

MADISON METROPOLITAN SCHOOL DISTRICT
Madison, Wisconsin

FINANCIAL STATEMENTS
June 30, 2016

MADISON METROPOLITAN SCHOOL DISTRICT
Madison, Wisconsin

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Madison Metropolitan School District
Brookfield, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Metropolitan School District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of proportionate share of the net pension asset, schedule of contributions and notes to required supplementary information on pages 3-11 and 47-50 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, and the combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017 on our consideration of the Madison Metropolitan School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
January 10, 2017

**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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 \$3,017,739.
- As demonstrated in Note 9 the District maintains a margin of available indebtedness and has available \$2.326 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 12 - 13 of this report.

Fund financial statements

- The District also produced *fund financial statements*. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.
- There are two governmental fund financial statements, the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance*. Generally, governmental fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of governmental fund financial statements is narrower than that of the district-wide statements, it is useful to make comparison between the information presented. By doing so, readers may better understand the long-term implication of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided either at the bottom of the governmental funds statement or as a separate statement.

**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

- 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 include an agency fund for student organizations, a trust fund for retiree life insurance benefits and a trust fund 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 aggregate non-major funds. The general fund combines the general operating fund and special education fund. The special revenue trust, debt service, capital project, food service, cooperative and community service funds are combined into a single, aggregated non-major fund. Data for each of the individual funds is provided as supplementary information. The governmental fund financial statements are on pages 14-16 of this report.
- The District serves as a trustee, or *fiduciary*, for student organizations the retiree life insurance fund and scholarship fund. The assets of these organizations do not directly benefit nor are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations. *Fiduciary* fund statements are presented on pages 17-18.
- 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 54 to 55 of this report.

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

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of net 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 come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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 19-45 of this report.

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, 2015 and 2016.

Table 1

	Governmental Activities	
	2015	2016
Assets		
Assets	\$ 316,774,905	\$ 327,900,274
Deferred Outflows of Resources	33,526,520	133,511,325
Total assets	350,301,425	461,411,599
Liabilities		
Liabilities	263,316,703	337,663,102
Deferred Inflows of Resources	1,280,356	53,406,393
Total liabilities	264,597,059	391,069,495
Net position		
Net investment in capital assets	104,203,061	80,045,697
Restricted:		
Bassett Funds	362,752	362,881
Debt service	1,193,112	2,046,111
Capital projects	68,811	856,429
Donations	1,167,419	1,687,025
Unrestricted	(21,290,789)	(14,656,039)
Total Net position	85,704,366	70,342,104

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

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

**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Change in net assets. Table 2 shows the changes in net assets for the fiscal years 2015 and 2016.

Table 2

	Total School District	
	<u>2015</u>	<u>2016*</u>
Revenues		
Program revenues		
Charges for services	\$ 15,830,641	\$ 15,706,988
Operating grants and contributions	57,749,988	56,711,214
General revenues		
Property taxes		
General purposes	245,505,643	255,684,135
Debt service	7,121,030	9,382,948
Capital projects	4,500,000	4,500,000
Community service	11,654,696	11,654,696
State and federal aids not restricted to specific functions	64,029,871	60,540,465
Interest and investment earnings	378,442	500,965
Miscellaneous	341,065	272,780
Total revenues	407,111,376	414,954,191
Expenses		
Instruction	219,705,706	218,120,926
Support services	181,446,617	195,847,678
Nonprogram	11,861,202	13,353,616
Total expenses	413,013,525	427,322,220
Change in net position	(5,902,149)	(12,368,029)
Net position, beginning of year, as restated	91,606,515	82,710,133
Net position, end of year	\$ 85,704,366	\$ 70,342,104

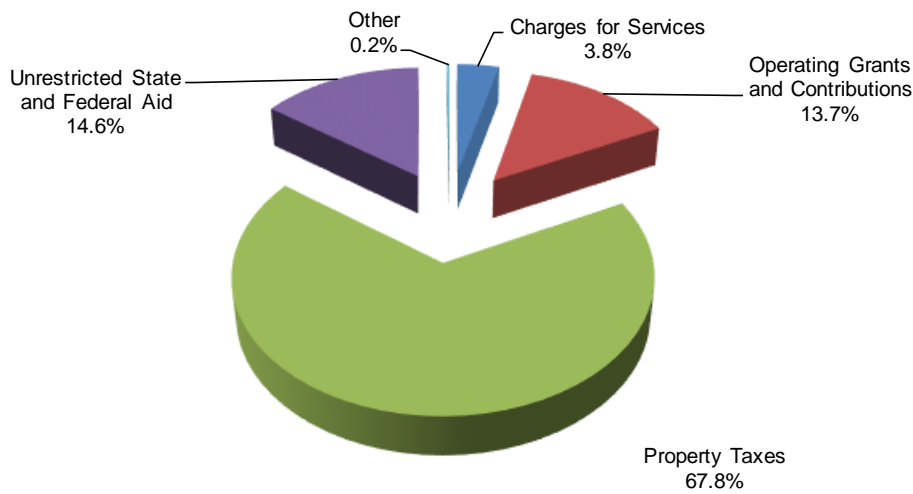
*** 2016 beginning net position was restated due to a prior period adjustment for GASB 45 - Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions**

**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Revenues

- General state aid and general federal aid provide about 14.6% of the funding for governmental activities. In addition, the District relies on property taxes for 67.8% of its revenues as shown on Chart 1 below.
- Program revenues, in the form of charges for services and operating grants and contributions, account for over 18% of the total revenues.

Chart 1 Sources of Revenues for Fiscal Year 2016

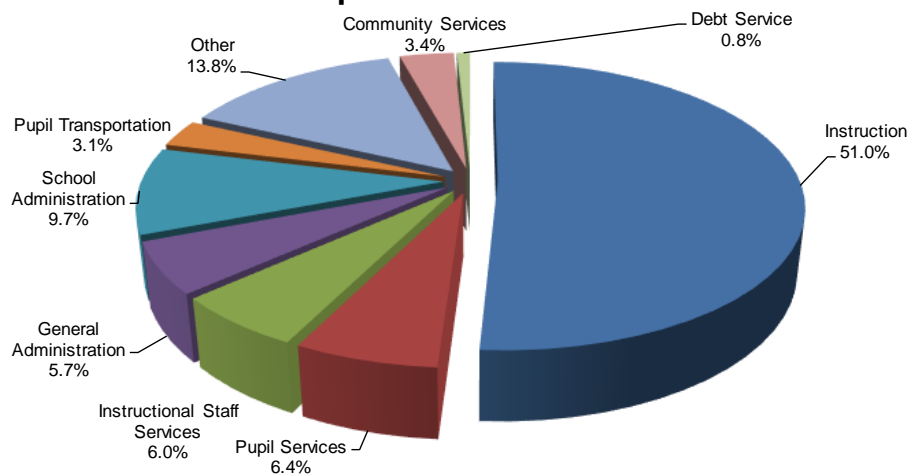


Expenses

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.

Chart 2 Expenses for Fiscal Year 2016



**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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, 2016**

Functions/Programs	2015 Net Cost of Services	2016 Net Cost of Services
Total instruction	\$ 183,144,438	\$ 182,173,993
Pupil services	16,659,017	17,970,419
Instructional staff services	18,834,434	18,086,207
General administration services	24,411,297	23,880,729
Building administration services	30,751,171	29,104,085
Pupil transportation services	11,430,547	11,436,585
Other support services	26,136,738	40,995,545
Community services	9,541,511	9,779,269
Debt service	2,179,271	3,498,020
Depreciation-unallocated	4,483,271	4,625,550
Non-program	11,861,203	13,353,616
Total governmental activities	\$ 339,432,896	\$ 354,904,018

Governmental Funds

The District completed the year with a total governmental fund balance of \$68,364,982.

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.

