

**MADISON METROPOLITAN
SCHOOL DISTRICT
Madison, Wisconsin**

**FINANCIAL STATEMENTS
June 30, 2018**

MADISON METROPOLITAN SCHOOL DISTRICT
Madison, Wisconsin

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
District-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	22
Notes to Financial Statements.....	23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund - Budget and Actual - Budgetary Basis	58
Schedule of Proportionate Share of Net Pension (Asset) Liability and Schedule of Contributions	59
Schedule of Supplemental Pension Liability and Schedule of Changes in Net Supplemental Pension Liability	60
Schedule of Changes in Net OPEB Liability and Related Ratios	61
Schedule of Total OPEB Liability and Schedule of Changes in Total OPEB Liability and Related Ratios	62
Notes to Required Supplementary Information	63
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - General Fund.....	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund.....	67
Budgetary Comparison Schedule for the General Fund - Budget and Actual - Budgetary Basis	68
Budgetary Comparison Schedule for the Special Education Fund - Budget and Actual - Budgetary Basis (Unaudited)	69
Combining Balance Sheet - Nonmajor Governmental Funds.....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	71
Charter School Operating Costs.....	72



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 the Madison Metropolitan School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Madison Metropolitan School 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.

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, 2018, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in the year ended June 30, 2018, the Madison Metropolitan School District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting changes as of the beginning of the year are reported in the statement of net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension (asset) liability and schedule of contributions, schedule of net supplemental pension liability and schedule of changes in net supplemental pension liability, schedule of changes in the net OPEB liability and related ratios, schedule of total OPEB liability and schedule of changes in total OPEB liability and related ratios, and notes to required supplementary information, as presented in the table of contents, 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, the combining nonmajor fund financial statements, and the charter school schedule of operating costs, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Madison Metropolitan School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison Metropolitan School District's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 16, 2018

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 operating fund's equity (General, Food Service, Capital Expansion, and Community Service) increased by \$5,246,683.
- As demonstrated in Note 8 the District maintains a margin of available indebtedness and has available \$2.628 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 assets* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges called *business-type activities*.
- The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets 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 15 to 16 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
For the Year Ended June 30, 2018

- The District has two kinds of funds: *governmental* and *fiduciary*. *Governmental funds* include the District's seven permanent funds (general, special revenue trust, special education, debt service, food service, community service, and cooperative funds) and individual capital project funds as needed. The *fiduciary funds* for the District serve as an agency fund for student organizations, a trust fund for retiree life insurance benefits, and a trust fund for scholarship funds.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund and the non-major funds. The general fund consists of the general operating fund and the special education fund. The non-major funds include the special revenue trust, debt service, capital project, food service, and community service funds. Data for the special revenue trust, debt service, capital project, food service, and community service funds is combined into a single, aggregated column. Data for each of these individual non-major funds is provided separately as supplementary information. The governmental fund financial statements are on pages 17 to 19 of this report.
- The District serves as a trustee, or *fiduciary*, for student organizations, the scholarship trust fund, and the retiree life insurance fund. The assets of these organizations do not directly benefit nor are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations. *Fiduciary* fund statements are presented on pages 21 to 22.
- The District adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided to demonstrate budget compliance. The budgetary comparison statements are on pages 68 to 69 of this report.

Notes to the financial statements

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23 to 56 of this report.

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

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

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018 and 2017.

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Assets and deferred outflows		
Assets	\$ 384,222,159	\$ 347,110,066
Deferred Outflows of Resources	126,221,918	105,470,535
	510,444,077	452,580,601
Liabilities and deferred inflows		
Liabilities	315,946,916	362,930,602
Deferred Inflows of Resources	148,041,165	52,944,354
	463,988,081	415,874,956
Net position		
Net investment in capital assets	112,345,875	108,329,332
Restricted:		
Bassett Funds	363,263	363,018
Debt service	2,047,508	1,379,422
Capital projects	1,374,064	10,453,251
Community service	2,329,544	1,840,060
Donations	1,951,706	1,994,724
Child Nutrition	1,685,595	1,340,910
WRS Pension	31,728,612	37,209,651
Unrestricted	(107,370,171)	(126,204,723)
Total Net position	\$ 46,455,996	\$ 36,705,645

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

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

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Change in net assets. Table 2 shows the changes in net assets for the fiscal years 2018 and 2017.

Table 2

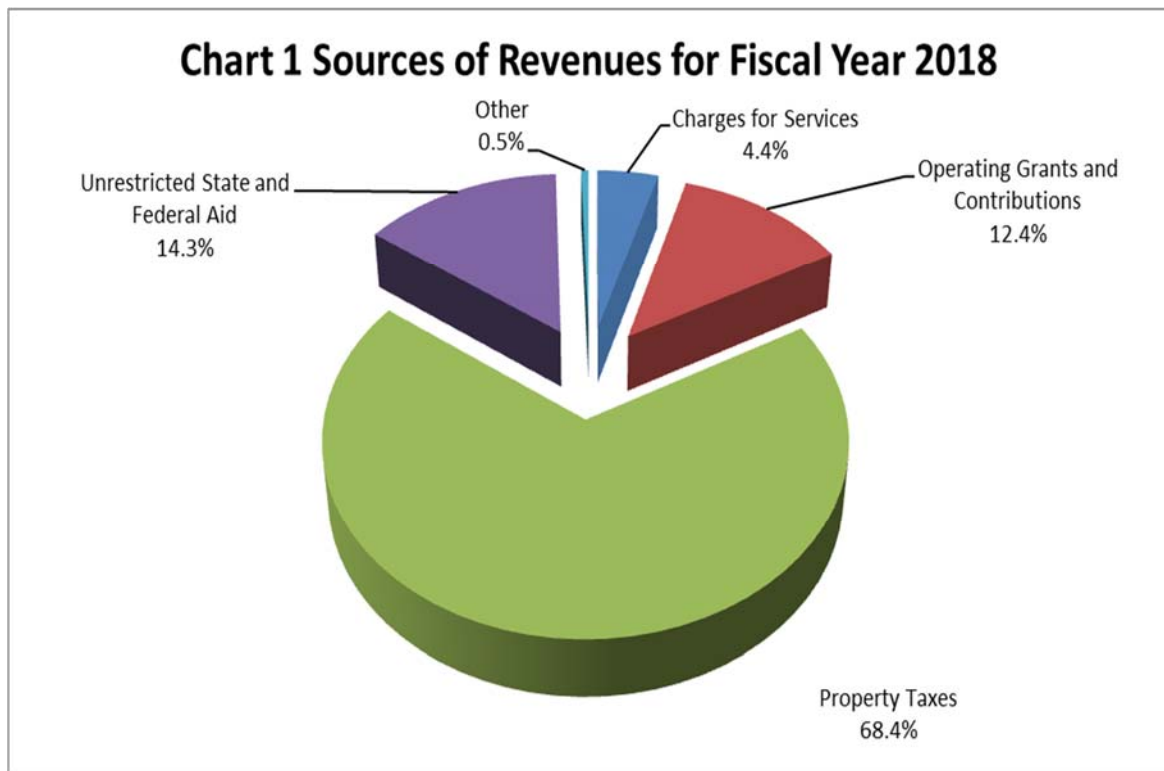
	Total School District	
	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues		
Charges for services	\$ 19,107,157	\$ 18,230,830
Operating grants and contributions	54,026,355	56,865,474
General revenues		
Property taxes		
General purposes	268,909,257	259,557,675
Debt service	12,462,341	12,086,568
Capital projects	5,000,000	4,000,000
Community service	11,234,489	11,802,150
State and federal aids not restricted to specific functions	62,267,471	63,053,884
Interest and investment earnings	1,363,104	714,893
Miscellaneous	1,020,295	251,346
Total revenues	435,390,469	426,562,820
Expenses		
Instruction	222,268,329	215,875,387
Support services	187,723,037	201,059,265
Nonprogram	13,116,492	13,503,864
Total expenses	423,107,858	430,438,516
Change in net position	12,282,611	(3,875,696)
Net position, beginning of year, as restated	34,173,385	40,581,341
Net position, end of year	\$ 46,455,996	\$ 36,705,645

*** 2018 beginning net position was restated due to a prior period adjustment for GASB changes under Statements 74 and 75.**

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Revenues

- As shown, general state aid and general federal aid provide about 14.3% of the funding for governmental activities. In addition, the District relies on property taxes for 68.4% 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 16.8% of the total revenues.

