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.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. As of June 30, 2017, money market, Wisconsin Local Government Investment Pool (LGIP) and Wisconsin Investment Series Cooperative (WISC) investments have a maturity of 12 months or less.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District does not have a custodial credit risk policy for investments.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for each account. 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 above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at June 30, 2017, 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.



**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS** (Continued)

As of June 30, 2017, \$9,513,415 of the District's deposits with financial institutions was uninsured and uncollateralized. The majority of these funds are for immediate short term use and are held in a Standard and Poors AAAM rated fund. The District does not have a custodial risk policy for deposits.

PMA Financial Network is the administrator and investment manager for the WISC. The WISC is not registered with the Securities and Exchange Commission, but invests in funds in accordance with applicable Wisconsin statutes. The WISC is not rated. The WISC has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At June 30, 2017, the District's share of the WISC's assets was substantially equal to the amount reported on page 29. The District is subject to market risk and credit risk through its investment in WISC.

The City of Madison Treasurer is the administrator and investment manager for the City of Madison Investment Pool. The City of Madison Investment Pool is not registered with the Securities and Exchange Commission, but invests in funds in accordance with applicable Wisconsin statutes. The City of Madison Investment Pool is not rated. The City of Madison Investment Pool has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At June 30, 2017, the District's fair value of investments held at the City of Madison Investment Pool was substantially equal to the amount reported on page 29. The District is subject to market risk and credit risk through its investment in City of Madison Investment Pool.

The District voluntarily invests excess funds in the LGIP, an external investment pool. The LGIP is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. The SIF is not rated. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2017 the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported on page 29.

*Concentration of Credit Risk*

The District does not have a policy for concentration of credit risk. No District investment represents 5% or more of the total investments.

**NOTE 4 - 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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 5 - INTERFUND BALANCES AND ACTIVITY**

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts, the general fund, as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances generally arise from the District's policy to pool cash and investments and hold those account balances in the General Fund. Interfund receivable and payable balances in the fund financial statements on June 30, 2017, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Trust Fund	General Fund	\$ 1,873,367
Capital Projects Fund	General Fund	2,839,789
Food Service Fund	General Fund	330,947
Community Service Fund	General Fund	1,917,044
Fiduciary Trust Fund	General Fund	6,101

The net amount due from the Fiduciary Trust Fund of \$6,101 is reported as an external accounts receivable in the statement of net position.

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 41,225

The District transfers funds to the food service fund to cover prior years' unpaid student food service account balances.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 6 - CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

**Note 6 - Capital Assets 2016-17**

	Beginning Balance	Additions and Reclassifications	Removals	Ending Balance
Capital assets not being depreciated:				
Sites (land)	\$ 9,395,541	\$ -	\$ -	\$ 9,395,541
Construction in progress	<u>16,650,185</u>	<u>17,076,822</u>	<u>(1,171,087)</u>	<u>32,555,920</u>
Total capital assets not being depreciated:	26,045,726	17,076,822	(1,171,087)	41,951,461
Capital assets being depreciated:				
Site improvements	3,285,989	343,866	-	3,629,855
Buildings and building improvements	262,096,883	1,870,093	-	263,966,976
Furniture and equipment	<u>22,811,728</u>	<u>475,819</u>	<u>(162,799)</u>	<u>23,124,748</u>
Total capital assets being depreciated:	288,194,600	2,689,778	(162,799)	290,721,579
Less accumulated depreciation for:				
Site Improvements	(2,138,910)	(124,836)	-	(2,263,746)
Building & building improvements	(140,044,512)	(4,029,385)	-	(144,073,897)
Furniture and equipment	<u>(20,268,995)</u>	<u>(630,936)</u>	<u>162,799</u>	<u>(20,737,132)</u>
Total accumulated depreciation	(162,452,417)	(4,785,157)	162,799	(167,074,775)
Total capital assets being depreciated, net of accumulated depreciation	<u>125,742,183</u>	<u>(2,095,379)</u>	<u>-</u>	<u>123,646,804</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 151,787,909</u>	<u>\$ 14,981,443</u>	<u>\$ (1,171,087)</u>	<u>\$ 165,598,265</u>

Depreciation expense for governmental activities for the year ended June 30, 2017 was charged to governmental functions as follows:

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 83,217
Vocational Instruction	11,845
Other Instruction	10,529
Pupil Services	14,974
Instructional Staff Services	29,611
General Admin	42,526
Community Service	5,615
Other Support	60,990
Depreciation not charged to a specific function	<u>4,525,850</u>
	<u>\$ 4,785,157</u>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 7 - 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, 2017 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes, due September 8, 2016	\$ 77,500,000	\$ -	\$ 77,500,000	\$ -
Tax anticipation notes, due September 7, 2017	-	79,000,000	-	79,000,000
<b>Totals</b>	<b>\$ 77,500,000</b>	<b>\$ 79,000,000</b>	<b>\$ 77,500,000</b>	<b>\$ 79,000,000</b>