**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

The components of the District's governmental fund balances are provided 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, 2016**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable			
Inventories and prepaid items	\$ 319,312	\$ 93,080	\$ 412,392
Endowment - Bassett Funds	362,881	-	362,881
Restricted			
Capital projects	-	24,963,792	24,963,792
Food Service	-	745,010	745,010
Debt service retirement	-	2,973,486	2,973,486
Community service	-	392,942	392,942
Donations	-	1,687,025	1,687,025
Committed			
Bassett Funds	43,103	-	43,103
Assigned			
Encumbrances	205,728	-	205,728
Unassigned	36,578,623	-	36,578,623
Totals	<u>\$ 37,509,647</u>	<u>\$ 30,855,335</u>	<u>\$ 68,364,982</u>

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 2015-16 budget as follows:
 - ❖ Adjusted for several state and federal grants.
 - ❖ Adjustments and amendments based on actuals versus projections when preliminary budget was created.
 - ❖ Adjustments in salary and fringe budgets to reflect actual staff assigned to positions.

**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2016 fiscal year, the District had invested \$314,240,326 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 \$162,452,417 for governmental activities.

**Table 5
Capital Assets
June 30, 2016**

	Governmental Activities		% Change
	<u>2015</u>	<u>2016</u>	<u>2015-16</u>
Land and construction in progress	\$ 17,663,968	\$ 26,045,726	47.45%
Buildings and building improvements	254,532,000	265,382,872	4.26%
Furniture and equipment	22,748,057	22,811,728	0.28%
Less accumulated depreciation	(157,697,614)	(162,452,417)	3.02%
	<u>\$ 137,246,411</u>	<u>\$ 151,787,909</u>	10.60%

Long-Term Debt and Obligations

At year-end, the District had \$164,460,368 in general obligation bonds and other long-term debt of which \$18,881,362 is due within one year of the close date of June 30, 2016 (see Table 6). Additional information about long-term debt and obligations can be found in Note 8.

**Table 6
Long Term Debt**

	Balance 2015	Balance 2016	Due Within One Year	Noncurrent Liabilities
Notes and loans	\$ 8,740,000	\$ 47,108,387	\$ 5,180,100	\$ 41,928,287
Bonds	50,245,000	46,055,000	4,915,000	41,140,000
Deferred amounts for premium/discount	300,397	2,131,905	326,829	1,805,076
Total general obligation debt	59,285,397	95,295,292	10,421,929	84,873,363
Capital leases	441,754	221,920	221,920	-
Vested employee benefits	86,847,584	88,004,518	8,237,513	79,767,005
Totals	<u>\$ 146,574,735</u>	<u>\$ 183,521,730</u>	<u>\$ 18,881,362</u>	<u>\$ 164,640,368</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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 0-1% range for the next two years. The District must be very disciplined concerning spending priorities to operate within the revenue limit.
- **Shared Costs** The District is attempting to stabilize it's expenditures to avoid significant swings in general aid under the state funding formula. This goal helps mitigate the effect on the local tax levy.
- **General Fund Balance** The General Fund Balance stands at \$37,509,647, or 10.92% 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. The plan will be presented to the Board of Education for adoption in June, 2017.
- **Tax Incremental District (TID) Advance** The District negotiated a \$9.27 million advance from the City of Madison in anticipation of a future distribution of TID surplus funds in TID #25. The advance is in the form of a promissory note. Since the principal will be repaid from the TID surplus funds already existing in TID #25, the district is not at risk for principal repayment. This provides \$9.27 million to be spent over the next four to five years to support general fund operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 105,280,522
Receivables	
Taxes	51,237,207
Accounts	5,328,528
Due from other governments	13,853,716
Inventories and prepaid items	412,392
Land	9,395,541
Construction in progress	16,650,185
Site improvements	1,147,079
Buildings and building improvements	122,052,371
Furniture and equipment	2,542,733
Total assets	327,900,274
Deferred outflows of resources	
Loss on Refinancing	551,016
Expected vs. Actual Pension Experience	4,177,898
Expected vs. Actual Pension Investment Income	101,775,210
Changes in actuarial assumptions	17,409,167
Contributions to pension after measurement date	9,598,034
Total deferred outflows of resources	133,511,325
Liabilities	
Short-term notes payable	77,500,000
Accounts payable	4,600,852
Payroll and related benefits payable	23,963,013
Interest payable	2,343,582
Unearned revenue	267,311
Net pension liability	24,882,909
Long term obligations	
Due within one year	18,881,362
Due in more than one year	185,224,073
Total liabilities	337,663,102
Deferred inflows of resources	
Expected vs. Actual Pension Experience	52,365,658
Change in Proportionate Share of Pension & Difference in Actual Contributions	1,040,735
Total deferred inflows of resources	53,406,393
Net position	
Net investment in capital assets	80,045,697
Restricted for	
Endowment - Bassett Fund	362,881
Capital projects	856,429
Debt service	2,046,111
Donations	1,687,025
Unrestricted (deficit)	(14,656,039)
Total net position	\$ 70,342,104

See accompanying notes.

MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities				
Instruction				
Regular instruction	\$ 147,380,828	\$ 5,348,431	\$ 11,513,890	\$ (130,518,507)
Vocational instruction	4,375,145	75,681	388,114	(3,911,350)
Special education instruction	54,830,297	186,700	17,082,204	(37,561,393)
Other instruction	11,534,656	1,351,913	-	(10,182,743)
Total instruction	<u>218,120,926</u>	<u>6,962,725</u>	<u>28,984,208</u>	<u>(182,173,993)</u>
Support services				
Pupil services	27,347,811	612,581	8,764,811	(17,970,419)
Instructional staff services	25,612,201	701,091	6,824,903	(18,086,207)
General administration services	24,511,295	105,341	525,225	(23,880,729)
Building administration services	41,414,665	3,484,358	8,826,222	(29,104,085)
Pupil transportation services	13,072,874	62,463	1,573,826	(11,436,585)
Other support services	41,154,611	157,400	1,666	(40,995,545)
Community services	14,610,651	3,621,029	1,210,353	(9,779,269)
Interest on long-term debt	3,498,020	-	-	(3,498,020)
Depreciation-unallocated	4,625,550	-	-	(4,625,550)
Total support services	<u>195,847,678</u>	<u>8,744,263</u>	<u>27,727,006</u>	<u>(159,376,409)</u>
Nonprogram	13,353,616	-	-	(13,353,616)
Total governmental activities	<u>\$ 427,322,220</u>	<u>\$ 15,706,988</u>	<u>\$ 56,711,214</u>	<u>(354,904,018)</u>
General revenues				
Property taxes:				
General purposes				255,684,135
Debt service				9,382,948
Capital projects				4,500,000
Community service				11,654,696
State and federal aids not restricted to specific functions				60,540,465
Interest and investment earnings				500,965
Miscellaneous				<u>272,780</u>
Change in net position				(12,368,029)
Net position - beginning of year, as restated				<u>82,710,133</u>
Net position - end of year				<u>\$ 70,342,104</u>

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 75,760,522	\$ 29,520,000	\$ 105,280,522
Receivables			
Taxes	51,237,207	-	51,237,207
Accounts	4,559,814	774,815	5,334,629
Due from other governments	13,853,716	-	13,853,716
Due from other funds	-	3,801,327	3,801,327
Inventories and prepaid items	319,312	93,080	412,392
Total assets	\$ 145,730,571	\$ 34,189,222	\$ 179,919,793
Liabilities and fund balances			
Liabilities			
Short-term note payable	\$ 77,500,000	\$ -	\$ 77,500,000
Accounts payable	1,324,921	3,168,042	4,492,963
Payroll and related benefits payable	23,963,013	-	23,963,013
Interest and deposit payable	1,416,207	-	1,416,207
Due to other organizations	107,889	-	107,889
Unearned revenue	101,466	165,845	267,311
Due to other funds	3,807,428	-	3,807,428
Total liabilities	108,220,924	3,333,887	111,554,811
Fund balances			
Nonspendable	682,193	93,080	775,273
Restricted	-	30,762,255	30,762,255
Committed	43,103	-	43,103
Assigned	205,728	-	205,728
Unassigned	36,578,623	-	36,578,623
Total fund balances	37,509,647	30,855,335	68,364,982
Total liabilities and fund balances	\$ 145,730,571	\$ 34,189,222	\$ 179,919,793

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

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

Governmental capital assets	\$ 314,240,326	
Governmental accumulated depreciation	(162,452,417)	
		\$ 151,787,909

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	(93,163,387)	
Premium on general obligation debt	(2,131,905)	
Capital lease obligations	(221,920)	
Net pension liability	54,671,007	
Net OPEB obligation	(20,032,689)	
Accrued interest on general obligation debt	(927,375)	
Vested employee benefits	(88,004,518)	(149,810,787)

Total net position - governmental activities \$ 70,342,104

See accompanying notes.

MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
Revenues			
Property taxes	\$ 255,684,135	\$ 25,537,644	\$ 281,221,779
Other local sources	4,413,872	9,158,855	13,572,727
Interdistrict sources	2,228,717	-	2,228,717
Intermediate sources	86,164	-	86,164
State sources	88,678,792	179,797	88,858,589
Federal sources	18,453,136	9,840,493	28,293,629
Other sources	523,560	169,585	693,145
Total revenues	<u>370,068,375</u>	<u>44,886,374</u>	<u>414,954,749</u>
Expenditures			
Instruction			
Regular instruction	146,290,393	1,001,555	147,291,948
Vocational instruction	4,351,394	11,157	4,362,551
Special education instruction	54,824,636	5,661	54,830,297
Other instruction	11,302,061	221,399	11,523,460
Total instruction	<u>216,768,484</u>	<u>1,239,772</u>	<u>218,008,256</u>
Support services			
Pupil services	27,049,935	281,953	27,331,888
Instructional staff services	24,975,497	604,529	25,580,026
General administration services	24,358,824	107,253	24,466,077
Building administration services	27,261,784	33,516,669	60,778,453
Pupil transportation	12,974,737	98,137	13,072,874
Community services	-	14,610,651	14,610,651
Debt service	445,273	10,624,186	11,069,459
Other support services	21,315,240	653,751	21,968,991
Total support services	<u>138,381,290</u>	<u>60,497,129</u>	<u>198,878,419</u>
Nonprogram	<u>13,353,616</u>	<u>-</u>	<u>13,353,616</u>
Total expenditures	<u>368,503,390</u>	<u>61,736,901</u>	<u>430,240,291</u>
Excess (deficiency) of revenues over expenditures	1,564,985	(16,850,527)	(15,285,542)
Long-term debt issued	-	41,425,000	41,425,000
Proceeds from issuance of refunding debt	-	12,065,000	12,065,000
Premium on debt issuance	-	2,348,921	2,348,921
Debt proceeds paid to escrow	-	(12,191,108)	(12,191,108)
Transfers in	65,221	-	65,221
Transfers out	-	(65,221)	(65,221)
Net change in fund balances	1,630,206	26,732,065	28,362,271
Fund balances - beginning of year	<u>35,879,441</u>	<u>4,123,270</u>	<u>40,002,711</u>
Fund balances - end of year	<u>\$ 37,509,647</u>	<u>\$ 30,855,335</u>	<u>\$ 68,364,982</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, 2016**

Net change in fund balances - total governmental funds		\$ 28,362,271
<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	\$ 19,378,747	
Depreciation expense reported in the statement of activities	<u>(4,836,692)</u>	
Amount by which capital outlays is greater than depreciation		14,542,055
Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
Special termination benefits paid in current year	7,538,055	
Special termination benefits earned in current year	<u>(8,512,718)</u>	
Amounts earned are less than amounts paid		(974,663)
An implicit rate subsidy is incurred by the District as retired employees are covered by the District's insurance plan.		
Employer contributions in the current year to the implicit rate subsidy	1,874,618	
Actuarially determined costs of the implicit rate subsidy	<u>(5,007,877)</u>	
Amounts paid are less than amounts incurred		(3,133,259)
Defined 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	14,418,461	
Pension benefits earned in current year	<u>(29,323,691)</u>	
Amounts earned are less than amounts paid		(14,905,230)
Sick leave is reported in governmental funds when amounts are paid. The statement of activities reports the expected value of sick leave funds being used for future benefit to the employees. The change in the expected value is greater in the current year		
		(182,272)
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		19,531,447
Long-term bonds and notes 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		(53,490,000)
Long-term bond premiums and discounts are reported in governmental funds as other sources and debt service, respectively, but should be amortized over the life of the bonds in the statement of activities.		
Adjustment to current year amortization of premium/discount		(1,831,508)
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	82,447	
The amount of depreciation recapture for the year was	<u>(81,889)</u>	
Loss on the value of assets net of recaptured depreciation		(558)
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	2,655,110	
The amount of interest accrued during the current period	<u>(2,941,422)</u>	
Interest paid is more than interest accrued by		(286,312)
Change in net position - governmental activities		\$ <u>(12,368,029)</u>

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

	<u>Scholarship Trust</u>	<u>Employee Benefit Trust</u>	<u>Agency Fund</u>
Assets			
Cash and cash equivalents	\$ 595,065	\$ 15,750,285	\$ 828,073
Interest Receivable	3,020	-	-
Due from other funds	<u>6,101</u>	<u>-</u>	<u>-</u>
Total assets	604,186	15,750,285	828,073
Liabilities			
Due to student organizations	<u>-</u>	<u>-</u>	<u>\$ 828,073</u>
Net position			
Restricted	<u>\$ 604,186</u>	<u>\$ 15,750,285</u>	

See accompanying notes.

**MADISON METROPOLITAN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2016**

	<u>Scholarship Trust</u>	<u>Employee Benefit Trust</u>
Additions		
Contributions	\$ 83,917	\$ 567,618
Interest income	<u>3,168</u>	<u>89,186</u>
Total additions	87,085	656,804
Deductions		
Scholarships and awards paid	105,682	-
Other postemployment benefits	<u>-</u>	<u>283,500</u>
Total deductions	105,682	283,500
Change in net position	(18,597)	373,304
Net position - beginning of year as restated	<u>622,783</u>	<u>15,376,981</u>
Net position - end of year	<u>\$ 604,186</u>	<u>\$ 15,750,285</u>

See accompanying notes.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

A. REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION

District-wide Statements

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

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.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

B. BASIS OF PRESENTATION (Continued)

The District reports the following major governmental fund:

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

The District reports the following nonmajor governmental funds:

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

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

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

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

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

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

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally the district reports the following fiduciary fund types:

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

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

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

C. MEASUREMENT FOCUS & BASIS OF ACCOUNTING

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

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

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

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

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

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

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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 following items that meet this criterion, loss on refinancing of long term debt, expected vs. actual experience of the pension plan, expected vs. actual investment income of the pension plan, changes in actuarial assumptions and contributions after measurement date, relate to the allocation of the pension activity resulting from the implementation of GASB Statement 68.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has reported the change in its proportionate share of the statewide WRS Pension and expected vs. actual experience of the pension plan as a deferred inflow of resources.

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EQUITY CLASSIFICATIONS

Net Position

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

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

Fund Balances

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

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

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

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

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

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

Unassigned fund balance is the residual classification and are available for any purpose. Unassigned amounts are only reported in the general fund.

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

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, there were 1,284 participants and expenditures on a pay-as-you-go basis were \$4,267,579. The District’s sick leave liability at June 30, 2016 was \$80,245,013, which represents \$47,938,283 for currently active employees and \$32,306,730 for retirees.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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's Retirement Plan

As provided in applicable negotiated contracts, certified District employees meeting a minimum age and length of service requirement are eligible to receive early retirement benefits of 19% of the employee's salary for three years. For the year ended June 30, 2016, there were 312 participants and expenditures on a pay-as-you-go basis were \$3,270,476 after applying a discount rate of 3%, the present value of the District's early retirement liability at June 30, 2016 was \$7,759,505.