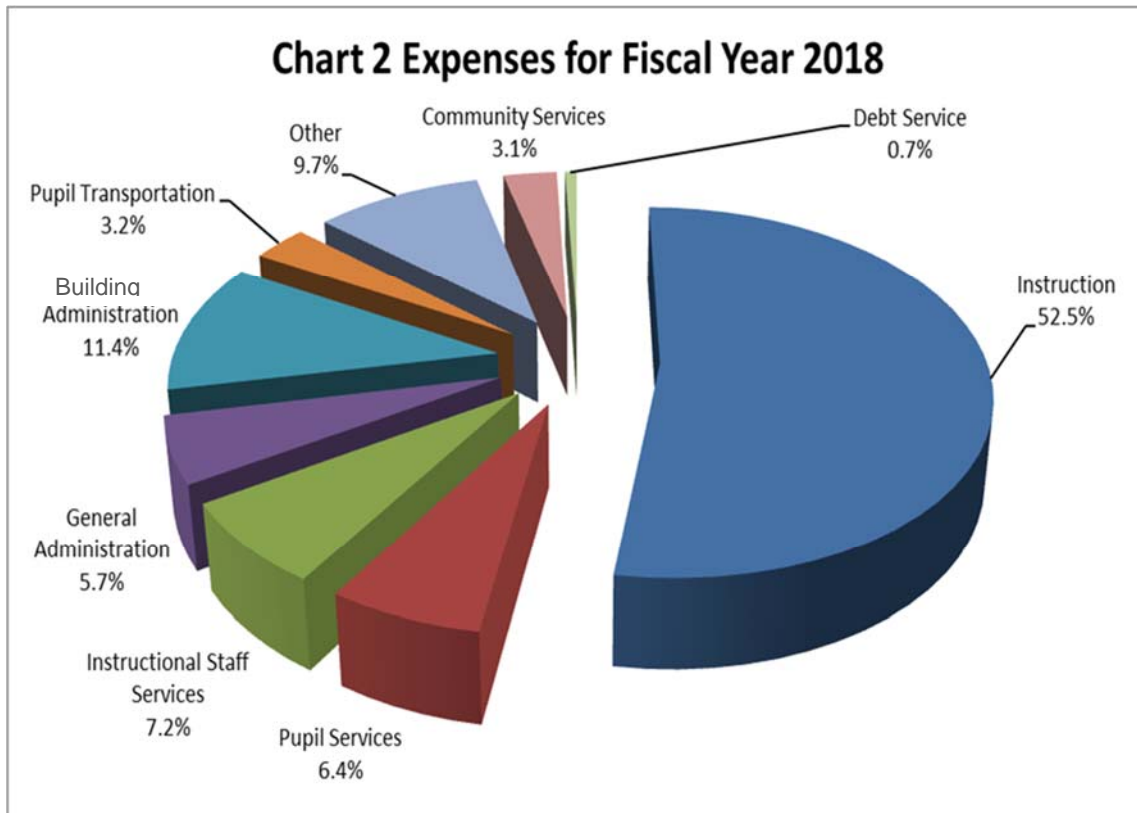


Expenses

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

- Expenses by major function are illustrated in Chart 2.

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018



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, 2018

Functions/Programs	2018 Net Cost of Services	2017 Net Cost of Services
Total instruction	\$ 182,190,696	\$ 176,962,899
Pupil services	21,031,602	17,529,430
Instructional staff services	21,878,865	18,191,211
General administration services	23,413,568	23,823,021
Building administration services	36,089,378	30,884,644
Pupil transportation services	12,014,669	11,471,874
Other support services	22,746,274	46,387,177
Community services	9,479,416	8,970,088
Debt service	2,922,771	3,092,154
Depreciation-unallocated	5,090,615	4,525,850
Non-program	13,116,492	13,503,864
Total governmental activities	\$ 349,974,346	\$ 355,342,212

MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Governmental Funds

The District completed the year with a total governmental fund balance of \$62,817,145.

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, 2018

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable			
Inventories and prepaid items	\$ 1,047,653	\$ 148,896	\$ 1,196,549
Endowment - Bassett Funds	363,263	-	363,263
Restricted			
Capital Projects	-	2,047,508	2,047,508
Food Service	-	1,536,699	1,536,699
Debt Service Retirement	-	2,123,117	2,123,117
Community Service	-	1,951,706	1,951,706
Special Revenue - Donation	-	2,329,544	2,329,544
Unspent Common School Funds	142,652	-	142,652
Committed			
Bassett Funds	50,343	-	50,343
Assigned			
Encumbrances	1,581,300	-	1,581,300
Unassigned	49,494,464	-	49,494,464
Totals	<u>\$ 52,679,675</u>	<u>\$ 10,137,470</u>	<u>\$ 62,817,145</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

General Fund Budget

- The District approves an interim budget in June for the subsequent year (beginning July 1st). Consistent with current state statutes and regulations, a final budget is adopted in October. In October, following determination of official enrollment and certification of general state aids, the budget is adjusted. The District monitored and adjusted its original 2017-18 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2018 fiscal year, the District had invested \$345,071,067 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 \$172,587,701 for governmental activities.

**Table 5
Capital Assets
June 30, 2018**

	Governmental Activities		% Change
	<u>2018</u>	<u>2017</u>	<u>2018-17</u>
Land and construction in progress	\$ 24,331,620	\$ 41,951,461	(42.00)%
Buildings and building improvements	295,385,758	267,596,831	10.38%
Furniture and equipment	25,353,689	23,124,748	9.64%
Less accumulated depreciation	(172,587,701)	(167,074,775)	3.30%
	\$ 172,483,366	\$ 165,598,265	4.16%

Long-Term Debt and Obligations

At year-end, the District had \$210,894,047 in general obligation bonds and other long-term debt of which \$15,759,967 is due within one year of the close date of June 30, 2018 (see Table 6).

**MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

**Table 6
Long Term Debt**

	Balance 2018	Balance 2017	Due Within One Year	Noncurrent Liabilities
Notes and loans	\$ 41,562,521	\$ 43,983,287	\$ 5,196,445	\$ 36,366,076
Bonds	35,975,000	41,140,000	5,415,000	30,560,000
Deferred amounts for premium/discount	1,919,970	2,301,445	326,829	1,593,141
Total general obligation debt	79,457,491	87,424,732	10,938,274	68,519,217
Capital leases			-	-
Net supplemental pension liability*	31,760,609	40,098,031	-	31,760,609
Net OPEB obligation*	23,453,741	22,945,588	-	23,453,741
Vested employee benefits	76,222,206	82,911,932	4,821,693	71,400,513
Totals	\$ 210,894,047	\$ 233,380,283	\$ 15,759,967	\$ 195,134,080

*Postemployment benefits included as long-term debt as of 2017-18

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- **Elementary Capacity** Many of MMSD's elementary schools are operating at or near full capacity. Program changes, such as the addition of four-year old kindergarten, along with the reduction of 'mixed grade' classes in favor of 'straight grade' classes, have accounted for much of MMSD's available elementary capacity. MMSD will need to carefully monitor enrollment trends and elementary school capacities as part of a long-term facilities planning effort.
- **Revenue Limits** The District operates under a state mandated revenue limit. Revenue limit increases are expected to be in the 1-2% range for the next two years. The District must be very disciplined concerning spending priorities to operate within the revenue limit.
- **Shared Costs** The District is attempting to stabilize it's expenditures to avoid significant swings in general aid under the state funding formula. This goal helps mitigate the effect on the local tax levy.
- **General Fund Balance** The General Fund Balance stands at \$52,679,675, or 14.57% 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.
- **Independent 2x Charter Schools** State statutes now allows for the University of Wisconsin to approve school charters that are not part of the district. This legislation likely will contribute to slight enrollment decreases over time.

**MADISON METROPOLITAN SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

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:

Kelly Ruppel, Chief Financial Officer
Madison Metropolitan School District
545 West Dayton Street
Madison, WI 53703

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 101,207,098
Receivables	
Taxes	52,936,280
Accounts	2,847,030
Due from other governments	8,934,004
Inventories and prepaid items	1,196,549
Net pension asset	44,617,832
Capital assets not being depreciated	24,331,620
Capital assets being depreciated, net of depreciation	148,151,746
Total assets	384,222,159
Deferred outflows of resources	
Loss on Refinancing	441,723
Related to net pension	123,311,651
Related to supplemental pension	1,965,011
Related to OPEB liability	503,533
Total deferred outflows of resources	126,221,918
Liabilities	
Short-term notes payable	72,000,000
Accounts payable	3,338,274
Payroll and related benefits payable	27,485,591
Interest payable	1,951,501
Unearned revenue	277,503
Long term obligations	
Due within one year	15,759,967
Due in more than one year	195,134,080
Total liabilities	315,946,916
Deferred inflows of resources	
Related to net pension	136,200,871
Related to supplemental pension	7,830,551
Related to OPEB liability	4,009,743
Total deferred inflows of resources	148,041,165
Net position	
Net investment in capital assets	112,345,875
Restricted for	
Endowment - Bassett Fund	363,263
Capital projects	2,047,508
Debt service	1,374,064
Donations	2,329,544
Community Service	1,951,706
Child Nutrition	1,685,595
Net pension	31,728,612
Unrestricted (deficit)	(107,370,171)
Total net position	\$ 46,455,996

