



Milwaukee Public Schools
Milwaukee, Wisconsin

2013

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT

FOR YEAR ENDED JUNE 30, 2013

154TH EDITION

154th EDITION

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

BOARD OF SCHOOL DIRECTORS

MILWAUKEE PUBLIC SCHOOLS

5225 West Vliet Street

Milwaukee, Wisconsin

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

MICHAEL BONDS, President

GREGORY E. THORNTON, Ed.D, Superintendent

Prepared by:

The Office of the Chief Financial Officer

Gerald J. Pace, Esq.

This page intentionally left blank.

MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2013

Table of Contents

I. Introductory Section (Unaudited)

Letter of Transmittal	iii
Board of School Directors and Standing Committees	x
Milwaukee School Board Districts	xi
Administrative Officers	xii
Organization Chart	xiii
Certificate of Achievement	xiv

II. Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet—Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Basic Financial Statements	24
Required Supplementary Information:	
Budgetary Comparison Schedule for the General Fund	82
Budgetary Comparison Schedule for the School Nutrition Services Fund	84
Schedules of Funding Progress and Schedules of Employer Contributions	85
Notes to Required Supplementary Information	87
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet—Nonmajor Governmental Funds	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances —Nonmajor Governmental Funds	90

MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2013

Table of Contents, Continued

II. Financial Section, Continued

Combining and Individual Fund Statements and Schedules, Continued:

Schedules of Revenues, Expenditures, and Changes in Fund Balance—Budget and

Actual:

Categorically Aided Programs Fund	91
Debt Service Fund	92
Combining Statement of Net Position—Pension and Other Post Employment Benefits Trust Funds	94
Combining Statement of Changes in Net Position—Pension and Other Post Employment Benefits Trust Funds	95
Schedule of Changes in Assets and Liabilities—Agency Fund	96

III. Statistical Section (Unaudited)

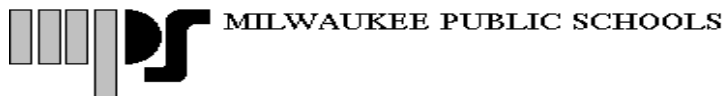
Statement of Net Position	98
Changes in Net Position	99
Fund Balance, Governmental Funds	100
Changes in Fund Balance, Governmental Funds, and Debt Service Ratios	101
Assessed and Equalized Valuation-City of Milwaukee	102
Property Tax Rates-Direct and Overlapping Government	103
Tax Rates for School Purposes	104
Principal Property Taxpayers	105
Property Tax Levies and Collections	106
Assessed Value and Estimated Actual Value of Taxable Property	107
Computation of Direct and Overlapping Debt-City of Milwaukee	108
Ratios of Outstanding Debt by Type	109
Pledged Revenue Coverage	110
Demographic and Economic Statistics	111
Principal Employers	112
Comparative per Capita Cost Statistics	113
Comparative Statement of Annual School Census	114
Annual Enumeration of Children Residing in the City of Milwaukee	115
Government-wide Expenses by Function	116
Government-wide Revenues	117
Governmental Fund Expenditures by Function	118
General Governmental Revenues by Source	119
School Accommodations	120
Number and Distribution of Instructional Staff	121
Population and Pupils Residing in the City of Milwaukee	122
Operating Statistics	123
School District Employees – Full Time Staff & Part Time	124
Nutrition Services – Facts and Figures	125
Capital Asset Information	126

INTRODUCTORY SECTION



Milwaukee Public Schools





Office of the Superintendent
Central Services Building
5225 West Vliet Street
P.O. Box 2181
Milwaukee, Wisconsin 53201-2181

December 18, 2013

Milwaukee Board of School Directors:

We submit to you the Comprehensive Annual Financial Report of the Milwaukee Public Schools (“MPS”), Milwaukee, Wisconsin, for the fiscal year ended June 30, 2013. The Comprehensive Annual Financial Report is management’s financial report to taxpayers, governing board, oversight bodies, voters, employees, and intergovernmental grantors. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District (“District”). To the best of our knowledge and belief, the information presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of MPS. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