Administrator's Retirement Plan

The District has an administrators' retirement plan which covers eligible administrators with over 10 years of experience with the District. The plan requires contributions by administrators electing to participate in the plan. The District is required to make a defined contribution ranging from \$39,299 to \$48,299 annually to the plan upon the administrators' retirement for administrators with at least 15 years of service. The District contributed \$497,915 to the plan for the year ended June 30, 2016.

403(b) Retirement Plan

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

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.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

P. CAPITAL ASSETS

Capital assets are reported in the district-wide financial statements. Capital assets are reported at actual cost or estimated historical costs, based on inventories conducted by an independent third-party professional appraisal firm. Capital assets are defined by the District as assets with an initial individual cost of \$5,000. Donated assets are reported at estimated fair value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

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

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

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

1. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report vested employee benefits on a pay-as-you-go basis and the statement of activities reports these amounts as earned by the applicable employees.
2. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for capital items in the governmental fund statements and depreciation expense on those items in the statement of activities.
3. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

For the Year Ended June 30, 2016	Total Governmental Funds	Long -Term Revenues/ Expenses	Capital Related Items	Long -Term Debt Transactions	Statement of Activities Total
Revenues:					
Property taxes	\$ 281,221,779	\$ -	\$ -	\$ -	\$ 281,221,779
Other local sources	13,572,727	-	-	-	13,572,727
Intermediate sources	2,228,717	-	-	-	2,228,717
Interdistrict sources	86,164	-	-	-	86,164
State sources	88,858,589	-	-	-	88,858,589
Federal sources	28,293,629	-	-	-	28,293,629
Other sources	693,145	-	-	-	693,145
Special and extraordinary:					
Loss on disposal of assets	-	-	(558)	-	(558)
Total revenues	414,954,749	-	(558)	-	414,954,191
Expenditures					
Instruction:					
Regular instruction	147,291,948	-	88,880	-	147,380,828
Vocational instruction	4,362,551	-	12,594	-	4,375,145
Special instruction	54,830,297	-	-	-	54,830,297
Other instruction	11,523,460	-	11,196	-	11,534,656
Total instruction	218,008,256	-	112,670	-	218,120,926
Support Services:					
Pupil services	27,331,888	-	15,923	-	27,347,811
Instructional staff services	25,580,026	-	32,175	-	25,612,201
General administration services	24,466,077	-	45,218	-	24,511,295
Building administration services	60,778,453	-	(19,363,788)	-	41,414,665
Pupil transportation	13,072,874	-	-	-	13,072,874
Community services	14,610,651	-	-	-	14,610,651
Debt service	11,069,459	-	-	(7,571,439)	3,498,020
Other support services	21,968,991	19,195,424	(9,804)	-	41,154,611
Depreciation-Unallocated	-	-	4,625,550	-	4,625,550
Total support services	198,878,419	19,195,424	(14,654,726)	(7,571,439)	195,847,678
Non-program	13,353,616				13,353,616
Total expenditures	430,240,291	19,195,424	(14,542,056)	(7,571,439)	427,322,220
Other financing sources (uses):					
Proceeds from bonds	41,425,000	-	(41,425,000)	-	-
Proceeds from refunding debt	12,065,000	-	-	(12,065,000)	-
Premium on debt issuance	2,348,921	-	-	(2,348,921)	-
Debt proceeds paid to escrow agent	(12,191,108)	-	-	12,191,108	-
Total Other	43,647,813	-	(41,425,000)	(2,222,813)	-
Net Change for Year	\$ 28,362,271	\$ (19,195,424)	\$ (26,883,502)	\$ 5,348,626	\$ (12,368,029)

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 3 - CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents 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	15,923,342	15,923,342	Custodial
Certificates of deposit	177,666	177,666	Custodial
Total Deposits	<u>16,101,008</u>	<u>16,101,008</u>	
Wisconsin Local Government Investment Pool	7,149	7,149	Interest rate and credit
City of Madison Investment Pool	72,051,450	72,051,450	Interest rate and credit
Wisconsin Investment Cooperative	34,290,888	34,290,888	Interest rate and credit
	<u>106,349,487</u>	<u>106,349,487</u>	
Total cash and cash equivalents	<u>\$ 122,453,945</u>		
Reconciliation to the Financial Statements			
Per Statement of Net Position	\$ 105,280,522		
Per Statement of Fiduciary Net Position			
Scholarship Trust	595,065		
Employee Benefit Trust	15,750,285		
Agency Fund	<u>828,073</u>		
Total cash and cash equivalents	<u>\$ 122,453,945</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, 2016

NOTE 3 - CASH AND CASH EQUIVALENTS (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, 2016, 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, 2016, 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, 2016

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

As of June 30, 2016, \$350,723 of the District's deposits with financial institutions was uninsured and uncollateralized. 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, 2016, the District's share of the WISC's assets was substantially equal to the amount reported on page 21. 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, 2016, the District's fair value of investments held at the City of Madison Investment Pool was substantially equal to the amount reported on page 21. 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, 2016 the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported on page 21.

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, 2016**

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, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Trust Fund	General Fund	\$ 1,527,319
Capital Projects Fund	General Fund	1,062,058
Food Service Fund	General Fund	657,391
Community Service Fund	General Fund	554,559
Fiduciary Trust Fund	General Fund	6,101

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

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
General Fund	Community Service Fund	\$ 54,975
General Fund	Package Coop Fund	10,246

The District transferred funds to the General Fund for indirect costs related to grants and donations.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions and Reclassifications	Removals	Ending Balance
Capital assets not being depreciated:				
Sites (land)	\$ 9,395,541	\$ -	\$ -	\$ 9,395,541
Construction in progress	<u>8,268,427</u>	<u>17,851,679</u>	<u>(9,469,921)</u>	<u>16,650,185</u>
Total capital assets not being depreciated:	17,663,968	17,851,679	(9,469,921)	26,045,726
Capital assets being depreciated:				
Site improvements	2,778,678	507,311	-	3,285,989
Buildings and building improvements	251,753,323	10,343,560	-	262,096,883
Furniture and equipment	<u>22,748,057</u>	<u>146,118</u>	<u>(82,447)</u>	<u>22,811,728</u>
Total capital assets being depreciated:	277,280,058	10,996,989	(82,447)	288,194,600
Less accumulated depreciation for:				
Site Improvements	(2,035,216)	(103,694)	-	(2,138,910)
Building & building improvements	(135,958,957)	(4,085,555)	-	(140,044,512)
Furniture and equipment	<u>(19,703,441)</u>	<u>(647,443)</u>	<u>81,889</u>	<u>(20,268,995)</u>
Total accumulated depreciation	(157,697,614)	(4,836,692)	81,889	(162,452,417)
Total capital assets being depreciated, net of accumulated depreciation	<u>119,582,444</u>	<u>6,160,297</u>	<u>(558)</u>	<u>125,742,183</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 137,246,412</u>	<u>\$ 24,011,976</u>	<u>\$ (9,470,479)</u>	<u>\$ 151,787,909</u>

Depreciation expense for governmental activities for the year ended June 30, 2016 was charged to governmental functions as follows:

Regular Instruction	\$ 88,879
Vocational Instruction	12,594
Other Instruction	11,196
Pupil Services	15,923
Instructional Staff Services	32,175
General Admin	45,219
Other Support	5,155
Depreciation not charged to a specific function	<u>4,625,551</u>
	<u>\$ 4,836,692</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 7 - SHORT-TERM DEBT