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
Instruction				
Regular instruction	150,571,255	8,787,520	12,776,728	(129,007,007)
Vocational instruction	3,958,843	43,251	326,701	(3,588,891)
Special education instruction	56,374,892	189,534	16,713,323	(39,472,035)
Other instruction	<u>11,363,339</u>	<u>1,240,576</u>	<u>-</u>	<u>(10,122,763)</u>
Total instruction	<u>222,268,329</u>	<u>10,260,881</u>	<u>29,816,752</u>	<u>(182,190,696)</u>
Support services				
Pupil services	27,063,090	720,830	5,310,658	(21,031,602)
Instructional staff services	30,323,142	908,971	7,535,306	(21,878,865)
General administration services	24,256,666	31,956	811,142	(23,413,568)
Building administration services	48,276,314	3,140,795	9,046,141	(36,089,378)
Pupil transportation services	13,607,424	140,525	1,452,230	(12,014,669)
Other support services	22,966,294	199,648	20,372	(22,746,274)
Community services	13,216,721	3,703,551	33,754	(9,479,416)
Interest on long-term debt	2,922,771	-	-	(2,922,771)
Depreciation-unallocated	<u>5,090,615</u>	<u>-</u>	<u>-</u>	<u>(5,090,615)</u>
Total support services	<u>187,723,037</u>	<u>8,846,276</u>	<u>24,209,603</u>	<u>(154,667,158)</u>
Nonprogram	<u>13,116,492</u>	<u>-</u>	<u>-</u>	<u>(13,116,492)</u>
Total governmental activities	<u>423,107,858</u>	<u>19,107,157</u>	<u>54,026,355</u>	<u>(349,974,346)</u>
General revenues				
Property taxes:				
General purposes				268,909,257
Debt service				12,462,341
Capital projects				5,000,000
Community service				11,234,489
State and federal aids not restricted to specific functions				62,267,471
Interest and investment earnings				1,363,104
Miscellaneous				<u>1,020,295</u>
Change in net position				12,282,611
Net position - beginning of year, as restated				<u>34,173,385</u>
Net position - end of year				<u>\$ 46,455,996</u>

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 99,065,436	\$ 2,141,662	\$ 101,207,098
Receivables			
Taxes	52,936,280	-	52,936,280
Accounts	1,125,523	1,721,507	2,847,030
Due from other governments	8,934,004	-	8,934,004
Due from other funds	-	7,083,191	7,083,191
Inventories and prepaid items	1,047,653	148,896	1,196,549
Total assets	<u>\$ 163,108,896</u>	<u>\$ 11,095,256</u>	<u>\$ 174,204,152</u>
Liabilities and fund balances			
Liabilities			
Short-term note payable	\$ 72,000,000	\$ -	\$ 72,000,000
Accounts payable	2,495,333	734,577	3,229,910
Payroll and related benefits payable	27,485,591	-	27,485,591
Interest and deposit payable	1,202,448	-	1,202,448
Due to other organizations	108,364	-	108,364
Unearned revenue	54,294	223,209	277,503
Due to other funds	7,083,191	-	7,083,191
Total liabilities	<u>110,429,221</u>	<u>957,786</u>	<u>111,387,007</u>
Fund balances			
Nonspendable	1,410,916	148,896	1,559,812
Restricted	142,652	9,988,574	10,131,226
Committed	50,343	-	50,343
Assigned	1,581,300	-	1,581,300
Unassigned	49,494,464	-	49,494,464
Total fund balances	<u>52,679,675</u>	<u>10,137,470</u>	<u>62,817,145</u>
Total liabilities and fund balances	<u>\$ 163,108,896</u>	<u>\$ 11,095,256</u>	<u>\$ 174,204,152</u>

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

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:

Total fund balance	\$	62,817,145
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		345,071,067
Governmental accumulated depreciation		<u>(172,587,701)</u>
		172,483,366
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		44,617,832
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		(77,537,521)
Premium on general obligation debt		(1,919,970)
Loss on refinancing		441,723
Net supplemental pension liability		(31,760,609)
Net OPEB obligation		(23,453,741)
Deferred outflows related to WRS pension		123,311,651
Deferred outflows related to supplemental pension		1,965,011
Deferred outflows related to OPEB		503,533
Deferred inflows related to WRS pension		(136,200,871)
Deferred inflows related to supplemental pension		(7,830,551)
Deferred inflows related to OPEB		(4,009,743)
Accrued interest on general obligation debt		(749,053)
Vested employee benefits		<u>(76,222,206)</u>
		<u>(233,462,347)</u>
Total net position - governmental activities	\$	<u>46,455,996</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, 2018

	General Fund	Nonmajor Governmental Funds	Total
Revenues			
Property taxes	\$ 268,909,257	\$ 28,696,830	\$ 297,606,087
Other local sources	5,661,798	8,818,549	14,480,347
Interdistrict sources	3,321,477	-	3,321,477
Intermediate sources	93,979	-	93,979
State sources	91,607,249	178,038	91,785,287
Federal sources	17,918,755	8,716,219	26,634,974
Other sources	1,314,186	155,163	1,469,349
Total revenues	<u>388,826,701</u>	<u>46,564,799</u>	<u>435,391,500</u>
Expenditures			
Instruction			
Regular instruction	149,488,242	992,722	150,480,964
Vocational instruction	3,936,119	7,307	3,943,426
Special education instruction	56,374,892	-	56,374,892
Other instruction	11,186,486	163,148	11,349,634
Total instruction	<u>220,985,739</u>	<u>1,163,177</u>	<u>222,148,916</u>
Support services			
Pupil services	26,698,284	345,315	27,043,599
Instructional staff services	29,661,812	628,974	30,290,786
General administration services	24,120,222	81,091	24,201,313
Building administration services	33,197,899	25,615,889	58,813,788
Pupil transportation	13,499,797	107,627	13,607,424
Community services	-	13,490,469	13,490,469
Other support services	23,917,835	621,966	24,539,801
Total support services	151,095,849	40,891,331	191,987,180
Nonprogram	13,116,492	-	13,116,492
Debt service	673,258	12,758,270	13,431,528
Total expenditures	<u>385,871,338</u>	<u>54,812,778</u>	<u>440,684,116</u>
Excess (deficiency) of revenues over expenditures	2,955,363	(8,247,979)	(5,292,616)
Note proceeds	2,055,000	462,950	2,517,950
Transfers in (out)	(86,866)	86,866	-
Net change in fund balances	4,923,497	(7,698,163)	(2,774,666)
Fund balances - beginning of year	<u>47,756,178</u>	<u>17,835,633</u>	<u>65,591,811</u>
Fund balances - end of year	<u>\$ 52,679,675</u>	<u>\$ 10,137,470</u>	<u>\$ 62,817,145</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, 2018**

Net change in fund balances - total governmental funds		(2,774,666)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	\$ 12,474,109	
Depreciation expense reported in the statement of activities	<u>(5,587,978)</u>	
Amount by which capital outlays is greater than depreciation		6,886,131
The District disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss and has no effect on the governmental fund balance sheet:		
The value of capital assets disposed of during the year was	(76,082)	
The amount of depreciation recapture for the year was	<u>75,052</u>	
Loss on the value of assets net of recaptured depreciation		(1,030)
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	15,092,997	
WRS Pension benefits earned in current year	<u>(20,574,034)</u>	
Amounts earned are more than amounts paid		(5,481,037)
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		10,103,716
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		(2,517,950)
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		381,475
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		
Pension benefits funded in current year	3,744,857	
Pension benefits earned in current year	<u>(3,515,799)</u>	
Amounts earned are less than amounts paid		229,058
Other postemployment benefits (OPEB) are reported in the government funds when funded by the District		
The statement of activities reports the OPEB expense when earned by employees		
OPEB funded in current year	1,347,836	
OPEB earned in current year	<u>(2,604,213)</u>	
Amounts earned are more than amounts paid		(1,256,377)
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	4,396,699	
Special termination benefits earned in current year	<u>(4,042,248)</u>	
Amounts earned are less than amounts paid		354,451
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 smaller in the current year		6,335,275
Long-term losses on refinancing are reported in governmental funds as other sources and debt service, respectively, but should be amortized over the life of the debt in the statement of activities.		
Adjustment to current year amortization of the loss on refinancing		(54,646)
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	2,654,553	
The amount of interest accrued during the current period	<u>(2,576,342)</u>	
Interest paid is more than interest accrued by		78,211
Change in net position - governmental activities	\$ 12,282,611	

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018**

	<u>Scholarship Trust</u>	<u>Employee Benefit Trust</u>	<u>Agency Fund</u>
Assets			
Cash and cash equivalents	<u>\$ 591,125</u>	<u>\$ 16,965,802</u>	<u>\$ 808,123</u>
Liabilities			
Due to student organizations	<u>-</u>	<u>-</u>	<u>\$ 808,123</u>
Net position			
Restricted	<u>\$ 591,125</u>	<u>\$ 16,965,802</u>	

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018**

	<u>Scholarship Trust</u>	<u>Employee Benefit Trust</u>
Additions		
Contributions	\$ 97,843	\$ 637,149
Interest income	<u>5,871</u>	<u>329,615</u>
Total additions	103,714	966,764
Deductions		
Scholarships and awards paid	120,592	-
Other postemployment benefits	<u>-</u>	<u>299,750</u>
Total deductions	<u>120,592</u>	<u>299,750</u>
Change in net position	(16,878)	667,014
Net position - beginning of year	<u>608,003</u>	<u>16,298,788</u>
Net position - end of year	<u>\$ 591,125</u>	<u>\$ 16,965,802</u>

See accompanying notes.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2017, The District implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. GASB Statement No. 75 defines the net OPEB liability as the difference between the total OPEB liability and the value of the assets set aside to pay benefits. A description of the postemployment benefit plans and the impact on the financial statements of the District is provided on page 49.