MPS operates within the City of Milwaukee, Wisconsin (“City”). The purpose and responsibility of the District is to provide an efficient and effective educational system for the children enrolled in the public schools, whereby each child has access to programs and services that are appropriate to his or her educational needs. In addition to the regular educational programs, the District offers comprehensive programs in the areas of special education, early childhood education, and bilingual education. Through its specialty school programs, the District offers advanced educational programs in such areas as language, fine arts, computer science, health professions, business, and technical trades. In addition, the District provides community recreation and education services through its parks and centers for the elderly.

The City is located 70 miles north of the city of Chicago on the western shores of Lake Michigan. The City has a population estimate of approximately 599,000 based on 2012 U. S. Census Bureau Data. The District operates more than 160 school sites, has over 78,000 students, and employs over 9,170 educators, administrators, and staff. The Superintendent, appointed by the Board, is the senior official representing MPS.

The Milwaukee Public School District was established on February 3, 1846, and is operated under Chapter 119 of the Wisconsin Statutes. The District, governed by a nine-member Board, provides education services through grade 12 to residents of the City of Milwaukee and its participating suburban transfer students.

The reporting entity for the District is based upon criteria set forth by Governmental Accounting Standards Board (“GASB”) Statement No. 14, “The Financial Reporting Entity.” Under this pronouncement, the financial reporting entity consists of (a) the primary government, which is controlled by a separately elected governing body that is legally separate and is fiscally independent, and (b) organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government. The financial statements of the District are excluded from the City of Milwaukee financial statements because the District operates with a separate governing board that is not under the control of the City of Milwaukee.

LOCAL ECONOMIC ANALYSIS

Milwaukee is the state's largest urban and economic center. The City has a diversified economy with strong service and manufacturing sectors. The area is not dominated by large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance, and services have more than 500 employees.

Based upon the Metropolitan Milwaukee Association of Commerce's August 2013 Economic Trends, August's seasonally unadjusted unemployment rate of 6.9% is lower than the 7.9% rate posted one year ago. Currently, the metro Milwaukee area's jobless rate ranks higher than the state's 6.2% but lower than the 7.3% rates posted nationally.

The City continues to maintain high bond ratings from two of the major agencies. AA from Standard & Poor's Corporation and Aa2 from Moody's Investors Service, Inc. was received on recently issued general obligation bonds of the City.

MAJOR INITIATIVES

District leadership has developed a *theory of action* that is built on the following goal areas: student achievement, family and community engagement, and effective and efficient operations. These goal areas are consistent with those of the *MPS Strategic Plan*. Contained within each goal area are a series of themes aligned to achieve the overall District objective of supporting our students so they are prepared to compete in an ever-changing global economy. Much of the work associated with accomplishing this is well underway. An overview of each goal area and the corresponding themes and work completed in 2012-13 follows.

Student Achievement

The foundation on which this goal is supported continues to be the implementation of the system-wide Comprehensive Literacy Plan (CLP) and the Comprehensive Mathematics and Science Plan (CMSP), both of which are aligned to the Common Core State Standards (CCSS). In 2012-13, these efforts were supported in various ways, including providing quality professional development for school-level personnel and a differentiated approach to learning using tiered supports and interventions. Language, terminology and structures outlined in the CLP and CMSP were updated to guarantee alignment with the District's RtI (Response to Intervention) handbook.

Value-added MAP (Measures of Academic Progress) targets were established in 2012-13 for both winter and spring for each grade within each school. With up to 80% of MPS schools making average to above-average value-added growth on MAP, it is time to increase our expectations to higher levels. The District has added a new category to the growth charts to include performance and growth comparisons to the state and/or nation.