The District issues tax anticipation notes in advance of property tax collections. The notes are necessary because expenditures for the year begin in July whereas the tax collections are received from the municipalities beginning in January. Short-term debt activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes, due September 8, 2015	\$ 74,500,000	\$ -	\$74,500,000	\$ -
Tax anticipation notes, due September 8, 2016	-	77,500,000	-	77,500,000
Totals	<u>\$ 74,500,000</u>	<u>\$77,500,000</u>	<u>\$74,500,000</u>	<u>\$ 77,500,000</u>

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	\$ 8,740,000	\$ 41,425,000	\$ 3,056,613	\$ 47,108,387	\$ 5,180,100
Bonds	50,245,000	12,065,000	16,255,000	46,055,000	4,915,000
Deferred amounts for premium/discount	300,397	1,747,813	(83,695)	2,131,905	326,829
Total general obligation debt	<u>59,285,397</u>	<u>55,237,813</u>	<u>19,227,918</u>	<u>95,295,292</u>	<u>10,421,929</u>
Capital Leases	441,754	-	219,834	221,920	221,920
Vested employee benefits	<u>86,847,583</u>	<u>8,694,990</u>	<u>7,538,055</u>	<u>88,004,518</u>	<u>8,237,513</u>
Totals	<u>\$ 146,574,734</u>	<u>\$ 63,932,803</u>	<u>\$26,985,807</u>	<u>\$ 183,521,730</u>	<u>\$ 18,881,362</u>

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

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	\$ 47,756,011	\$ 182,272	\$ -	\$ 47,938,283	\$ 479,383
Retirees	31,878,672	4,695,637	4,267,579	32,306,730	4,267,579
Early retirement benefit liability	<u>7,212,900</u>	<u>3,817,081</u>	<u>3,270,476</u>	<u>7,759,505</u>	<u>3,490,551</u>
	<u>\$ 86,847,583</u>	<u>\$ 8,694,990</u>	<u>\$ 7,538,055</u>	<u>\$ 88,004,518</u>	<u>\$ 8,237,513</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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, 2016, is comprised of the following individual issues:

Description	Issue Dates	Average Interest Rate	Date of Maturity	Balance 6/30/2016
Bonds Payable	3/15/2007	3.95%	9/1/2026	\$ 1,135,000
Bonds Payable	10/23/2009	2.28%	10/1/2020	6,420,000
Bonds Payable	3/26/2010	5.08%	3/1/2020	7,640,000
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	16,135,000
Energy Efficiency Note Payable	12/17/2012	1.98%	9/1/2022	6,425,000
State Trust Fund Loan	6/20/2015	3.00%	3/15/2020	338,387
Note Payable	8/10/2015	2.00%	3/1/2025	38,840,000
Bonds Payable	8/15/2015	2.28%	3/1/2026	11,955,000
State Trust Fund Loan	12/20/2015	3.00%	3/15/2020	425,000
				\$ 93,163,387

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt on June 30, 2016, follow:

Year ended June 30,	Principal	Interest	Totals
2017	\$ 10,095,100	\$ 2,915,304	\$ 13,010,404
2018	10,103,716	2,607,338	12,711,054
2019	10,504,378	2,289,201	12,793,579
2020	10,450,193	1,935,899	12,386,092
2021	10,205,000	1,558,126	11,763,126
2022-2026	39,035,000	3,486,500	42,521,500
2027-2031	-	554,000	554,000
2032	2,770,000	55,400	2,825,400
	\$ 93,163,387	\$ 15,401,768	\$ 108,565,155

Total long-term debt interest paid and expended (including accrual) for the year ended June 30, 2016 was \$2,655,110 and \$2,941,421, respectively.

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$24,192,878,565. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$24,192,878,565)	\$ 2,419,287,857
GO debt outstanding	93,163,387
Margin of Indebtedness	\$ 2,326,124,470

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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, 2016:

		Cost		Accumulated Depreciation	Depreciation Expense
Network Equipment	\$	665,365	\$	199,610	\$ 133,073

The future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2016 are as follows:

Total minimum lease payments June 30, 2017	\$	228,428
Amount representing interest		6,508
Present value of minimum lease payments	\$	221,920

NOTE 9 - EMPLOYEE RETIREMENT PLANS

General Information about the Pension Plan

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

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

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

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

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$14,858,244 in contributions from the employer which equaled required contributions.

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

At June 30, 2016, Madison Metropolitan School District reported a liability of \$24,882,909 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. The District reported a deferred outflow of \$17,409,166 for changes in assumptions between the actuarial valuation date and the measurement date. Madison Metropolitan School District's proportion of the net pension liability was based on Madison Metropolitan School District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, Madison Metropolitan School District's proportion was 1.53127423%, which was an increase of 0.01148941% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, Madison Metropolitan School District recognized pension expense of \$29,323,691.

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

At June 30, 2016, Madison Metropolitan School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,177,898	\$ (52,365,658)
Changes in assumptions	17,409,166	-
Net differences between projected and actual earnings on pension plan investments	101,775,210	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(1,040,735)
Employer contributions subsequent to the measurement date	<u>9,598,034</u>	<u>-</u>
Total	<u>\$ 132,960,308</u>	<u>\$ (53,406,393)</u>

\$9,598,034 reported as deferred outflows related to pension resulting from Madison Metropolitan School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2017. 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>
2016	\$ 32,020,981	\$ (12,977,144)
2017	32,020,981	(12,977,144)
2018	32,020,981	(12,977,144)
2019	26,742,365	(12,797,972)
2020	<u>556,966</u>	<u>(1,676,989)</u>
	<u>\$ 123,362,274</u>	<u>\$ (53,406,393)</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
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 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities	27%	23%	7.6%	4.7%
International equities	24.5	22	8.5	5.6
Fixed income	27.5	37	4.4	1.6
Inflation sensitive assets	10	20	4.2	1.4
Real estate	7	7	6.5	3.6
Private equity/debt	7	7	9.4	6.5
Multi-asset	4	4	6.7	3.8
Total core fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30	30	8.5	5.6
Total variable fund	100%	100%	7.9%	5.0%

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
The District's proportionate share of net pension liability	\$ 174,529,200	\$ 24,882,909	\$ (91,993,512)

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 for its employees. The plan administrator is responsible for the approval, processing, and payment of claims, after which the plan administrator bills the District each week for reimbursement.

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

At June 30, 2016, the District reported a liability of \$817,913 which represents an estimate of reported and unreported claims and premiums which were incurred on or before June 30, 2016, but were not paid by the District as of that date. This amount consists of claims reported to the District by the plan administrator, claims reported to the plan administrator but not the District, and claims which were not yet reported to either the plan administrator or the District. The amounts not reported to the District were estimated by the District based on a monthly accrual rate per employee depending on single versus family coverage. Reported claims and claims incurred but not reported:

	Beginning Balance	Contributions	Claims and Changes in Estimates	Ending Balance
2015-16	\$ 919,748	\$ 4,559,785	\$ 4,661,620	\$ 817,913

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 11 - POSTEMPLOYMENT BENEFITS

Annual OPEB Cost and Net OPEB Obligation

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

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the District and the unions. The District contributes 100% of the current year premiums on behalf of the retiree. For active employees, the District contributes 90% and the employee contributes 10% of the current year premium for administrative employees; the District contributes 100% of the current year premium for teachers and all other non-administrative employees covered under the District's plans.

Life Benefit. The District administers a single-employer defined benefit life insurance plan. The plan provides life insurance for eligible retirees through the District's life insurance plan, which covers both active and retired members. Assets have been accumulated to prefund these benefits through a Premium Stabilization Fund Agreement with Epic Life insurance company, and are accounted for in the employee benefit trust fund. The Retiree Life Insurance Plan does not issue a publicly available financial report.

Participants are eligible for life benefits at age 65. Employees who retire before age 65 are eligible for life benefits as long as they pay premiums until the age of 65.

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years using the level percentage of projected payroll method. The remaining amortization period at June 30, 2016 was 30 years.