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 preK through 12 and is comprised of all or parts of ten taxing districts.

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

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

District-wide Statements

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

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

Fund Financial Statements

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

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

- a. Total assets, 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.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

The District reports the following major governmental fund:

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

The District reports the following nonmajor governmental funds:

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

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

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

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

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

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.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS & BASIS OF ACCOUNTING

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

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

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

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

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

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

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 31st, and a final payment no later than the following July 31st. The District is paid, by the collecting municipality, its proportionate share of tax collections received through the last day of the preceding month on or before January 15th, and by the 20th of each subsequent month thereafter. On or before August 20th, the county treasurer makes full settlement to the District for any remaining balance. The county assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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. The District reports deferred outflows related to net pension, supplemental pension, and OPEB.

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 reports deferred inflows related to net pension, supplemental pension, and OPEB.

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 FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EQUITY CLASSIFICATIONS

Net Position

On the district-wide financial statements, net position represents 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 FINANCIAL STATEMENTS
June 30, 2018

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, 2018, there were 1,383 participants and expenditures on a pay-as-you-go basis were \$4,396,699. The District’s sick leave liability at June 30, 2018 was \$76,222,206, which represents \$42,499,454 for currently active employees and \$33,722,752 for retirees.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. PENSION

Wisconsin Retirement System

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

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, 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.

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

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 FINANCIAL STATEMENTS
June 30, 2018

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

For the Year Ended June 30, 2018	Total Governmental Funds	Long -Term Revenues/ Expenses	Capital Related Items	Long -Term Debt Transactions	Statement of Activities Total
Revenues:					
Property taxes	\$ 297,606,087	\$ -	\$ -	\$ -	\$ 297,606,087
Other local sources	14,480,347	-	-	-	14,480,347
Intermediate sources	3,321,477	-	-	-	3,321,477
Interdistrict sources	93,979	-	-	-	93,979
State sources	91,785,287	-	-	-	91,785,287
Federal sources	26,634,974	-	-	-	26,634,974
Other sources	1,469,349	-	-	-	1,469,349
Loss on disposal of assets	-	-	(1,030)	-	(1,030)
Total revenues	435,391,500	-	(1,030)	-	435,390,470
Expenditures					
Instruction:					
Regular instruction	150,480,964	-	90,291	-	150,571,255
Vocational instruction	3,943,426	-	15,417	-	3,958,843
Special instruction	56,374,892	-	-	-	56,374,892
Other instruction	11,349,634	-	13,705	-	11,363,339
Total instruction	222,148,916	-	119,413	-	222,268,329
Support Services:					
Pupil services	27,043,599	-	19,491	-	27,063,090
Instructional staff services	30,290,786	-	32,356	-	30,323,142
General administration services	24,201,313	-	55,353	-	24,256,666
Building administration services	58,813,788	-	(10,537,474)	-	48,276,314
Pupil transportation	13,607,424	-	-	-	13,607,424
Other support services	24,539,801	(181,370)	(1,392,137)	-	22,966,294
Community services	13,490,469	-	(273,748)	-	13,216,721
Depreciation-Unallocated	-	-	5,090,615	-	5,090,615
Total support services	191,987,180	(181,370)	(7,005,544)	-	184,800,266
Non-program	13,116,492	-	-	-	13,116,492
Debt Service	13,431,528	-	-	(10,508,756)	2,922,772
Total expenditures	440,684,116	(181,370)	(6,886,131)	(10,508,756)	423,107,859
Other financing sources (uses):					
Proceeds from Debt	2,517,950	-	-	(2,517,950)	-
Net Change for Year	\$ (2,774,666)	\$ 181,370	\$ 6,885,101	\$ 7,990,806	\$ 12,282,611

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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	17,136,912	17,136,912	Custodial
Certificates of deposit	44,987	44,987	Custodial
Total Deposits	<u>17,181,899</u>	<u>17,181,899</u>	
Wisconsin Local Government Investment Pool	7,283	7,283	Interest rate and credit
City of Madison Investment Pool	95,359,365	95,359,365	Interest rate and credit
Wisconsin Investment Cooperative	7,020,151	12,071,798	Interest rate and credit
	<u>102,386,799</u>	<u>107,438,446</u>	
 Total cash and cash equivalents	 <u>\$ 119,572,148</u>		
Reconciliation to the Financial Statements			
Per Statement of Net Position	\$ 101,207,098		
Per Statement of Fiduciary Net Position			
Scholarship Trust	591,125		
Employee Benefit Trust	16,965,802		
Agency Fund	808,123		
	<u>808,123</u>		
 Total cash and cash equivalents	 <u>\$ 119,572,148</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 FINANCIAL STATEMENTS
June 30, 2018

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, 2018, 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, 2018, 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 FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

As of June 30, 2018, \$4,703,251 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, 2018, the District's share of the WISC's assets was substantially equal to the amount reported on page 34. 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, 2018, the District's fair value of investments held at the City of Madison Investment Pool was substantially equal to the amount reported on page 34. 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, 2018 the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported on page 34.

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 FINANCIAL STATEMENTS
June 30, 2018**

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, 2018, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Trust Fund	General Fund	\$ 2,029,370
Capital Projects Fund	General Fund	2,534,661
Food Service Fund	General Fund	458,271
Community Service Fund	General Fund	2,060,889

Transfers between funds are as follows:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 39,116
General Fund	Debt Service Fund	47,749

The District transfers funds to the food service fund to cover prior years' unpaid student food service account balances. Additional funds were necessary to cover non-referendum debt interest costs.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions and Reclassifications	Removals	Ending Balance
Capital assets not being depreciated:				
Sites (land)	\$ 9,395,541	\$ 370,281	\$ -	\$ 9,765,822
Construction in progress	<u>32,555,920</u>	<u>8,270,820</u>	<u>(26,260,942)</u>	<u>14,565,798</u>
Total capital assets not being depreciated	41,951,461	8,641,101	(26,260,942)	24,331,620
Capital assets being depreciated:				
Site improvements	3,629,854	-	-	3,629,854
Buildings and building improvements	263,966,978	27,788,926	-	291,755,904
Furniture and equipment	<u>23,124,747</u>	<u>2,305,024</u>	<u>(76,082)</u>	<u>25,353,689</u>
Total capital assets being depreciated:	290,721,579	30,093,950	(76,082)	320,739,447
Less accumulated depreciation for:				
Site Improvements	(2,263,746)	(133,432)	-	(2,397,178)
Building & building improvements	(144,073,897)	(4,649,487)	-	(148,723,384)
Furniture and equipment	<u>(20,737,132)</u>	<u>(805,059)</u>	<u>75,052</u>	<u>(21,467,139)</u>
Total accumulated depreciation	(167,074,775)	(5,587,978)	75,052	(172,587,701)
Total capital assets being depreciated, net of accumulated depreciation	<u>123,646,804</u>	<u>24,505,972</u>	<u>(1,030)</u>	<u>148,151,746</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 165,598,265</u>	<u>\$ 33,147,073</u>	<u>\$ (26,261,972)</u>	<u>\$ 172,483,366</u>

Depreciation expense for governmental activities for the year ended June 30, 2018 was charged to governmental functions as follows:

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 90,291
Vocational Instruction	15,417
Other Instruction	13,705
Pupil Services	19,491
Instructional Staff Services	32,356
General Admin	55,353
Community Service	-
Other Support	270,750
Depreciation not charged to a specific function	<u>5,090,615</u>
	<u>\$ 5,587,978</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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. The notes carry an interest rate of 1.00%. Interest for the year ended June 30, 2018 was \$673,258. Short-term debt activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes, due September 7, 2017	\$ 79,000,000	\$ -	\$ 79,000,000	\$ -
Tax anticipation notes, due September 6, 2018	-	72,000,000	-	72,000,000
Totals	\$ 79,000,000	\$ 72,000,000	\$ 79,000,000	\$ 72,000,000

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	43,983,287	2,517,950	4,938,716	41,562,521	5,196,445
Bonds	41,140,000	-	5,165,000	35,975,000	5,415,000
Deferred amounts for premium/discount	2,301,445	-	381,475	1,919,970	326,829
Total general obligation debt	87,424,732	2,517,950	10,485,191	79,457,491	10,938,274
Net supplemental pension liability	40,098,031	4,004,935	12,342,357	31,760,609	-
Net OPEB obligation	22,945,588	3,819,898	3,311,745	23,453,741	-
Vested employee benefits	82,911,932	4,042,248	10,731,974	76,222,206	4,821,693
Totals	\$ 233,380,283	\$ 14,385,031	\$ 36,871,267	\$ 210,894,047	\$ 15,759,967