**NOTE 8 - LONG-TERM OBLIGATIONS**

Long-term obligations of the District are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Notes and loans	47,108,387	2,055,000	5,180,100	43,983,287	4,938,716
Bonds	46,055,000	-	4,915,000	41,140,000	5,165,000
Unamortized premium/discount	2,131,905	-	326,829	1,805,076	326,829
<b>Total general obligation debt</b>	<b>95,295,292</b>	<b>2,055,000</b>	<b>10,421,929</b>	<b>86,928,363</b>	<b>10,430,545</b>
Capital Leases	221,920	-	221,920	-	-
Vested employee benefits	80,245,013	7,199,384	4,532,465	82,911,932	5,020,812
<b>Totals</b>	<b>\$ 175,762,225</b>	<b>\$ 9,254,384</b>	<b>\$ 15,176,314</b>	<b>\$ 169,840,295</b>	<b>\$ 15,451,357</b>

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.

Details of the vested employee benefits are shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Sick leave liability					
Currently active employees	\$ 47,938,283	\$ 896,446	\$ -	\$ 48,834,729	\$ 488,347
Retirees	32,306,730	6,302,938	4,532,465	34,077,203	4,532,465
<b>Totals</b>	<b>\$ 80,245,013</b>	<b>\$ 7,199,384</b>	<b>\$ 4,532,465</b>	<b>\$ 82,911,932</b>	<b>\$ 5,020,812</b>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 8 - LONG-TERM OBLIGATIONS** (Continued)

All general obligation debt is secured by the full faith, credit, and unlimited taxing powers of the District. General obligation debt at June 30, 2017, is comprised of the following individual issues:

Description	Issue Dates	Average Interest Rate	Date of Maturity	Balance 6/30/2017
Bonds Payable	3/15/2007	3.95%	9/1/2026	\$ -
Bonds Payable	10/23/2009	2.28%	10/1/2020	4,925,000
Bonds Payable	3/26/2010	5.08%	3/1/2020	5,935,000
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	15,685,000
Energy Efficiency Note Payable	12/17/2012	1.98%	9/1/2022	5,585,000
State Trust Fund Loan	6/20/2015	3.00%	3/15/2020	257,502
Note Payable	8/10/2015	2.00%	3/1/2025	34,680,000
Bonds Payable	8/15/2015	2.28%	3/1/2026	11,825,000
State Trust Fund Loan	12/20/2015	3.00%	3/15/2020	325,785
Promissory Notes	11/1/2016	variable	3/1/2022	2,055,000
				\$ 85,123,287

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt on June 30, 2017, follow:

Year ended June 30,	Principal	Interest	Totals
2018	10,103,716	2,607,338	12,711,054
2019	10,504,378	2,289,201	12,793,579
2020	10,450,193	1,935,899	12,386,092
2021	10,205,000	1,558,126	11,763,126
2022	11,465,000	1,266,925	12,731,925
2023-2027	29,625,000	2,330,375	31,955,375
2028-2032	2,770,000	498,600	3,268,600
	\$ 85,123,287	\$ 12,486,464	\$ 97,609,751

Total long-term debt interest paid and expended (including accrual) for the year ended June 30, 2017 was \$2,930,193 and \$2,830,084, respectively.

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$25,062,825,827. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$25,062,825,087)	\$ 2,506,282,509
GO debt outstanding	85,123,287
Margin of Indebtedness	\$ 2,421,159,222

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS**

**General Information about the Pension Plan**

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

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

*Benefits provided.* Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category. Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)**

*Contributions.* Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$14,353,971 in contributions from the employer. Contributions rates as of June 30, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At June 30, 2017, Madison Metropolitan School District reported a liability of \$12,577,337 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. The District reported a deferred outflow of \$13,150,093 for changes in assumptions between the actuarial valuation date and the measurement date. Madison Metropolitan School District's proportion of the net pension liability was based on Madison Metropolitan School District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, Madison Metropolitan School District's proportion was 1.52593372%, which was a decrease of 0.00534051% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, Madison Metropolitan School District recognized pension expense of \$31,995,870.

At June 30, 2017, Madison Metropolitan School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,795,740	\$ (39,554,638)
Changes in assumptions	13,150,093	-
Net differences between projected and actual earnings on pension plan investments	75,006,930	(12,400,931)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(988,786)
Employer contributions subsequent to the measurement date	9,778,578	-
<b>Total</b>	<b>\$ 102,731,341</b>	<b>\$ (52,944,355)</b>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS** (Continued)

\$14,353,386 reported as deferred outflows related to pension resulting from Madison Metropolitan School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 32,407,129	\$ (16,111,243)
2018	32,407,129	(16,111,243)
2019	27,107,156	(15,932,072)
2020	1,009,491	(4,789,370)
2021	21,858	(427)
	<u>\$ 92,952,763</u>	<u>\$ (52,944,355)</u>

*Actuarial assumptions.* The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