In the quest of potentially new avenues to increase student achievement, a Chief Innovation Officer was appointed in 2012. The Office of Organizational Development was created in 2012-13. This area's work in overseeing induction and support, professional development, and educator effectiveness was designed to strengthen, enhance and accelerate our work to support increased academic achievement for all students. In addition to generating new approaches to the delivery of instruction, the Chief Innovation Officer is providing consistent oversight for MPS' neediest schools and also oversight for the GE Demonstration Schools. The continuing partnership between MPS and the GE Foundation had resulted in the identification in 2012 of the ten District schools as demonstration sites for Common Core State Standards instruction and assessment practices.

The Office School Administration and Family and Student Services worked collaboratively to create the conditions for schools to be successful through interventions and services designed to increase attendance and decrease suspensions. The District attendance rate was 89.8% by May 2013, compared with 89.4% for the same period in the previous school year. Suspensions of students for disciplinary infractions dropped to a rate of 14.1% (down 4.1 percentage points from the same time last year) in 2012-13 due to the efforts of schools and central office staff. New strategies to decrease the suspension rate were in play, including encouraging the use of progressive discipline and alternatives to suspensions.

The development of a college-going culture continues to be a priority for all students in Milwaukee Public Schools. A division of college and career readiness has been established to coordinate efforts to work with District staff and

community partners to increase college preparation and access. As the TEAM GEAR UP grant project gained traction in its second year, over 1,500 seventh graders have participated in financial literacy sessions in partnership with the Boys and Girls Clubs of Greater Milwaukee; over 1,500 eighth graders are receiving support in learning what they need to be successful in high school through a special transition program; and over 1,150 students have visited the campus of one of our partner institutions of higher education. At the high school level, our collaboration with local business partners is evidenced by the more than 1,800 MPS high school students who have participated in a career-counseling workshop in conjunction with the Milwaukee Talent Dividend, receiving coaching from volunteer, local business professionals. Perhaps most encouraging is the demonstrated value of the MPS TEAM UP College Access Centers, which between the two sites, have had over 5,000 student visits this school year alone.

The District's commitment to student achievement is exemplified in many accomplishments. Rufus King International School and Ronald Reagan College Preparatory High School have been named the #2 and #3 best high schools in Wisconsin, in new ratings announced by the *Washington Post*. King and Reagan are the two best high schools in the Milwaukee region and are both among the 50 best high schools in the Midwest, based on the percentage of students taking Advanced Placement, International Baccalaureate and Advanced International Certificate of Education tests to determine which schools do the best job of challenging students to grow academically. In separate rankings by *U.S. News and World Report*, King and Carmen High School of Science and Technology, are ranked #2 and #5 in Wisconsin. Milwaukee School of Languages ranked #25 in the state.

Family and Community Engagement

Emphasis on providing meaningful parental involvement and community outreach opportunities continued in 2012-13, in alignment with the Parent, Family and Community Engagement Framework developed in 2012. The framework embraces the idea that family well-being is achieved when Milwaukee Public Schools helps develop families as learners, educators and leaders. Under this structure, parent involvement is systemic, integrated and aligned with the District mission and goals. Examples include more coordination of the work of the individual school-based parent coordinators, professional development for parents, teachers and other staff and connecting staff evaluations to successful parent involvement.

The District Parent Resource Centers completed their first year of operation by the end of school year 2012-13. The centers allow optimal family access to MPS services such as enrollment, student records and mitigation of concerns. They were located in each geographical sector of Milwaukee, within the following schools: Audubon (west), Morse•Marshall (north), North Division (east), South Division (south) and Washington (central). Each center features area-specific programming. The South Division Center, located closest to Milwaukee's vibrant Hispanic neighborhoods, began in 2012 to offer English as a Second Language classes with the assistance of the MPS Bilingual/Multicultural Division. The North Division Center is home to the district-wide PTA, and along with the Washington High School Center, offers GED preparation and testing. At the centers, more than 3,590 in-person visitors were provided services.