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

Details of the vested employee benefits are shown below:

Details of Vested Employee Benefits	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Sick leave liability					
Currently active employees	\$ 48,834,729	\$ -	\$ 6,335,275	\$ 42,499,454	\$ 424,994
Retirees	34,077,203	4,042,248	4,396,699	33,722,752	4,396,699
	\$ 82,911,932	\$ 4,042,248	\$ 10,731,974	\$ 76,222,206	\$ 4,821,693

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 2018, is comprised of the following individual issues:

Description	Issue Dates	Average Interest Rate	Date of Maturity	Balance 6/30/2018
Bonds Payable	10/23/2009	2.28%	10/1/2020	\$ 3,355,000
Bonds Payable	3/26/2010	5.08%	3/1/2020	4,100,000
QSCB Payable	12/29/2010	4.25%	12/1/2020	1,080,000
QZAB Payable	3/21/2012	4.00%	12/1/2031	2,770,000
Bonds Payable	3/21/2012	2.78%	3/1/2025	15,220,000
Energy Efficiency Note Payable	12/17/2012	1.98%	9/1/2022	4,725,000
State Trust Fund Loan	6/20/2015	3.00%	3/15/2020	174,190
Note Payable	8/10/2015	2.00%	3/1/2025	30,790,000
Bonds Payable	8/15/2015	2.28%	3/1/2026	10,530,000
State Trust Fund Loan	12/20/2015	3.00%	3/15/2020	220,381
Promissory Notes	11/1/2016	variable	3/1/2022	4,110,000
State Trust Fund Loan	1/7/2017	3.00%	3/15/2022	462,950
				\$ 77,537,521

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt on June 30, 2018, are as follows:

Year ended June 30,	Principal	Interest	Totals
2019	10,611,445	2,332,960	12,944,405
2020	10,565,313	2,021,605	12,586,918
2021	10,323,602	1,660,349	11,983,951
2022	9,532,161	1,385,589	10,917,750
2023	9,855,000	1,111,388	10,966,388
2024-2028	23,880,000	1,539,788	25,419,788
2029-2032	2,770,000	387,800	3,157,800
	\$ 77,537,521	\$10,439,479	\$ 87,977,000

Total long-term debt interest paid and expended (including accrual) for the year ended June 30, 2018 was \$2,654,553 and \$2,576,341, respectively.

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$27,055,629,344. The legal debt limit and margin of indebtedness as of June 30, 2018, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes is as follows:

Margin of Indebtedness	
Debt limit (10% of \$27,055,629,344)	\$ 2,705,562,934
GO debt outstanding	77,537,521
Margin of Indebtedness	\$ 2,628,025,413

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

CAPITAL LEASES

Included in furniture and equipment are the following assets held under capital leases as of June 30, 2018:

		Cost		Accumulated Depreciation		Expense
Network Equipment	\$	665,365	\$	465,756	\$	133,073

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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publication/cafr.htm>.

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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

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

The WRS also provides death and disability benefits for employees.

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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)
2017	2.0	4

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$14,817,647 contributions from the employer which equaled required contributions.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

Contribution rates as of June 30, 2018 are as follows:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At June 30, 2018, the District reported an asset of \$44,617,832 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No Material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers.

At December 31, 2017, the District's proportion was 1.50272984%, which was an increase of 0.02320388% from its proportion measured as of December 31, 2016. For the year ended June 30, 2018, the District recognized pension expense of \$20,574,034.

At June 30, 2018, the 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	\$ 56,688,068	\$ (26,516,799)
Changes in assumptions	8,815,613	-
Net differences between projected and actual earnings on pension plan investments	47,754,042	(109,077,101)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(606,971)
Employer contributions subsequent to the measurement date	<u>10,053,928</u>	<u>-</u>
Total	<u>\$123,311,651</u>	<u>\$ (136,200,871)</u>

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

\$10,053,928 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2019. 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>
2018	\$ 45,295,763	\$ (40,851,729)
2019	40,076,383	(40,672,557)
2020	14,375,569	(29,696,500)
2021	13,402,956	(24,980,085)
2022	107,052	-
	<u>\$113,257,723</u>	<u>\$ (136,200,871)</u>

Actuarial assumptions. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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 FINANCIAL STATEMENTS
June 30, 2018**

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>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	50%	8.2%	5.3%
Fixed income	24.5	4.2	1.4
Inflation sensitive assets	15.5	3.8	1.0
Real estate	8	6.5	3.6
Private equity/debt	8	9.4	6.5
Multi-asset	4	6.5	3.6
Total core fund	110%	7.3%	4.4%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.5%	4.6%
International equities	30	7.8	4.9
Total variable fund	100%	7.9%	5.0%

Single discount rate. A single discount rate of 7.2% 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 7.2% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension asset to changes in the discount rate. The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.2 percent, as well as what the District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 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	\$ 115,441,565	\$ (44,617,832)	\$ (166,267,925)

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/>.

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 either each week for reimbursement, or as needed.

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

At June 30, 2018, the District reported a liability of \$1,223,835 for the dental plan which represents an estimate of reported and unreported claims which were incurred on or before June 30, 2018, 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, 2018, the District reported a liability of \$1,910,661 for the Worker's Compensation plan, which represents an estimate of reported and unreported claims which were incurred on or before June 30, 2018, 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	\$ 977,369	\$ 4,941,503	\$ 4,695,037	\$ 1,223,835
Worker's Compensation	1,297,750	1,450,403	837,492	1,910,661
Total	\$ 2,275,119	\$ 6,391,906	\$ 5,532,529	\$ 3,134,496

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 11 – 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 June 30, 2018, the date of the last actuarial valuation, there were approximately 3,493 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. There is no requirement for any employee or employer contributions for funding of the plan. The employer makes all contributions, and these are made on the pay-as-you-go basis. There are no assets accumulated in a trust. Contributions for the year ended June 30, 2018 was \$3,744,857.

Changes in net supplemental pension liability

	Net Pension Liability
Balance at 6/30/2017	\$ 40,098,031
Changes for the year:	
Service cost	2,834,351
Interest on total pension liability	1,170,584
Effect of economic/demographic gains or losses	(3,628,204)
Effect of assumptions changes or inputs	(4,969,296)
Benefit payments	(3,744,857)
Net changes	(8,337,422)
Balance at 6/30/2018	\$ 31,760,609

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

At June 30, 2018, the District reported a net pension liability of \$31,760,609. 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, 2017. There have been no significant changes in assumptions or benefit terms between the valuation date and the measurement date.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 11 – SUPPLEMENTAL PENSION (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$3,515,799. At June 30, 2018, the District reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (3,304,546)
Changes in assumptions	1,965,011	(4,526,005)
Total	\$ 1,965,011	\$ (7,830,551)

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:

2018	\$ (489,136)
2019	(489,136)
2020	(489,136)
2021	(489,136)
2022	(489,136)
Thereafter	(3,419,860)
	\$ (5,865,540)

Actuarial assumptions. The actuarial assumptions that determined the pension liability are based upon the results of an actuarial experience study conducted in 2016 using Wisconsin Retirement System (WRS) experience from 2012 – 2014. The assumptions are detailed as follows:

Actuarial Valuation Date:	July 1, 2017
Measurement Date:	June 30, 2017
Reporting Date:	June 30, 2018
Actuarial Cost Method:	Entry age normal
Inflation:	2.50%
Salary increases including inflation:	Age Based
Discount Rate:	3.58%
Mortality Rate:	MP-2015 generational improvement scale, and 2012-2014 Experience Study performed by the actuary for the WRS.

Discount rate. A discount rate of 3.87% was used to measure the total OPEB liability. This discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Index at June 30, 2018.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 11 – SUPPLEMENTAL PENSION (Continued)

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 3.58 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 (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease to Discount Rate (2.58%)	Current Discount Rate (3.58%)	1% Increase to Discount Rate (4.58%)
Net pension liability	\$ 34,037,859	\$ 31,760,609	\$ 29,596,188

NOTE 12 - POSTEMPLOYMENT BENEFITS

Life Insurance

Plan description. 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.

Plan membership: At June 30, 2017, the date of the last actuarial valuation, there were approximately 2,891 active employees and 1,995 retirees currently receiving benefits.

Benefits provided. One times the employee's annual rate of basic earnings, rounded to next higher multiple of \$1,000. The initial amount may not be less than \$5,000 or more than \$200,000. Subsequent adjustments are in place based on date of retirement and age of employee.