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



**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Destination Target Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	50%	45%	8.3%	5.4%
Fixed income	24.5	37	4.2	1.4
Inflation sensitive assets	15.5	20	4.3	1.5
Real estate	8	7	6.5	3.6
Private equity/debt	8	7	9.4	6.5
Multi-asset	4	4	6.6	3.7
<b>Total core fund</b>	<b>110%</b>	<b>120%</b>	<b>7.4%</b>	<b>4.5%</b>
<u>Variable Fund Asset Class</u>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30	30	8.5	5.6
<b>Total variable fund</b>	<b>100%</b>	<b>100%</b>	<b>7.9%</b>	<b>5.0%</b>

*Single Discount rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease to Discount Rate (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase to Discount Rate (8.2%)</u>
The District's proportionate share of net pension liability	\$ 165,462,934	\$ 12,577,337	\$ (105,151,498)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 10 - SELF-FUNDED INSURANCE PROGRAMS**

The District has established a self-funded dental benefit plan and a partially self-funded Worker's Compensation plan for its employees. The plan administrators are responsible for the approval, processing, and payment of claims, after which the plan administrator bills the District each week for reimbursement, or as needed.

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, 2017, the District reported a liability of \$977,369 for the dental plan which represents an estimate of reported and unreported claims which were incurred on or before June 30, 2017, 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.

At June 30, 2017, the District reported a liability of \$1,297,750 for the Workers Compensation plan which represents an estimate of reported and unreported claims which were incurred on or before June 30, 2017, 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.

For the dental plan, the amounts accrued were estimated by the District based on a monthly accrual rate per employee depending on single versus family coverage, and active versus retiree status. For Worker's Compensation the rate is calculated on our permanent salary total and prior loss experience. For both, claims incurred but not reported were estimated.

Reported claims and claims incurred but not reported:

	Beginning Balance	Contributions	Claims and Changes in Estimates	Ending Balance
Dental	\$ 817,913	4,704,174	4,544,718	\$ 977,369
Worker's Compensation	\$ -	1,698,365	400,615	\$ 1,297,750

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**Annual OPEB Cost and Net OPEB Obligation**

*Health Benefit.* 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. The Retiree Health Plan does not issue a publicly available financial report.

The District contributes 100% of the current year premiums on behalf of the retiree. For active employees, the District contributes between 90% and 98.75% of the current year premium, depending on employee group.

*Life Benefit.* The District administers a single-employer defined benefit life insurance plan. The plan provides life insurance for eligible retirees through the District's life insurance plan, which covers both active and retired members. Assets have been accumulated to prefund these benefits through a Premium Stabilization Fund Agreement with Epic Life Insurance Company, and are accounted for in the employee benefit trust fund. The Retiree Life Insurance Plan does not issue a publicly available financial report. Participants are eligible for life benefits at age 65. Employees who retire before age 65 are eligible for life benefits as long as they pay premiums until the age of 65.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11 - 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 thirty years using the level percentage of projected payroll method. The remaining amortization period at June 30, 2017 was 30 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.

	<u>Health Insurance</u>	<u>Life Insurance</u>
Annual required contribution	\$ 4,398,639	\$ 884,762
Interest on annual required contribution	502,997	97,984
Adjustment to annual required contribution	<u>(558,886)</u>	<u>(108,871)</u>
Annual OPEB Cost	4,342,750	873,875
Contributions made	<u>(1,571,000)</u>	<u>(507,000)</u>
Increase in Net OPEB Obligation	2,771,750	366,875
Net OPEB obligation, beginning of year	<u>16,766,566</u>	<u>3,266,123</u>
Net OPEB obligation, end of year	<u><u>\$ 19,538,316</u></u>	<u><u>\$ 3,632,998</u></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, 2017 and the 2 preceding years were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/2017	5,216,625	39.83%	23,171,314
6/30/2016	\$ 5,007,877	37.43%	\$ 20,032,689
6/30/2015	4,236,029	36.31%	13,905,197

**Funded Status and Funding Progress**

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for health benefits was \$35,351,189 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$35,351,189. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2014-15 fiscal year was \$231,824,815 for a ratio of the UAAL to covered payroll of 15.20%.

*Life Benefit Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for life benefits was \$20,002,486 and the actuarial value of assets was \$15,376,981 resulting in an unfunded actuarial accrued liability (UAAL) of \$4,625,505. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2014-15 fiscal year was \$165,578,000 for a ratio of the UAAL to covered payroll of 2.80%.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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 experience study performed by the Wisconsin Retirement System (WRS).

1. **Interest Discount Rate:** 3.00% compounded annually.
2. **Inflation:** 3.00%
3. **Wage inflation:** 3.00%
4. **Mortality:** Healthy-Retiree, Disabled-Retiree and Healthy Active rates used were from the WRS 2012-2014 experience study.
5. **Employee Turnover/Withdrawal:** Ten-year select and ultimate rates of WRS for General employees for all employees.
6. **Disablement:** WRS disability rates for General employees for all employees.
7. **Retirement:** WRS retirement rates for General employees for all employees.
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.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

10. **Age Difference of Active Employees and Spouses:** Spouses are assumed the same age as participants.
11. **Annual Medical Trend Rate Assumptions:** The following health care 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>
2016	5.20%
2017	6.20%
2018	6.90%
2019-2027	5.20%

12. **Participant Data:** The actuary relied on the following participant data as of May, 2016.