Community engagement remained a priority in 2012-13. Support for students' personal and academic success was further propelled by two programs: Saving Our Sons and Be the Change. Be the Change is focused on young men entering ninth grade, engaging them with relevant literature, daily writing and leadership training. These programs were extended through summer 2013 to older students. The Saving Our Sons Program (subtitled I Will Not Die Young) was promoted by Milwaukee Public Schools to find mentors to guide young men of color. Ten MPS high schools featured chapters of Saving Our Sons. They were Bradley Tech, Hamilton, Morse•Marshall, North Division, Pulaski, Riverside, Rufus King, South Division, Vincent and Washington.

The Superintendent's Student Advisory Council (SAC) was an additional opportunity for MPS high school students to connect directly with Superintendent Thornton on a monthly basis. The SAC members were afforded opportunities to supplement their academic work with real-world interactions, getting a chance to participate in a college tour field trip, provide feedback for the District's strategic plan process and attend professional athletic events.

In response to community input, the District executed plans to reform the educational program at Bay View Middle and High School as an innovation and creativity specialty school, and provide an arts-focused program at Kluge School. The Milwaukee Board of School Directors approved a dual-track of pre-engineering and world languages for the school that resulted from the merging of Sixty-Eighth Street School and Eighty-First Street School. Facilities

improvements in 2012-13 to enhance teaching and learning included the addition or upgrade of 14 computer labs district-wide, creation of a state-of-the-art manufacturing lab at MPS' School of Career and Technical Education, and the bolstering of the urban agriculture program at Vincent High School. Resource enhancement and the restructuring of educational programs were accomplished in the effort to provide students with the opportunities to explore a range of career options for their futures, provide parents with quality options, and maintain market share for MPS in a competitive educational environment.

Effective and Efficient Operations

This goal area encompasses the work achieved with the physical structure of Milwaukee Public Schools (its schools, offices, and recreational fields), its services such as transportation and nutrition, and the systems that support its employees (salaries, health care and pensions).

For the 2012-2013 school year, the District entered into 10 leases at MPS sites. In addition, three properties were sold. Milwaukee Public Schools accomplished the relocations of well-performing schools to sites where they could grow their programs, closed two schools and completed the merger of two additional sites.

In 2012-2013, the Administration was authorized by the Milwaukee Board of School Directors to phase-in district-wide use of pre-plated meals for elementary service at multiple locations within MPS. School Nutrition Services expanded production of pre-plated meals to an additional 12 District schools and began the effort to replace computer hardware, and worked collaboratively with contracted school sites. The dinner program was expanded to 31 sites, with summer dinner service at 41 locations. The federal Fresh Fruit and Vegetable Grant provided healthy snacks to nearly 20,000 students at 10 sites.

In 2012-13, school transportation costs increased by less than the rate of inflation. Bus contracts are on a scheduled bid cycle. Quality of service has improved, with bus accidents down 18% and bus breakdowns down 27% from FY12. Over 23,000 Service Requests were processed, an increase of 17% from FY12. Lean Six Sigma methodology for bus behavior procedures resulted in timely resolution of issues, enhanced safety and less school administrator time dealing with bus behavior issues.

As indicated above, the Lean Six Sigma Initiative continued during 2012-13 and gained momentum. Two factors assisted in building future District capacity for implementation:

- First certified black belt for Milwaukee Public Schools.
- 17 individuals representing Milwaukee Public Schools' major offices (Administration/Board Governance/Accountability & Efficiency) participated in "green belt" training in spring 2013, allowing a second round of projects to start.

Combined with the \$2.7 million in cost avoidance associated with the first projects, the green belts are on target to realize an additional \$5 million in cost avoidance once their first generation projects have been completed. Regular progress reports on projects are made to senior staff.

In December 2012, the Board approved a new Administrative Policy 3.09: Purchasing and Bidding Requirements. Continued implementation is allowing greater efficiencies, transparencies and accountability at both the school and District levels.