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

	<u>Health Insurance</u>	<u>Life Insurance</u>
Annual required contribution	\$ 4,214,720	\$ 849,489
Interest on annual required contribution	417,156	89,827
Adjustment to annual required contribution	(463,507)	(99,808)
Annual OPEB Cost	<u>4,168,369</u>	<u>839,508</u>
Contributions made	<u>(1,307,000)</u>	<u>(567,618)</u>
Increase in Net OPEB Obligation	2,861,369	271,890
Net OPEB obligation, beginning of year	<u>13,905,197</u>	<u>2,994,233</u>
Net OPEB obligation, end of year	<u>\$ 16,766,566</u>	<u>\$ 3,266,123</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2016 and the 2 preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 5,007,877	37.43%	\$ 20,032,689
6/30/2015	4,236,029	36.31%	13,905,197
6/30/2014	4,068,163	32.74%	11,207,168

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

The actuary used a level percentage of pay amortization method with a 30-year amortization period and the following assumptions. Where consistent with the terms of the plan, the actuary used the experience study performed by the Wisconsin Retirement System (WRS).

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

1. **Interest Discount Rate:** 3.00% compounded annually.
2. **Inflation:** 3.00%
3. **Wage inflation:** 3.00%
4. **Mortality:** Healthy-Retiree, Disabled-Retiree and Healthy Active rates used were from the WRS 2012-2014 experience study.
5. **Employee Turnover/Withdrawal:** Ten-year select and ultimate rates of WRS for General employees for all employees.
6. **Disablement:** WRS disability rates for General employees for all employees.
7. **Retirement:** WRS retirement rates for General employees for all employees.
8. **Percentage of Family Retirees Electing Family Coverage:**
 - Future retirees: 20% of future retirees assumed to elect two person coverage at retirement.
 - Current retirees: Actual family coverage election.
9. **Percentage of Retirees Participating in Retiree Medical Coverage:**
 - Future retirees: 75% of future retirees are expected to participate in the District's retiree medical coverage, as of their retirement date.
 - Current retirees: Actual retiree participation.
10. **Age Difference of Active Employees and Spouses:** Spouses are assumed the same age as participants.
11. **Annual Medical Trend Rate Assumptions:** The following health care trend rates are based on recent experience, the experience of medical insurers, the Actuary's future trend expectations, and management's judgment.

<u>Calendar Year</u>	<u>Healthcare Trend</u>
2016	5.20%
2017	6.20%
2018	6.90%
2019-2027	5.20%

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

Health Benefits			
<u>Participant Members</u>	<u>Average Count</u>	<u>Average Age</u>	<u>Service</u>
Active	4,990	44.6	9.6
Retired	170	61.4	
Life Benefits			
<u>Participant Members</u>	<u>Average Count</u>	<u>Average Age</u>	<u>Service</u>
Active	3,167	45.2	11.9
Retired	1,296	75.6	

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 12 - FUND BALANCES

The components of the governmental fund balances are as follows:

	General Fund	Nonmajor Govt Funds	Total
Non-Spendable			
Prepays & Inventory	\$ 319,312	\$ 93,080	\$ 412,392
Endowment	362,881	-	362,881
Total Non Spendable	<u>682,193</u>	<u>93,080</u>	<u>775,273</u>
Restricted			
Capital Projects	-	24,963,792	24,963,792
Food Service	-	745,010	745,010
Debt Service Retirement	-	2,973,486	2,973,486
Community Service	-	392,942	392,942
Special Revenue - Donation	-	1,687,025	1,687,025
Total Restricted	<u>-</u>	<u>30,762,255</u>	<u>30,762,255</u>
Committed			
Bassett Funds	<u>43,103</u>	-	<u>43,103</u>
Total Committed	43,103	-	43,103
Assigned			
Encumbrances	<u>205,728</u>	-	<u>205,728</u>
Total Assigned	205,728	-	205,728
Unassigned			
	<u>36,578,623</u>	-	<u>36,578,623</u>
Totals	<u>\$ 37,509,647</u>	<u>\$ 30,855,335</u>	<u>\$ 68,364,982</u>

NOTE 13 - 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.

MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 14 - RISK MANAGEMENT

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

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The District did not include information related to a retiree life insurance benefit on the district-wide financial statements prior to this year as required by the Government Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The result is an adjustment of \$2,994,233 to decrease the June 30, 2015 net position on the Statement of Net Position based on the District's liability balance as of June 30, 2015. The District also did not include assets held in a premium stabilization trust by a third party to finance the retiree life insurance benefit. The result is an adjustment of \$15,376,981 to the June 30, 2015 net position on the Statement of Changes in Fiduciary Net Position based on the balance of trust assets as of June 30, 2015.

NOTE 16 - SUBSEQUENT EVENTS

Management evaluated subsequent events through January 10, 2017, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to January 10, 2017, that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, 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, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Property taxes	255,909,132	255,909,132	\$ 255,684,135	\$ (224,997)
Other local sources	4,670,604	4,773,082	4,413,872	(359,210)
Interdistrict sources	2,127,515	2,151,435	2,228,717	77,282
Intermediate sources	123,617	150,172	86,164	(64,008)
State sources	88,224,864	88,446,583	88,678,792	232,209
Federal sources	20,591,292	21,583,167	18,453,136	(3,130,031)
Other sources	804,405	816,725	523,559	(293,166)
Total revenues	<u>372,451,429</u>	<u>373,830,296</u>	<u>370,068,375</u>	<u>(3,761,921)</u>
Expenditures				
Instruction:				
Regular instruction	149,151,607	148,998,855	146,290,393	2,708,462
Vocational instruction	4,164,887	4,222,704	4,351,394	(128,690)
Special instruction	54,661,025	54,816,961	54,824,636	(7,675)
Other instruction	10,907,491	10,885,587	11,302,061	(416,474)
Total instruction	<u>218,885,010</u>	<u>218,924,107</u>	<u>216,768,484</u>	<u>2,155,623</u>
Support services:				
Pupil services	26,869,127	26,810,873	27,049,935	(239,062)
Instructional staff services	26,739,665	27,434,817	24,975,497	2,459,320
General administration services	24,536,704	24,553,421	24,358,824	194,597
Building administration services	28,072,098	28,218,080	27,261,784	956,296
Pupil transportation	12,345,438	12,567,797	12,974,737	(406,940)
Principal and interest	444,673	444,673	445,273	(600)
Other support services	20,174,475	20,366,729	21,315,240	(948,511)
Total support services	<u>139,182,180</u>	<u>140,396,390</u>	<u>138,381,290</u>	<u>2,015,100</u>
Nonprogram	<u>12,854,846</u>	<u>12,986,837</u>	<u>13,353,616</u>	<u>(366,779)</u>
Total expenditures	<u>370,922,036</u>	<u>372,307,334</u>	<u>368,503,390</u>	<u>3,803,944</u>
Excess (deficiency) of revenues over expenditures	1,529,393	1,522,962	1,564,985	42,023
Other financing sources (uses)				
Transfers in	(448,604)	(460,204)	65,221	525,425
Transfers out	506,719	518,319	-	(518,319)
Net change in fund balance	1,587,508	1,581,077	1,630,206	49,129
Fund balance - beginning of year	<u>35,879,441</u>	<u>35,879,441</u>	<u>35,879,441</u>	<u>-</u>
Fund balance - end of year	<u>\$ 37,466,949</u>	<u>\$ 37,460,518</u>	<u>\$ 37,509,647</u>	<u>\$ 49,129</u>

See accompanying notes to required supplementary information.

**MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE'S HEALTH PLAN
Year Ended June 30, 2016**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2012	-	\$ 37,592,110	\$ 37,592,110	0%	\$ 218,475,740	17.2%
7/1/2013	-	34,053,331	34,053,331	0%	225,454,153	15.1%
7/1/2015	-	35,351,189	35,351,189	0%	231,824,815	15.2%

**SCHEDULE OF FUNDING PROGRESS FOR LIFE INSURANCE PLAN
Year Ended June 30, 2016**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2015	\$ 15,376,981	\$ 20,002,486	\$ 4,625,505	77%	\$ 165,578,000	2.8%

See accompanying notes to required supplementary information.

**MADISON METROPOLITAN SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION ASSET
WISCONSIN RETIREMENT SYSTEM
Last 10 Fiscal Years**

	2015	2014
The District's proportion of the net pension asset	1.531274%	1.519785%
The District's proportionate share of the net pension liability	\$ 24,882,909	\$ (37,330,073)
The District's covered-employee payroll	\$ 218,447,597	\$ 213,983,693
The District's proportionate share as a percentage of covered payroll	11.39%	17.45%
Plan fiduciary net position as a percentage of the total pension liability	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***

	2015	2014
Contractually required contributions	\$ 14,858,224	\$ 15,038,383
Contributions in relation to the contractually required contributions	\$ 14,858,224	\$ 15,038,383
The District's covered-employee payroll	\$ 218,447,597	\$ 213,983,673
Contributions as a percentage of covered-employee payroll	6.80%	7.03%

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

**MADISON METROPOLITAN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

NOTE 1 - BUDGET SCHEDULE

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

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

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

NOTE 2 - CAPITAL LEASES

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

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

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

Function	Amount
Vocational instruction	\$ 128,690
Special instruction	7,675
Other instruction	416,474
Pupil services	239,062
Pupil transportation	406,940
Other support services	948,511

NOTE 4- FUNDING PROGRESS DATA

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

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

NOTE 5 - NET PENSION ASSETS AND CONTRIBUTIONS

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

Changes of assumptions. The District reported a deferred outflow of \$17,409,166 for changes in assumptions.

SUPPLEMENTARY INFORMATION

**MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2016**

	General Fund	Special Education Fund	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 75,760,372	\$ 150	\$ -	\$ 75,760,522
Receivables				
Taxes	51,237,207	-	-	51,237,207
Accounts	4,481,567	78,247	-	4,559,814
Due from other governments	13,853,716	-	-	13,853,716
Due from other funds	-	122,093	(122,093)	-
Inventories and prepaid items	319,312	-	-	319,312
Total assets	\$ 145,652,174	\$ 200,490	\$ (122,093)	\$ 145,730,571
Liabilities and fund balances				
Liabilities				
Short-term note payable	\$ 77,500,000	\$ -	\$ -	\$ 77,500,000
Accounts payable	1,124,431	200,490	-	1,324,921
Payroll and related benefits payable	23,963,013	-	-	23,963,013
Interest and deposit payable	1,416,207	-	-	1,416,207
Due to other organizations	107,889	-	-	107,889
Unearned revenues	101,466	-	-	101,466
Due to other funds	3,929,521	-	(122,093)	3,807,428
Total liabilities	108,142,527	200,490	(122,093)	108,220,924
Fund balances				
Nonspendable				
Inventories and prepaid items	319,312	-	-	319,312
Endowment - Bassett Funds	362,881	-	-	362,881
Committed				
Designated - Bassett Funds	43,103	-	-	43,103
Assigned - encumbrances	205,728	-	-	205,728
Unassigned	36,578,623	-	-	36,578,623
Total fund balances	37,509,647	-	-	37,509,647
Total liabilities and fund balances	\$ 145,652,174	\$ 200,490	\$ (122,093)	\$ 145,730,571

**MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Eliminations</u>	<u>Total</u>
Revenues				
Property taxes	\$ 255,684,135	\$ -	\$ -	\$ 255,684,135
Other local sources	4,413,872	-	-	4,413,872
Interdistrict sources	2,047,677	181,040	-	2,228,717
Intermediate sources	86,164	-	-	86,164
State sources	69,657,821	19,020,971	-	88,678,792
Federal sources	12,385,207	6,067,929	-	18,453,136
Other sources	523,559	-	-	523,559
Total revenues	<u>344,798,435</u>	<u>25,269,940</u>	<u>-</u>	<u>370,068,375</u>
Expenditures				
Instruction				
Regular instruction	146,290,393	-	-	146,290,393
Vocational instruction	4,351,394	-	-	4,351,394
Special education instruction	355,108	54,469,528	-	54,824,636
Other instruction	11,302,061	-	-	11,302,061
Total instruction	<u>162,298,956</u>	<u>54,469,528</u>	<u>-</u>	<u>216,768,484</u>
Support services				
Pupil services	14,423,200	12,626,735	-	27,049,935
Instructional staff services	22,009,984	2,965,513	-	24,975,497
General administration services	24,266,824	92,000	-	24,358,824
Building administration services	27,208,939	52,845	-	27,261,784
Pupil transportation	9,026,915	3,947,822	-	12,974,737
Debt service	445,273	-	-	445,273
Other support services	21,304,270	10,970	-	21,315,240
Total support services	<u>118,685,405</u>	<u>19,695,885</u>	<u>-</u>	<u>138,381,290</u>
Nonprogram	<u>13,101,577</u>	<u>252,039</u>	<u>-</u>	<u>13,353,616</u>
Total expenditures	<u>294,085,938</u>	<u>74,417,452</u>	<u>-</u>	<u>368,503,390</u>
Excess (deficiency) of revenues over expenditures	50,712,497	(49,147,512)	-	1,564,985
Other financing sources (uses)				
Transfer in	289,523	49,371,814	(49,596,116)	65,221
Transfer out	(49,371,814)	(224,302)	49,596,116	-
Net change in fund balances	1,630,206	-	-	1,630,206
Fund balances - beginning of year	<u>35,879,441</u>	<u>-</u>	<u>-</u>	<u>35,879,441</u>
Fund balances - end of year	<u>\$ 37,509,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,509,647</u>

MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Property taxes	\$ 255,909,132	\$ 255,909,132	\$ 255,684,135	\$ (224,997)
Other local sources	4,670,604	4,773,082	4,413,872	(359,210)
Interdistrict sources	2,077,515	2,101,435	2,047,677	(53,758)
Intermediate sources	123,617	150,172	86,164	(64,008)
State sources	69,313,567	69,535,286	69,657,821	122,535
Federal sources	14,444,449	15,001,745	12,385,207	(2,616,538)
Other sources	<u>804,405</u>	<u>816,725</u>	<u>523,559</u>	<u>(293,166)</u>
Total revenues	<u>347,343,289</u>	<u>348,287,577</u>	<u>344,798,435</u>	<u>(3,489,142)</u>
Expenditures				
Instruction				
Regular instruction	148,873,138	148,720,386	146,290,393	2,429,993
Vocational instruction	4,164,887	4,222,704	4,351,394	(128,690)
Special instruction	504,061	519,053	355,108	163,945
Other instruction	<u>10,907,491</u>	<u>10,885,587</u>	<u>11,302,061</u>	<u>(416,474)</u>
Total instruction	<u>164,449,577</u>	<u>164,347,730</u>	<u>162,298,956</u>	<u>2,048,774</u>
Support services				
Pupil services	15,264,377	15,299,752	14,423,200	876,552
Instructional staff services	23,563,095	24,123,933	22,009,984	2,113,949
General administration services	24,446,704	24,463,421	24,266,824	196,597
Building administration services	27,991,998	28,131,630	27,208,939	922,691
Pupil transportation	8,687,188	8,674,547	9,026,915	(352,368)
Principal and interest	444,673	444,673	445,273	(600)
Other support services	<u>19,718,786</u>	<u>19,911,040</u>	<u>21,304,270</u>	<u>(1,393,230)</u>
Total support services	<u>120,116,821</u>	<u>121,048,996</u>	<u>118,685,405</u>	<u>2,363,591</u>
Nonprogram	<u>12,625,846</u>	<u>12,757,837</u>	<u>13,101,577</u>	<u>(343,740)</u>
Total expenditures	<u>297,192,244</u>	<u>298,154,563</u>	<u>294,085,938</u>	<u>4,068,625</u>
Excess (deficiency) of revenues over expenditures	50,151,045	50,133,014	50,712,497	579,483
Other financing sources (uses)				
Transfers in	224,671	224,671	289,523	64,852
Transfers out	<u>(48,788,208)</u>	<u>(48,776,608)</u>	<u>(49,371,814)</u>	<u>(595,206)</u>
Net change in fund balance	1,587,508	1,581,077	1,630,206	49,129
Fund balance - beginning of year	<u>35,879,441</u>	<u>35,879,441</u>	<u>35,879,441</u>	<u>-</u>
Fund balance - end of year	<u>\$ 37,466,949</u>	<u>\$ 37,460,518</u>	<u>\$ 37,509,647</u>	<u>\$ 49,129</u>