<u>Health Benefit Members</u>	<u>Average Count</u>	<u>Average Age</u>	<u>Service</u>
Active	4990	44.6	9.6
Retired	170	61.4	
<u>Life Benefit Members</u>	<u>Average Count</u>	<u>Age</u>	<u>Service</u>
Active	3,167	45.2	11.9
Retired	1,296	75.6	

**NOTE 12 - SUPPLEMENTAL PENSION**

*Plan Description.* Qualifying teachers and administrators are provided with a stipend/supplemental pension. The stipend is a single employer defined benefit pension plan administered by the District. There are no assets accumulated in a trust.

*Plan Membership:* At July 1, 2015, the date of the last actuarial valuation, there were approximately 3,597 active plan members and 266 inactive plan members currently receiving benefits.

*Benefits Provided.* Under the Teacher Emeritus Retirement Program (TERP), 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.

Under the Administrator's Retirement Plan (ARP), eligible administrators with over 12 years of service with the District receive a contribution to a tax sheltered annuity.

*Contributions.* Contributions are determined by an annual actuarial valuation. The actuarially determined contribution is comprised of the service cost plus the portion of the net pension liability to be amortized in the valuation year. The District is not contractually required to make a contribution to the Trust. During the reporting period, the District did not make any contributions.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 12 - SUPPLEMENTAL PENSION (Continued)**

**Changes in net supplemental pension liability**

Balance at 6/30/2016	\$	37,520,268
Changes for the year:		
Service cost		2,380,230
Interest on total pension liability		1,445,287
Effect of assumptions changes or inputs		2,520,637
Benefit payments		<u>(3,768,391)</u>
Net changes		<u>2,577,763</u>
Balance at 6/30/2017	\$	<u><u>40,098,031</u></u>

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

At June 30, 2017, the District reported a net pension liability of \$40,098,031. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. There have been no significant changes in assumptions or benefit terms between the valuation date and the measurement date.

For the year ended June 30, 2017, the District recognized pension expense of \$4,103,330. At June 30, 2017, the District reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	<u>\$ 2,242,824</u>	<u>\$ -</u>

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

Year ended June 30:

2017	\$	277,813
2018		277,813
2019		277,813
2020		277,813
2021		277,813
Thereafter		<u>853,759</u>
	\$	<u><u>2,242,824</u></u>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 12 - SUPPLEMENTAL PENSION (Continued)**

*Actuarial Assumptions.* The actuarial assumptions that determined the pension liability are based upon the results of an actuarial experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012 – 2014. The assumptions are detailed as follows:

Actuarial Valuation Date:	July 1, 2015
Measurement Date:	June 30, 2017
Reporting Date:	June 30, 2017
Actuarial Cost Method:	Entry age normal
Inflation:	2.5%
Salary increases including inflation:	Age Based
Discount Rate:	2.85%
Mortality Rate:	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA

*Discount Rate.* A discount rate of 2.85% was used to measure the total pension liability. This discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Index at June 30, 2017. For purposes of the discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this discount rate assumed that contributions will be made at the actuarially determined contribution. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate.* The following presents the District's net pension liability calculated using the discount rate of 2.85 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current rate:

	1% Decrease to Discount Rate (1.85%)	Current Discount Rate (2.85%)	1% Increase to Discount Rate (3.85%)
Net pension liability	\$ 42,864,533	\$ 40,098,031	\$ 37,448,069

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 13 - FUND BALANCES**

The components of the governmental fund balances are as follows:

<b>Non-Spendable</b>	
Prepays & Inventory	\$ 2,600,753
Endowment	363,018
Total Non Spendable	2,963,771
 <b>Restricted</b>	
Capital Projects	10,453,251
Food Service	1,279,614
Debt Service Retirement	2,206,688
Community Service	1,840,060
Special Revenue - Donation	1,994,724
Total Restricted	17,774,337
 <b>Committed</b>	
Bassett Funds	45,700
 <b>Assigned</b>	
Building maintenance	1,366,719
 <b>Unassigned</b>	
	43,441,284
 <b>Totals</b>	 \$ 65,591,811

**NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES**

The District has several legal cases that it is defending. Although the outcome of these lawsuits 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 15 - 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 16 - PRIOR PERIOD ADJUSTMENT**

The Government Accounting Standards Board (GASB) issued Statement No. 73, Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68. Under GASB 73, the District is required to disclose the net supplemental pension and related deferred inflows and outflows on the statement of net position. As a result, an adjustment of \$29,760,763, was made to decrease the June 30, 2016 net position of the Government Activities on the statement of activities based on the net supplemental pension liability and related deferred outflows of resources balances as of June 30, 2016.



**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 17 - SUBSEQUENT EVENTS**

Management evaluated subsequent events through November 15, 2017, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to November 15, 2017, that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2017.