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 OPEB 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 contributed \$644,722.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Changes in net OPEB liability

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2017	\$ 19,800,709	\$ 16,291,215	\$ 3,509,494
Changes for the year:			
Service Cost	553,626	-	553,626
Interest	723,367	-	723,367
Differences between expected and actual experience	48,764	-	48,764
Changes of assumptions or other input	(1,192,040)	-	(1,192,040)
Contributions - Employer	-	644,722	(644,722)
Net investment income	-	329,615	(329,615)
Benefit payments	(299,750)	(299,750)	-
Net changes	<u>(166,033)</u>	<u>674,587</u>	<u>(840,620)</u>
Balances at 6/30/2018	<u>\$ 19,634,676</u>	<u>\$ 16,965,802</u>	<u>\$ 2,668,874</u>

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

At June 30, 2018, the District reported a net OPEB liability of \$2,668,874. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018, the District recognized OPEB expense of \$161,858. At June 30, 2018, the District reported deferred outflows and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,953	\$ (188,565)
Changes in assumptions	-	(3,430,710)
Net differences between projected and actual earnings on pension plan investments	<u>461,580</u>	<u>-</u>
Total	<u>\$ 503,533</u>	<u>\$ (3,619,275)</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

Year ended June 30:

2018	\$ (525,789)
2019	(525,789)
2020	(525,791)
2021	(610,387)
2022	(662,334)
Thereafter	<u>(265,652)</u>
	<u>\$ (3,115,742)</u>

Actuarial assumptions. The actuarial assumptions that determined the OPEB liability are based upon the results of an actuarial experience study conducted in 2016 using Wisconsin Retirement System (WRS) experience from 2012 – 2014.

The assumptions are detailed as follows:

Actuarial Valuation Date:	July 1, 2017
Measurement Date:	June 30, 2018
Reporting Date:	June 30, 2018
Actuarial Cost Method:	Entry age normal
Inflation:	2.50%
Salary increases including inflation:	Age Based
Discount Rate:	3.87%
Mortality Rate:	MP-2015 generational improvement scale, and 2012-2014 Experience Study performed by the actuary for the WRS.

Discount rate. A discount rate of 3.87% was used to measure the net OPEB liability. This discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Index at June 30, 2018. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the long-term expected rate of return.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the District's net OPEB liability to changes in the discount rate. The following presents the District's net OPEB liability calculated using the discount rate of 3.87 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease to Discount Rate (2.87%)	Current Discount Rate (3.87%)	1% Increase to Discount Rate (4.87%)
Total OPEB liability	\$ 24,171,617	\$ 19,634,676	\$ 16,158,098
Fiduciary net position	16,965,802	16,965,802	16,965,802
Net OPEB liability	7,205,815	2,668,874	(807,704)

Healthcare Plan

Plan description. 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.

Plan membership: At July 1, 2017, the date of the last actuarial valuation, there were approximately 4,772 active plan members and 144 inactive plan members currently receiving benefits.

Benefits provided. Under the Teacher Emeritus Retirement Program (TERP) and Administrator's Retirement Plan (ARP), employees meeting a minimum age and length of service requirement are eligible to convert unused sick time (200 days at 100% and additional days at 50%) into retiree insurance premiums. Additionally, retired teachers are allowed to remain on the District's health, dental, long-term care, and life insurance program by paying 100% of the applicable premium after they have exhausted their sick leave conversion benefit.

All other district employees are eligible to convert unused sick time (subject to applicable conversion according to contract) into retiree insurance premiums. Additionally, retired teachers are allowed to remain on the District's health, dental, long-term care, and life insurance program by paying 100% of the applicable premium after they have exhausted their sick leave conversion benefit.

Contributions. There is no requirement for any employee or employer contributions for funding of the plan. The employer makes all contributions, and these are made on the pay-as-you-go basis. There are no assets accumulated in a trust. Contributions for the year ended June 30, 2018 was \$703,114.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Changes in total OPEB liability

	Total OPEB Liability
Balance at 6/30/2017	\$ 19,436,094
Changes for the year:	
Service cost	1,748,218
Interest on total OPEB liability	745,923
Effect of assumptions changes or inputs	(442,254)
Benefit payments	(703,114)
Net changes	1,348,773
Balance at 6/30/2018	\$ 20,784,867

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

At June 30, 2018, the District reported a total OPEB liability of \$20,784,867. The total OPEB liability was measured as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017. 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, 2018, the District recognized OPEB expense of \$2,442,355. At June 30, 2018, the District reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (390,468)

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

Year ended June 30:

2018	\$ (51,786)
2019	(51,786)
2020	(51,786)
2021	(51,786)
2022	(51,786)
Thereafter	(131,538)
	\$ (390,468)

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions. The actuarial assumptions that determined the total OPEB liability are based upon the results of an actuarial experience study conducted in 2016 using Wisconsin Retirement System (WRS) experience from 2012 – 2014. The assumptions are detailed as follows:

Actuarial Valuation Date:	July 1, 2017
Measurement Date:	June 30, 2018
Reporting Date:	June 30, 2018
Actuarial Cost Method:	Entry age normal
Inflation:	2.50%
Salary increases including inflation:	Age Based
Discount Rate:	3.87%
Mortality Rate:	MP-2015 generational improvement scale, and 2012-2014 Experience Study performed by the actuary for the WRS.

Discount rate. A discount rate of 3.87% was used to measure the total OPEB liability. This discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Index at June 30, 2018.

Sensitivity of the District's total OPEB liability to changes in the discount rate. The following presents the District's total OPEB liability calculated using the discount rate of 3.87 percent, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease to Discount Rate (2.87%)	Current Discount Rate (3.87%)	1% Increase to Discount Rate (4.87%)
Total OPEB liability	\$ 22,332,828	\$ 20,784,867	\$ 19,308,273

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease to Healthcare Trends	Current Healthcare Trends	1% Increase to Healthcare Trends
Total OPEB liability	\$ 18,250,392	\$ 20,784,867	\$ 23,807,165

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 13 - FUND BALANCES

The components of the governmental fund balances are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Non-Spendable			
Prepays & Inventory	\$ 1,047,653	\$ 148,896	\$ 1,196,549
Endowment	363,263	-	363,263
Total Non Spendable	<u>1,410,916</u>	<u>148,896</u>	<u>1,559,812</u>
Restricted			
Capital Projects	-	2,047,508	2,047,508
Food Service	-	1,536,699	1,536,699
Debt Service Retirement	-	2,123,117	2,123,117
Community Service	-	1,951,706	1,951,706
Special Revenue - Donation	-	2,329,544	2,329,544
Unspent Common School Funds	142,652	-	142,652
Total Restricted	<u>142,652</u>	<u>9,988,574</u>	<u>10,131,226</u>
Committed			
Bassett Funds	50,343	-	50,343
Assigned			
Encumbrances	1,581,300	-	1,581,300
Unassigned			
	<u>49,494,464</u>	<u>-</u>	<u>49,494,464</u>
Totals	<u>\$ 52,679,675</u>	<u>\$ 10,137,470</u>	<u>\$ 62,817,145</u>

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.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 - SUBSEQUENT EVENTS

Management evaluated subsequent events through November 16, 2018, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to November 16, 2018, that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, 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, 2018.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

The Government Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB 74 and 75, the District is required to disclose the net OPEB liability and related deferred inflows and outflows on the statement of net position. As a result, an adjustment of \$2,532,260, was made to decrease the June 30, 2017 net position of the Government Activities on the statement of activities based on the net OPEB liability and related deferred outflows of resources balances as of June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Property taxes	\$ 269,065,857	\$ 269,065,857	\$ 268,909,257	\$ (156,600)
Other local sources	5,076,134	5,172,954	5,661,798	488,844
Interdistrict sources	2,561,484	2,571,804	3,292,770	720,966
Intermediate sources	106,263	106,262	93,979	(12,283)
State sources	72,620,185	72,941,939	72,872,822	(69,117)
Federal sources	15,051,264	16,907,134	12,130,810	(4,776,324)
Other sources	406,810	497,851	1,314,186	816,335
Total revenues	<u>364,887,997</u>	<u>367,263,801</u>	<u>364,275,622</u>	<u>(2,988,179)</u>
Expenditures				
Instruction				
Regular instruction	152,115,323	152,539,664	149,269,329	3,270,335
Vocational instruction	3,999,930	4,050,247	3,936,119	114,128
Special instruction	859,379	1,103,161	1,110,549	(7,388)
Other instruction	11,260,398	11,266,184	11,186,486	79,698
Total instruction	<u>168,235,030</u>	<u>168,959,256</u>	<u>165,502,483</u>	<u>3,456,773</u>
Support services				
Pupil services	15,403,634	15,100,543	14,179,476	921,067
Instructional staff services	26,762,812	28,796,157	26,955,938	1,840,219
General administration services	24,817,168	24,992,912	24,028,222	964,690
Building administration services	32,374,248	32,409,224	33,037,261	(628,037)
Pupil transportation	9,446,706	9,575,983	9,383,011	192,972
Other support services	25,864,211	25,552,157	23,884,118	1,668,039
Total support services	<u>134,668,779</u>	<u>136,426,976</u>	<u>131,468,026</u>	<u>4,958,950</u>
Nonprogram	13,847,827	13,799,953	13,029,052	770,901
Debt service	899,587	899,587	673,258	226,329
Total expenditures	<u>317,651,223</u>	<u>320,085,772</u>	<u>310,672,819</u>	<u>9,412,953</u>
Excess (deficiency) of revenues over expenditures	47,236,774	47,178,029	53,602,803	6,424,774
Other financing sources (uses)				
Promissory note proceeds	2,055,000	2,055,000	2,055,000	-
Transfers in	166,556	166,556	147,819	(18,737)
Transfers out	(51,160,934)	(51,102,189)	(50,882,125)	220,064
Net change in fund balance	(1,702,604)	(1,702,604)	4,923,497	6,626,101
Fund balance - beginning of year	<u>47,756,178</u>	<u>47,756,178</u>	<u>47,756,178</u>	<u>-</u>
Fund balance - end of year	<u>\$ 46,053,574</u>	<u>\$ 46,053,574</u>	<u>\$ 52,679,675</u>	<u>\$ 6,626,101</u>

See accompanying notes to the required supplementary information.