**MADISON METROPOLITAN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Interdistrict sources	\$ 50,000	\$ 50,000	\$ 181,040	\$ 131,040
State sources	18,911,297	18,911,297	19,020,971	109,674
Federal sources	6,146,843	6,581,422	6,067,929	(513,493)
Total revenues	<u>25,108,140</u>	<u>25,542,719</u>	<u>25,269,940</u>	<u>(272,779)</u>
Expenditures				
Instruction				
Regular instruction	278,469	278,469	-	278,469
Special instruction	54,156,964	54,297,908	54,469,528	(171,620)
Total instruction	<u>54,435,433</u>	<u>54,576,377</u>	<u>54,469,528</u>	<u>106,849</u>
Support services				
Pupil services	11,604,750	11,511,121	12,626,735	(1,115,614)
Instructional staff services	3,176,570	3,310,884	2,965,513	345,371
General administration services	90,000	90,000	92,000	(2,000)
Building administration services	80,100	86,450	52,845	33,605
Pupil transportation	3,658,250	3,893,250	3,947,822	(54,572)
Other support services	455,689	455,689	10,970	444,719
Total support services	<u>19,065,359</u>	<u>19,347,394</u>	<u>19,695,885</u>	<u>(348,491)</u>
Nonprogram	<u>229,000</u>	<u>229,000</u>	<u>252,039</u>	<u>(23,039)</u>
Total expenditures	<u>73,729,792</u>	<u>74,152,771</u>	<u>74,417,452</u>	<u>(264,681)</u>
Excess (deficiency) of revenues over expenditures	(48,621,652)	(48,610,052)	(49,147,512)	(537,460)
Other financing sources (uses)				
Transfers out	(166,556)	(166,556)	(224,302)	(57,746)
Transfers in	48,788,208	48,776,608	49,371,814	595,206
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, 2016**

	Special Revenue Trust	Debt Service	Food Service	Capital Projects	Community Service	Total
Assets						
Cash and cash equivalents	\$ -	\$ 2,964,056	\$ -	\$ 26,512,250	\$ 43,694	\$ 29,520,000
Receivables	326,178	9,430	396,319	42,888	-	774,815
Due from other funds	1,527,319	-	657,391	1,062,058	554,559	3,801,327
Inventory	-	-	93,080	-	-	93,080
Total assets	<u>\$ 1,853,497</u>	<u>\$ 2,973,486</u>	<u>\$ 1,146,790</u>	<u>\$ 27,617,196</u>	<u>\$ 598,253</u>	<u>\$ 34,189,222</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 166,472	\$ -	\$ 147,713	\$ 2,653,404	\$ 200,453	\$ 3,168,042
Unearned revenues	-	-	160,987	-	4,858	165,845
Total liabilities	<u>166,472</u>	<u>-</u>	<u>308,700</u>	<u>2,653,404</u>	<u>205,311</u>	<u>3,333,887</u>
Fund balances						
Nonspendable	-	-	93,080	-	-	93,080
Restricted	<u>1,687,025</u>	<u>2,973,486</u>	<u>745,010</u>	<u>24,963,792</u>	<u>392,942</u>	<u>30,762,255</u>
Total fund balances	<u>1,687,025</u>	<u>2,973,486</u>	<u>838,090</u>	<u>24,963,792</u>	<u>392,942</u>	<u>30,855,335</u>
Total liabilities and fund balances	<u>\$ 1,853,497</u>	<u>\$ 2,973,486</u>	<u>\$ 1,146,790</u>	<u>\$ 27,617,196</u>	<u>\$ 598,253</u>	<u>\$ 34,189,222</u>

MADISON METROPOLITAN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Special Revenue Trust	Debt Service	Food Service	Capital Projects	Community Service	Package Co-op	Total
Revenues							
Property taxes	\$ -	\$ 9,382,948	\$ -	\$ 4,500,000	\$ 11,654,696	\$ -	\$ 25,537,644
Other local sources	3,356,509	11,691	2,079,630	89,996	3,621,029	-	9,158,855
State sources	-	-	179,797	-	-	-	179,797
Federal sources	-	-	8,588,833	-	1,251,660	-	9,840,493
Other sources	-	146,045	-	-	13,294	10,246	169,585
Total revenues	<u>3,356,509</u>	<u>9,540,684</u>	<u>10,848,260</u>	<u>4,589,996</u>	<u>16,540,679</u>	<u>10,246</u>	<u>44,886,374</u>
Expenditures							
Instruction							
Regular instruction	1,001,555	-	-	-	-	-	1,001,555
Vocational instruction	11,157	-	-	-	-	-	11,157
Special instruction	5,661	-	-	-	-	-	5,661
Other instruction	221,399	-	-	-	-	-	221,399
Total instruction	<u>1,239,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,239,772</u>
Pupil services							
Instructional staff services	281,953	-	-	-	-	-	281,953
General administration services	604,529	-	-	-	-	-	604,529
Building administration services	46,559	-	-	-	60,694	-	107,253
Transportation	553,673	-	10,197,550	21,703,419	1,062,027	-	33,516,669
Community services	93,131	-	-	-	5,006	-	98,137
Other support services	-	-	-	-	14,610,651	-	14,610,651
Principal and interest	17,286	-	-	-	636,465	-	653,751
Total support services	<u>-</u>	<u>10,624,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,624,186</u>
Total expenditures	<u>1,597,131</u>	<u>10,624,186</u>	<u>10,197,550</u>	<u>21,703,419</u>	<u>16,374,843</u>	<u>-</u>	<u>60,497,129</u>
Total expenditures	<u>2,836,903</u>	<u>10,624,186</u>	<u>10,197,550</u>	<u>21,703,419</u>	<u>16,374,843</u>	<u>-</u>	<u>61,736,901</u>
Excess (deficiency) of revenues over expenditures	519,606	(1,083,502)	650,710	(17,113,423)	165,836	10,246	(16,850,527)
Other financing sources (uses)							
Proceeds from issuance of debt	-	-	-	41,425,000	-	-	41,425,000
Face value of refinancing debt issued	-	12,065,000	-	-	-	-	12,065,000
Premium on debt issuance	-	2,348,921	-	-	-	-	2,348,921
Debt proceeds paid to escrow agent	-	(12,191,108)	-	-	-	-	(12,191,108)
Transfer out	-	-	-	-	(54,975)	(10,246)	(65,221)
Net change in fund balances	519,606	1,139,311	650,710	24,311,577	110,861	-	26,732,065
Fund balances - beginning of year	<u>1,167,419</u>	<u>1,834,175</u>	<u>187,380</u>	<u>652,215</u>	<u>282,081</u>	<u>-</u>	<u>4,123,270</u>
Fund balances - end of year	<u>\$ 1,687,025</u>	<u>\$ 2,973,486</u>	<u>\$ 838,090</u>	<u>\$ 24,963,792</u>	<u>\$ 392,942</u>	<u>\$ -</u>	<u>\$ 30,855,335</u>