**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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues</b>				
Property taxes	259,273,305	259,273,305	\$ 259,557,675	\$ 284,370
Other local sources	5,043,103	5,055,867	4,526,296	(529,571)
Interdistrict sources	2,428,184	2,428,184	2,738,327	310,143
Intermediate sources	135,156	129,490	103,655	(25,835)
State sources	92,643,383	92,727,789	93,407,417	679,628
Federal sources	21,203,461	21,988,972	19,672,321	(2,316,651)
Other sources	<u>557,944</u>	<u>577,550</u>	<u>637,626</u>	<u>60,076</u>
Total revenues	381,284,536	382,181,157	380,643,317	(1,537,840)
<b>Expenditures</b>				
Instruction:				
Regular instruction	148,038,007	148,213,808	144,507,301	3,706,507
Vocational instruction	4,214,870	4,193,717	4,240,381	(46,664)
Special instruction	55,752,907	55,863,540	54,692,164	1,171,376
Other instruction	<u>10,794,806</u>	<u>10,892,536</u>	<u>11,114,297</u>	<u>(221,761)</u>
Total instruction	218,800,590	219,163,601	214,554,143	4,609,458
Support services:				
Pupil services	26,662,977	26,775,039	26,629,581	145,458
Instructional staff services	27,697,693	28,133,686	26,197,336	1,936,350
General administration services	24,406,514	24,425,756	23,970,535	455,221
Building administration services	31,519,277	31,387,308	30,734,193	653,115
Pupil transportation	13,076,485	13,127,557	12,964,009	163,548
Principal and interest	785,473	785,473	817,327	(31,854)
Other support services	<u>23,429,905</u>	<u>23,536,087</u>	<u>23,039,573</u>	<u>496,514</u>
Total support services	147,578,324	148,170,906	144,352,554	3,818,352
Nonprogram	<u>13,620,704</u>	<u>13,557,718</u>	<u>13,503,864</u>	<u>53,854</u>
Total expenditures	<u>379,999,618</u>	<u>380,892,225</u>	<u>372,410,561</u>	<u>8,481,664</u>
Excess (deficiency) of revenues over expenditures	1,284,918	1,288,932	8,232,756	6,943,824
<b>Other financing sources (uses)</b>				
Operating Loan	2,055,000	2,055,000	2,055,000	-
Transfers in	60,082	56,068	-	(56,068)
Transfers out	<u>-</u>	<u>-</u>	<u>(41,225)</u>	<u>(41,225)</u>
<b>Net change in fund balance</b>	3,400,000	3,400,000	10,246,531	6,846,531
<b>Fund balance - beginning of year</b>	<u>37,509,647</u>	<u>37,509,647</u>	<u>37,509,647</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 40,909,647</u>	<u>\$ 40,909,647</u>	<u>\$ 47,756,178</u>	<u>\$ 6,846,531</u>

See accompanying notes to the required supplementary information.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS FOR RETIREE'S HEALTH PLAN**  
Year Ended June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued 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>
7/1/2012	-	\$ 37,592,110	\$ 37,592,110	0%	\$ 218,475,740	17.2%
7/1/2013	-	34,053,331	34,053,331	0%	225,454,153	15.1%
7/1/2015	-	35,351,189	35,351,189	0%	231,824,815	15.2%

**SCHEDULE OF FUNDING PROGRESS FOR LIFE INSURANCE PLAN**  
Year Ended June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued 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>
7/1/2015	\$ 15,376,981	\$ 20,002,486	\$ 4,625,505	77%	\$ 165,578,000	2.8%

See accompanying notes to the required supplementary information.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

	2016	2015	2014
The District's proportion of the net pension liability	1.525934%	1.531274%	1.519785%
The District's proportionate share of the net pension liability	\$ 12,577,337	\$ 24,885,909	\$ (37,330,073)
The District's covered-employee payroll	\$ 217,121,739	\$ 218,447,597	\$ 213,983,693
The District's proportionate share as a percentage of covered payroll	5.79%	11.39%	17.45%
Plan fiduciary net position as a percentage of the total pension liability	99.12%	98.20%	102.74%

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

**SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

	2016	2015	2014
Contractually required contributions	\$ 14,353,970	\$ 14,858,224	\$ 15,038,383
Contributions in relation to the contractually required contributions	\$ 14,353,970	\$ 14,858,224	\$ 15,038,383
The District's covered-employee payroll	\$ 217,121,739	\$ 218,447,597	\$ 213,983,693
Contributions as a percentage of covered-employee payroll	6.61%	6.80%	7.03%

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

See accompanying notes to the required supplementary information.

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**SCHEDULE OF NET SUPPLEMENTAL PENSION LIABILITY**  
Last 10 Fiscal Years\*

	2017
Net supplemental pension liability	\$ 40,098,031
The District's covered-employee payroll	N/A
Net supplemental pension liability as a percentage of covered-employee payroll	N/A

\*Amounts presented were determined as of a measurement date of 12 months prior to year end

**SCHEDULE OF CHANGES IN NET SUPPLEMENTAL PENSION LIABILITY**  
Last 10 Fiscal Years

	2017
<b>Beginning Balance</b>	<b>\$ 37,520,268</b>
<b>Changes for the year:</b>	
Service cost	2,380,230
Interest on total pension liability	1,445,287
Effect of assumptions changes or inputs	2,520,637
Benefit payments	(3,768,391)
	<u>2,577,763</u>
<b>Net changes</b>	<b>2,577,763</b>
<b>Ending Balance</b>	<b>\$ 40,098,031</b>

\*Amounts presented were determined as of a measurement date of 12 months prior to year end

See accompanying notes to the required supplementary information.

**MADISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

**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**

Function	Amount
Vocational instruction	\$ 46,664
Other instruction	221,761

**MADISON METROPOLITAN SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017**

**NOTE 4- FUNDING PROGRESS DATA**

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

The District is required to present information for the pension and other postemployment benefit plans for the three most recent actuarial studies. Duplicate information for intervening years is not repeated.

**NOTE 5 - NET PENSION LIABILITY AND CONTRIBUTIONS**

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

*Changes of assumptions.* There were no changes in the assumptions.

**NOTE 6 - NET SUPPLEMENTAL PENSION LIABILITY AND CONTRIBUTIONS**

*Changes of benefit terms.* There were no changes of benefit terms.

*Changes of assumptions.* There were no changes in the assumptions.

There are no assets accumulated in a trust.



**SUPPLEMENTARY INFORMATION**

**MADISON METROPOLITAN SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GENERAL FUND  
June 30, 2017**

	General Fund	Special Education Fund	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 101,656,348	\$ 150	\$ -	\$ 101,656,498
Receivables				
Taxes	51,187,324	-	-	51,187,324
Accounts	4,383,590	56,761	-	4,440,351
Due from other governments	7,235,143	-	-	7,235,143
Due from other funds	-	64,794	(64,794)	-
Inventories and prepaid items	2,539,457	-	-	2,539,457
<b>Total assets</b>	<u>\$ 167,001,862</u>	<u>\$ 121,705</u>	<u>\$ (64,794)</u>	<u>\$ 167,058,773</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Short-term note payable	\$ 79,000,000	\$ -	\$ -	\$ 79,000,000
Accounts payable	2,159,192	121,705	-	2,280,897
Payroll and related benefits payable	29,364,523	-	-	29,364,523
Interest and deposit payable	1,363,640	-	-	1,363,640
Due to other organizations	108,023	-	-	108,023
Unearned revenues	226,646	-	-	226,646
Due to other funds	7,023,660	-	(64,794)	6,958,866
<b>Total liabilities</b>	119,245,684	121,705	(64,794)	119,302,595
<b>Fund balances</b>				
Nonspendable				
Inventories and prepaid items	2,539,457	-	-	2,539,457
Endowment - Bassett Funds	363,018	-	-	363,018
Committed				
Designated - Bassett Funds	45,700	-	-	45,700
Assigned	1,366,719	-	-	1,366,719
Unassigned	43,441,284	-	-	43,441,284
<b>Total fund balances</b>	<u>47,756,178</u>	<u>-</u>	<u>-</u>	<u>47,756,178</u>
<b>Total liabilities and fund     balances</b>	<u>\$ 167,001,862</u>	<u>\$ 121,705</u>	<u>\$ (64,794)</u>	<u>\$ 167,058,773</u>

**MADISON METROPOLITAN SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 GENERAL FUND  
 For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 259,557,675	\$ -	\$ -	\$ 259,557,675
Other local sources	4,526,296	-	-	4,526,296
Interdistrict sources	2,686,288	52,039	-	2,738,327
Intermediate sources	103,655	-	-	103,655
State sources	73,804,911	19,602,506	-	93,407,417
Federal sources	14,244,066	5,428,255	-	19,672,321
Other sources	633,030	4,596	-	637,626
Total revenues	355,555,921	25,087,396	-	380,643,317
<b>Expenditures</b>				
Instruction				
Regular instruction	144,298,968	208,333	-	144,507,301
Vocational instruction	4,240,381	-	-	4,240,381
Special education instruction	422,821	54,269,343	-	54,692,164
Other instruction	11,114,297	-	-	11,114,297
Total instruction	160,076,467	54,477,676	-	214,554,143
Support services				
Pupil services	14,248,427	12,381,154	-	26,629,581
Instructional staff services	23,872,841	2,324,495	-	26,197,336
General administration services	23,878,535	92,000	-	23,970,535
Building administration services	30,657,108	77,085	-	30,734,193
Pupil transportation	9,069,923	3,894,086	-	12,964,009
Other support services	23,025,503	14,070	-	23,039,573
Total support services	124,752,337	18,782,890	-	143,535,227
Debt service	817,327	-	-	817,327
Nonprogram	13,281,010	222,854	-	13,503,864
Total expenditures	298,927,141	73,483,420	-	372,410,561
Excess (deficiency) of revenues over expenditures	56,628,780	(48,396,024)	-	8,232,756
<b>Other financing sources (uses)</b>				
Promissory note proceeds	2,055,000	-	-	2,055,000
Transfer in	163,841	48,559,865	(48,723,706)	-
Transfer out	(48,601,090)	(163,841)	48,723,706	(41,225)
<b>Net change in fund balances</b>	10,246,531	-	-	10,246,531
<b>Fund balances - beginning of year</b>	37,509,647	-	-	37,509,647
<b>Fund balances - end of year</b>	\$ 47,756,178	\$ -	\$ -	\$ 47,756,178