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

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
The District's proportion of the net pension liability	1.502730%	1.525934%	1.531274%	1.519785%
The District's proportionate share of the net pension liability	\$ (44,617,832)	\$ 12,577,337	\$ 24,885,909	\$ (37,330,073)
The District's covered-employee payroll	\$ 217,711,493	\$ 217,121,739	\$ 218,447,597	\$ 213,983,693
The District's proportionate share as a percentage of covered payroll	-20.49%	5.79%	11.39%	17.45%
Plan fiduciary net position as a percentage of the total pension liability	102.93%	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*

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contributions	\$ 14,817,647	\$ 14,353,970	\$ 14,858,224	\$ 15,038,383
Contributions in relation to the contractually required contributic	\$ 14,817,647	\$ 14,353,970	\$ 14,858,224	\$ 15,038,383
The District's covered-employee payroll	\$ 224,184,467	\$ 215,267,623	\$ 216,318,525	\$ 219,246,552
Contributions as a percentage of covered-employee payroll	6.61%	6.67%	6.87%	6.86%

*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*

	<u>2018</u>	<u>2017</u>
Net supplemental pension liability	\$31,760,609	\$ 40,098,031
The District's covered-employee payroll	N/A	N/A
Net supplemental pension liability as a percentage of covered-employee payroll	N/A	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

	<u>2018</u>	<u>2017</u>
Beginning Balance	\$40,098,031	\$ 37,520,268
Changes for the year:		
Service cost	2,834,351	2,380,230
Interest on total pension liability	1,170,584	1,445,287
Effect of economic/demographic gains or losses	(3,628,204)	-
Effect of assumptions changes or inputs	(4,969,296)	2,520,637
Benefit payments	(3,744,857)	(3,768,391)
Net changes	<u>(8,337,422)</u>	<u>2,577,763</u>
Ending Balance	<u>\$31,760,609</u>	<u>\$ 40,098,031</u>

*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
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>2018</u>
Total OPEB Liability:	
Service cost	\$ 553,626
Interest	723,367
Differences between expected and actual experience	48,764
Changes in assumptions or other input	(1,192,040)
Benefit payments	<u>(299,750)</u>
Net Change in OPEB Liability	(166,033)
Total OPEB liability - beginning	<u>19,800,709</u>
Total OPEB liability - ending (a)	<u>\$ 19,634,676</u>
Total Fiduciary Net Position:	
Contributions - Employer	\$ 644,722
Net investment income	329,615
Benefit payments	<u>(299,750)</u>
Net change in fiduciary net position	674,587
Fiduciary net position - beginning	<u>16,291,215</u>
Fiduciary net position - ending (b)	<u>\$ 16,965,802</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 2,668,874</u>
Fiduciary net position as a percentage of the total OPEB liability	86.41%
Covered payroll	N/A
Net OPEB liability as a percentage of covered payroll	N/A

*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
SCHEDULE OF TOTAL OPEB LIABILITY
 Last 10 Fiscal Years*

	2018
Total OPEB liability	\$ 20,784,867
The District's covered-employee payroll	N/A
Total OPEB 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 TOTAL OPEB LIABILITY AND RELATED RATIOS
 Last 10 Fiscal Years

	2018
Beginning Balance	\$ 19,436,094
Changes for the year:	
Service cost	1,748,218
Interest on total OPEB liability	745,923
Effect of assumptions changes or inputs	(442,254)
Benefit payments	(703,114)
Net changes	1,348,773
Ending Balance	\$ 20,784,867

*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, 2018**

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
Special instruction	\$ 7,388
Building administration services	628,037

NOTE 4 - NET PENSION (ASSET) 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.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

NOTE 5- SCHEDULE OF CHANGES IN SUPPLEMENTAL PENSION LIABILITY

Changes of Benefit Terms. There were no changes of benefit terms.

Changes of Assumptions. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.58%) as of the measurement date. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2017.

There are no assets accumulated in a trust.

NOTE 6- SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

Changes of Benefit Terms. There were no changes of benefit terms.

Changes of Assumptions. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.58%) as of the measurement date. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2017.

SUPPLEMENTARY INFORMATION

**MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2018**

	General Fund	Special Education Fund	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 99,065,286	\$ 150	\$ -	\$ 99,065,436
Receivables				
Taxes	52,936,280	-	-	52,936,280
Accounts	1,064,844	60,679	-	1,125,523
Due from other governments	8,934,004	-	-	8,934,004
Due from other funds	-	61,917	(61,917)	-
Inventories and prepaid items	1,047,653	-	-	1,047,653
Total assets	\$ 163,048,067	\$ 122,746	\$ (61,917)	\$ 163,108,896
Liabilities and fund balances				
Liabilities				
Short-term note payable	\$ 72,000,000	\$ -	\$ -	\$ 72,000,000
Accounts payable	2,372,587	122,746	-	2,495,333
Payroll and related benefits payable	27,485,591	-	-	27,485,591
Interest and deposit payable	1,202,448	-	-	1,202,448
Due to other organizations	108,364	-	-	108,364
Unearned revenues	54,294	-	-	54,294
Due to other funds	7,145,108	-	(61,917)	7,083,191
Total liabilities	110,368,392	122,746	(61,917)	110,429,221
Fund balances				
Nonspendable				
Inventories and prepaid items	1,047,653	-	-	1,047,653
Endowment - Bassett Funds	363,263	-	-	363,263
Restricted	142,652			142,652
Committed				
Designated - Bassett Funds	50,343	-	-	50,343
Assigned - encumbrances	1,581,300	-	-	1,581,300
Unassigned	49,494,464	-	-	49,494,464
Total fund balances	52,679,675	-	-	52,679,675
Total liabilities and fund balances	\$ 163,048,067	\$ 122,746	\$ (61,917)	\$ 163,108,896

**MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
For the Year Ended June 30, 2018**

	General Fund	Special Education Fund	Eliminations	Total
Revenues				
Property taxes	\$ 268,909,257	\$ -	\$ -	\$ 268,909,257
Other local sources	5,661,798	-	-	5,661,798
Interdistrict sources	3,292,770	28,707	-	3,321,477
Intermediate sources	93,979	-	-	93,979
State sources	72,872,822	18,734,427	-	91,607,249
Federal sources	12,130,810	5,787,945	-	17,918,755
Other sources	1,314,186	-	-	1,314,186
Total revenues	<u>364,275,622</u>	<u>24,551,079</u>	<u>-</u>	<u>388,826,701</u>
Expenditures				
Instruction				
Regular instruction	149,269,329	218,913	-	149,488,242
Vocational instruction	3,936,119	-	-	3,936,119
Special education instruction	1,110,549	55,264,343	-	56,374,892
Other instruction	11,186,486	-	-	11,186,486
Total instruction	<u>165,502,483</u>	<u>55,483,256</u>	<u>-</u>	<u>220,985,739</u>
Support services				
Pupil services	14,179,476	12,518,808	-	26,698,284
Instructional staff services	26,955,938	2,705,874	-	29,661,812
General administration services	24,028,222	92,000	-	24,120,222
Building administration services	33,037,261	160,638	-	33,197,899
Pupil transportation	9,383,011	4,116,786	-	13,499,797
Other support services	23,884,118	33,717	-	23,917,835
Total support services	131,468,026	19,627,823	-	151,095,849
Nonprogram	13,029,052	87,440	-	13,116,492
Debt Service	673,258	-	-	673,258
Total expenditures	<u>310,672,819</u>	<u>75,198,519</u>	<u>-</u>	<u>385,871,338</u>
Excess (deficiency) of revenues over expenditures	53,602,803	(50,647,440)	-	2,955,363
Other financing sources (uses)				
Promissory note proceeds	2,055,000	-	-	2,055,000
Transfer in	147,819	50,795,259	(50,943,078)	-
Transfer out	(50,882,125)	(147,819)	50,943,078	(86,866)
Net change in fund balances	4,923,497	-	-	4,923,497
Fund balances - beginning of year	47,756,178	-	-	47,756,178
Fund balances - end of year	<u>\$ 52,679,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,679,675</u>

MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Property taxes	\$ 269,065,857	\$ 269,065,857	\$ 268,909,257	\$ (156,600)
Other local sources	5,076,134	5,172,954	5,661,798	488,844
Interdistrict sources	2,561,484	2,571,804	3,292,770	720,966
Intermediate sources	106,263	106,262	93,979	(12,283)
State sources	72,620,185	72,941,939	72,872,822	(69,117)
Federal sources	15,051,264	16,907,134	12,130,810	(4,776,324)
Other sources	406,810	497,851	1,314,186	816,335
Total revenues	<u>364,887,997</u>	<u>367,263,801</u>	<u>364,275,622</u>	<u>(2,988,179)</u>
Expenditures				
Instruction				
Regular instruction	152,115,323	152,539,664	149,269,329	3,270,335
Vocational instruction	3,999,930	4,050,247	3,936,119	114,128
Special instruction	859,379	1,103,161	1,110,549	(7,388)
Other instruction	11,260,398	11,266,184	11,186,486	79,698
Total instruction	<u>168,235,030</u>	<u>168,959,256</u>	<u>165,502,483</u>	<u>3,456,773</u>
Support services				
Pupil services	15,403,634	15,100,543	14,179,476	921,067
Instructional staff services	26,762,812	28,796,157	26,955,938	1,840,219
General administration services	24,817,168	24,992,912	24,028,222	964,690
Building administration services	32,374,248	32,409,224	33,037,261	(628,037)
Pupil transportation	9,446,706	9,575,983	9,383,011	192,972
Other support services	25,864,211	25,552,157	23,884,118	1,668,039
Total support services	<u>134,668,779</u>	<u>136,426,976</u>	<u>131,468,026</u>	<u>4,958,950</u>
Nonprogram	13,847,827	13,799,953	13,029,052	770,901
Debt service	899,587	899,587	673,258	226,329
Total expenditures	<u>317,651,223</u>	<u>320,085,772</u>	<u>310,672,819</u>	<u>9,412,953</u>
Excess (deficiency) of revenues over expenditures	47,236,774	47,178,029	53,602,803	6,424,774
Other financing sources (uses)				
Promissory note proceeds	2,055,000	2,055,000	2,055,000	-
Transfers in	166,556	166,556	147,819	(18,737)
Transfers out	(51,160,934)	(51,102,189)	(50,882,125)	220,064
Net change in fund balance	(1,702,604)	(1,702,604)	4,923,497	6,626,101
Fund balance - beginning of year	<u>47,756,178</u>	<u>47,756,178</u>	<u>47,756,178</u>	<u>-</u>
Fund balance - end of year	<u>\$ 46,053,574</u>	<u>\$ 46,053,574</u>	<u>\$ 52,679,675</u>	<u>\$ 6,626,101</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interdistrict sources	\$ -	\$ -	\$ 28,707	\$ 28,707
State sources	19,162,739	19,162,739	18,734,427	(428,312)
Federal sources	6,468,077	6,466,979	5,787,945	(679,034)
Total revenues	<u>25,630,816</u>	<u>25,629,718</u>	<u>24,551,079</u>	<u>(1,078,639)</u>
Expenditures				
Instruction				
Regular instruction	278,468	278,469	218,913	59,556
Special instruction	56,583,747	56,713,244	55,264,343	1,448,901
Total instruction	<u>56,862,215</u>	<u>56,991,713</u>	<u>55,483,256</u>	<u>1,508,457</u>
Support services				
Pupil services	11,702,138	11,698,118	12,518,808	(820,690)
Instructional staff services	3,301,841	3,127,120	2,705,874	421,246
General administration services	90,000	90,000	92,000	(2,000)
Building administration services	130,900	87,500	160,638	(73,138)
Pupil transportation	3,976,150	3,976,350	4,116,786	(140,436)
Other support services	404,950	405,550	33,717	371,833
Total support services	<u>19,605,979</u>	<u>19,384,638</u>	<u>19,627,823</u>	<u>(243,185)</u>
Nonprogram	<u>157,000</u>	<u>189,000</u>	<u>87,440</u>	<u>101,560</u>
Total expenditures	<u>76,625,194</u>	<u>76,565,351</u>	<u>75,198,519</u>	<u>1,366,832</u>
Excess (deficiency) of revenues over expenditures	(50,994,378)	(50,935,633)	(50,647,440)	288,193
Other financing sources (uses)				
Transfers out	(166,556)	(166,556)	(147,819)	18,737
Transfers in	51,160,934	51,102,189	50,795,259	(306,930)
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Community Service</u>	
Assets						
Cash and cash equivalents	\$ 2,110,123	\$ 7,283	\$ -	\$ -	\$ 24,256	\$ 2,141,662
Receivables	12,994	-	372,726	1,335,787	-	1,721,507
Due from other funds	-	2,534,661	2,029,370	458,271	2,060,889	7,083,191
Inventory	-	-	-	148,896	-	148,896
Total assets	<u>\$ 2,123,117</u>	<u>\$ 2,541,944</u>	<u>\$ 2,402,096</u>	<u>\$ 1,942,954</u>	<u>\$ 2,085,145</u>	<u>\$ 11,095,256</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ -	\$ 494,436	\$ 72,552	\$ 34,948	\$ 132,641	\$ 734,577
Due to other funds	-	-	-	-	-	-
Unearned revenues	-	-	-	222,411	798	223,209
Total liabilities	<u>-</u>	<u>494,436</u>	<u>72,552</u>	<u>257,359</u>	<u>133,439</u>	<u>957,786</u>
Fund balances						
Nonspendable	-	-	-	148,896	-	148,896
Restricted	<u>2,123,117</u>	<u>2,047,508</u>	<u>2,329,544</u>	<u>1,536,699</u>	<u>1,951,706</u>	<u>9,988,574</u>
Total fund balances	<u>2,123,117</u>	<u>2,047,508</u>	<u>2,329,544</u>	<u>1,685,595</u>	<u>1,951,706</u>	<u>10,137,470</u>
Total liabilities and fund balances	<u>\$ 2,123,117</u>	<u>\$ 2,541,944</u>	<u>\$ 2,402,096</u>	<u>\$ 1,942,954</u>	<u>\$ 2,085,145</u>	<u>\$ 11,095,256</u>

MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Community Service</u>	
Revenues						
Property taxes	\$ 12,462,341	\$ 5,000,000	\$ -	\$ -	\$ 11,234,489	\$ 28,696,830
Other local sources	34,446	46,174	3,100,731	1,943,024	3,694,174	8,818,549
State sources	-	-	-	178,038	-	178,038
Federal sources	-	-	-	8,707,465	8,754	8,716,219
Other sources	130,163	-	-	-	25,000	155,163
Total revenues	<u>12,626,950</u>	<u>5,046,174</u>	<u>3,100,731</u>	<u>10,828,527</u>	<u>14,962,417</u>	<u>46,564,799</u>
Expenditures						
Instruction						
Regular instruction	-	-	992,722	-	-	992,722
Vocational instruction	-	-	7,307	-	-	7,307
Other instruction	-	-	163,148	-	-	163,148
Total instruction	<u>-</u>	<u>-</u>	<u>1,163,177</u>	<u>-</u>	<u>-</u>	<u>1,163,177</u>
Pupil services	-	-	345,315	-	-	345,315
Instructional staff services	-	-	628,974	-	-	628,974
General administration services	-	-	21,610	-	59,481	81,091
Building administration services	-	13,914,867	461,310	10,522,959	716,753	25,615,889
Transportation	-	-	105,222	-	2,405	107,627
Community services	-	-	-	-	13,490,469	13,490,469
Other support services	-	-	40,303	-	581,663	621,966
Total support services	<u>-</u>	<u>13,914,867</u>	<u>1,602,734</u>	<u>10,522,959</u>	<u>14,850,771</u>	<u>40,891,331</u>
Debt Service	<u>12,758,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,758,270</u>
Total expenditures	<u>12,758,270</u>	<u>13,914,867</u>	<u>2,765,911</u>	<u>10,522,959</u>	<u>14,850,771</u>	<u>54,812,778</u>
Excess (deficiency) of revenues over expenditures	(131,320)	(8,868,693)	334,820	305,568	111,646	(8,247,979)
Other financing sources (uses)						
Proceeds from issuance of debt	-	462,950	-	-	-	462,950
Transfer in	47,749	-	-	39,117	-	86,866
Net change in fund balances	<u>(83,571)</u>	<u>(8,405,743)</u>	<u>334,820</u>	<u>344,685</u>	<u>111,646</u>	<u>(7,698,163)</u>
Fund balances - beginning of year	<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>
Fund balances - end of year	<u>\$ 2,123,117</u>	<u>\$ 2,047,508</u>	<u>\$ 2,329,544</u>	<u>\$ 1,685,595</u>	<u>\$ 1,951,706</u>	<u>\$ 10,137,470</u>

MADISON METROPOLITAN SCHOOL DISTRICT
Supporting Schedule
Charter School Operating Costs - Object and Function
Badger Rock Middle, Wright Middle, and Nuestro Mundo Elementary
For the Year Ended June 30, 2018

Schedule by Object

Employee Salaries	10,643
Employee Benefits	<u>2,383</u>
	<u><u>13,026</u></u>