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 259,273,305	\$ 259,273,305	\$ 259,557,675	\$ 284,370
Other local sources	5,043,103	5,055,867	4,526,296	(529,571)
Interdistrict sources	2,428,184	2,428,184	2,686,288	258,104
Intermediate sources	135,156	129,490	103,655	(25,835)
State sources	73,683,289	73,767,695	73,804,911	37,216
Federal sources	14,694,944	14,981,981	14,244,066	(737,915)
Other sources	<u>557,944</u>	<u>577,550</u>	<u>633,030</u>	<u>55,480</u>
Total revenues	355,815,925	356,214,072	355,555,921	(658,151)
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	147,759,539	147,935,339	144,298,968	3,636,371
Vocational instruction	4,214,870	4,193,717	4,240,381	(46,664)
Special instruction	460,553	442,519	422,821	19,698
Other instruction	<u>10,794,806</u>	<u>10,892,536</u>	<u>11,114,297</u>	<u>(221,761)</u>
Total instruction	163,229,768	163,464,111	160,076,467	3,387,644
<b>Support services</b>				
Pupil services	14,805,349	14,896,914	14,248,427	648,487
Instructional staff services	24,483,993	24,776,625	23,872,841	903,784
General administration services	24,316,514	24,335,756	23,878,535	457,221
Building administration services	31,388,377	31,199,641	30,657,108	542,533
Pupil transportation	9,100,335	9,089,841	9,069,923	19,918
Principal and interest	785,473	785,473	817,327	(31,854)
Other support services	<u>23,024,955</u>	<u>23,131,137</u>	<u>23,025,503</u>	<u>105,634</u>
Total support services	127,904,996	128,215,387	125,569,664	2,645,723
Nonprogram	<u>13,463,704</u>	<u>13,313,103</u>	<u>13,281,010</u>	<u>32,093</u>
Total expenditures	<u>304,598,468</u>	<u>304,992,601</u>	<u>298,927,141</u>	<u>6,065,460</u>
Excess (deficiency) of revenues over expenditures	51,217,457	51,221,471	56,628,780	5,407,309
<b>Other financing sources (uses)</b>				
Promissory note proceeds	2,055,000	2,055,000	2,055,000	-
Transfers in	226,638	222,624	163,841	(58,783)
Transfers out	<u>(50,099,095)</u>	<u>(50,099,095)</u>	<u>(48,601,090)</u>	<u>1,498,005</u>
<b>Net change in fund balance</b>	3,400,000	3,400,000	10,246,531	6,846,531
<b>Fund balance - beginning of year</b>	<u>37,509,647</u>	<u>37,509,647</u>	<u>37,509,647</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 40,909,647</u>	<u>\$ 40,909,647</u>	<u>\$ 47,756,178</u>	<u>\$ 6,846,531</u>

**MADISON METROPOLITAN SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND  
BUDGET AND ACTUAL - BUDGETARY BASIS  
For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues</b>				
Interdistrict sources	\$ -	\$ -	\$ 52,039	\$ 52,039
State sources	18,960,094	18,960,094	19,602,506	642,412
Federal sources	6,508,517	7,006,991	5,428,255	(1,578,736)
Other sources	<u>-</u>	<u>-</u>	<u>4,596</u>	<u>4,596</u>
Total revenues	25,468,611	25,967,085	25,087,396	(879,689)
<b>Expenditures</b>				
Instruction				
Regular instruction	278,468	278,469	208,333	70,136
Special instruction	<u>55,292,354</u>	<u>55,421,021</u>	<u>54,269,343</u>	<u>1,151,678</u>
Total instruction	55,570,822	55,699,490	54,477,676	1,221,814
Support services				
Pupil services	11,857,628	11,878,125	12,381,154	(503,029)
Instructional staff services	3,213,700	3,357,061	2,324,495	1,032,566
General administration services	90,000	90,000	92,000	(2,000)
Building administration services	130,900	187,667	77,085	110,582
Pupil transportation	3,976,150	4,037,716	3,894,086	143,630
Other support services	<u>404,950</u>	<u>404,950</u>	<u>14,070</u>	<u>390,880</u>
Total support services	19,673,328	19,955,519	18,782,890	1,172,629
Nonprogram	<u>157,000</u>	<u>244,615</u>	<u>222,854</u>	<u>21,761</u>
Total expenditures	<u>75,401,150</u>	<u>75,899,624</u>	<u>73,483,420</u>	<u>2,416,204</u>
Excess (deficiency) of revenues over expenditures	(49,932,539)	(49,932,539)	(48,396,024)	1,536,515
<b>Other financing sources (uses)</b>				
Transfers out	(166,556)	(166,556)	(163,841)	2,715
Transfers in	<u>50,099,095</u>	<u>50,099,095</u>	<u>48,559,865</u>	<u>(1,539,230)</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance - beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MADISON METROPOLITAN SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue Funds</u>			<u>Total</u>
			<u>Special Revenue</u>	<u>Food Service</u>	<u>Community Service</u>	
<b>Assets</b>						
Cash and cash equivalents	\$ 2,203,453	\$ 10,578,704	\$ -	\$ -	\$ 26,634	\$ 12,808,791
Receivables	11,617	3,913	282,706	1,290,806	-	1,589,042
Due from other funds	-	2,839,789	1,873,367	330,947	1,917,044	6,961,147
Inventory	-	-	-	61,296	-	61,296
<b>Total assets</b>	<u>\$ 2,215,070</u>	<u>\$ 13,422,406</u>	<u>\$ 2,156,073</u>	<u>\$ 1,683,049</u>	<u>\$ 1,943,678</u>	<u>\$ 21,420,276</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 2,969,155	\$ 161,349	\$ 146,188	\$ 103,170	\$ 3,379,862
Due to other funds	8,382	-	-	-	-	8,382
Unearned revenues	-	-	-	195,951	448	196,399
<b>Total liabilities</b>	<u>8,382</u>	<u>2,969,155</u>	<u>161,349</u>	<u>342,139</u>	<u>103,618</u>	<u>3,584,643</u>
<b>Fund balances</b>						
Nonspendable	-	-	-	61,296	-	61,296
Restricted	<u>2,206,688</u>	<u>10,453,251</u>	<u>1,994,724</u>	<u>1,279,614</u>	<u>1,840,060</u>	<u>17,774,337</u>
<b>Total fund balances</b>	<u>2,206,688</u>	<u>10,453,251</u>	<u>1,994,724</u>	<u>1,340,910</u>	<u>1,840,060</u>	<u>17,835,633</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,215,070</u>	<u>\$ 13,422,406</u>	<u>\$ 2,156,073</u>	<u>\$ 1,683,049</u>	<u>\$ 1,943,678</u>	<u>\$ 21,420,276</u>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

	Debt Service	Capital Projects	Special Revenue Funds			Total
			Special Revenue	Food Service	Community Service	
<b>Revenues</b>						
Property taxes	\$ 12,086,568	\$ 4,000,000	\$ -	\$ -	\$ 11,802,150	\$ 27,888,718
Other local sources	19,532	102,570	3,341,923	1,911,013	3,642,222	9,017,260
State sources	-	-	-	176,982	-	176,982
Federal sources	-	-	-	8,676,458	1,246	8,677,704
Other sources	<u>145,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,952</u>	<u>158,839</u>
Total revenues	12,251,987	4,102,570	3,341,923	10,764,453	15,458,570	45,919,503
<b>Expenditures</b>						
Instruction						
Regular instruction	-	-	1,078,331	-	-	1,078,331
Vocational instruction	-	-	4,337	-	-	4,337
Other instruction	-	-	139,145	-	-	139,145
Total instruction	-	-	1,221,813	-	-	1,221,813
Support services						
Pupil services	-	-	452,660	-	-	452,660
Instructional staff services	-	-	829,607	-	-	829,607
General administration services	-	-	12,395	-	61,166	73,561
Building administration services	-	18,613,111	390,671	10,302,858	687,501	29,994,141
Transportation	-	-	86,485	-	-	86,485
Community services	-	-	-	-	12,672,592	12,672,592
Other support services	-	-	40,593	-	590,193	630,786
Total support services	-	18,613,111	1,812,411	10,302,858	14,011,452	44,739,832
Debt service	<u>13,018,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,018,785</u>
Total expenditures	<u>13,018,785</u>	<u>18,613,111</u>	<u>3,034,224</u>	<u>10,302,858</u>	<u>14,011,452</u>	<u>58,980,430</u>
Excess (deficiency) of revenues over expenditures	(766,798)	(14,510,541)	307,699	461,595	1,447,118	(13,060,927)
<b>Other financing sources (uses)</b>						
Transfer in	-	-	-	41,225	-	41,225
<b>Net change in fund balances</b>	<u>(766,798)</u>	<u>(14,510,541)</u>	<u>307,699</u>	<u>502,820</u>	<u>1,447,118</u>	<u>(13,019,702)</u>
<b>Fund balances - beginning of year</b>	<u>2,973,486</u>	<u>24,963,792</u>	<u>1,687,025</u>	<u>838,090</u>	<u>392,942</u>	<u>30,855,335</u>
<b>Fund balances - end of year</b>	<u>\$ 2,206,688</u>	<u>\$ 10,453,251</u>	<u>\$ 1,994,724</u>	<u>\$ 1,340,910</u>	<u>\$ 1,840,060</u>	<u>\$ 17,835,633</u>

**MADISON METROPOLITAN SCHOOL DISTRICT**  
**Supporting Schedule**  
**Charter School Authorizer Operating Costs by Object**  
**For the Year Ended June 30, 2017**

**Schedule by Object**

Employee Salaries	\$ 13,801
Employee Benefits	<u>3,382</u>
<b>Total authorizer operating costs</b>	<b><u><u>\$ 17,183</u></u></b>