Work also continued on stabilizing the District's employee benefits costs. Focus was to position the District in the renewal of its major health and dental benefit contracts to partner with the County and the City to take advantage of future joint purchasing initiatives and to achieve immediate cost reductions where possible with the continuation or improvement of provider discount guarantees. Results are as follows:

- \$3.8 million savings over the next three years in the cost of the District's dental benefits.
- \$15 million savings over the next three years with improved performance guarantees with the renewal of the United Healthcare and Express Scripts contracts.
- District's health, dental and prescription drug benefit contracts were aligned to facilitate joint purchasing initiatives with County and City.

Cost effective provider performance and discount guarantees for health and prescription drug benefits are essential to maintain the previously reported reduction in the District's post employment benefit liability from \$2.76 billion to approximately \$1.37 billion.

Discussions were initiated with the Mayor regarding the recent City Pension Task Force report and the proposed changes that directly affect District employees and the contributions MPS makes to the plan. Discussions include the pursuit of a seat on the City ERS Pension Board.

The District's commitment to sustainable effective and efficient operations is exemplified in many accomplishments such as the creation of and Board approval of the *Employee Handbook*. It will provide guidance and stability to all District employees in the absence of labor contracts.

The administration is appreciative of the Milwaukee Board of School Directors' support in achieving the successes realized on behalf of students in 2012-13.

ACCOUNTING SYSTEM

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions in a single accounting entity. Therefore, from a financial management viewpoint, a governmental unit is a combination of several distinctly different accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund." A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The District's financial records are maintained on a modified accrual basis of accounting except for the private purpose trust and pension trust funds. Accordingly, revenues are recognized when measurable and available, expenditures when goods or services are received, liabilities are recognized when incurred, and receivables when a legal right to receive exists.

Management of the District is responsible for establishing and maintaining internal controls designed to ensure the assets of the District are protected from loss, theft, or misuse and to ensure that reliable and adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROL

Annual appropriated budgets are adopted for the general, special revenue and debt service funds by June 30th each year. Budgets are adopted for the capital projects fund on a project-length basis. Budgets are considered a management control and planning tool and, as such, are incorporated into the accounting system of the District.

In accordance with the Wisconsin Department of Public Instruction's reporting requirements, the Board exercises control over budgeted amounts at the responsibility center level within the general, special revenue, and debt service funds. The capital projects fund is controlled at the project level. Additional budgetary control is maintained through the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders that exceed available budgetary balances are not released until additional funds are transferred to cover the purchase orders.

Board policy requires that all annual appropriations lapse at year-end except for the following: Excess budgetary authority for capital projects funds lapse when a specific project is completed; schools, with Board approval, are allowed to carry over appropriations into the following year up to a maximum of 1.5% of the total revised school budget each year up to a total accumulated carryover of 3%; deficits incurred by schools, offices, and programs

automatically reduce subsequent year's budget appropriations; and, with Board approval, appropriations for special projects or planned purchases can be carried into the subsequent year. Additionally, at year-end, both encumbrance and budgetary authority necessary to offset the encumbrance may be automatically carried over to the next year. Annual Board approval for carryover of encumbrances is not required.

AUDIT SERVICES

To strengthen internal control, and provide for independent and objective reporting, the Board of School Directors maintains the audit function. The Office of Board Governance - Audit Services reports directly to the Board of School Directors. During the course of the year, the Office of Board Governance - Audit Services conducts fiscal and performance audits on individual funds, offices, divisions, programs, functions, and schools throughout the District. Reports are issued on an ongoing basis.

LONG TERM FINANCIAL PLANNING

The District's long-term financial target is to increase resources used to support instruction and instructional support. A priority is to continue addressing medical benefits to employees and retirees, including other postemployment benefit. Medical benefits represent the District's second largest expenditure. Specifically, the District will continue taking the necessary actions to redesign the medical plan for employees and retirees to achieve sustainable benefits and a balance of employee/retiree cost sharing.

Additionally, the District will continue to work with local, state and federal lawmakers to ensure appropriate funding for K-12 education in general and for specific programs including 21st Century Community Learning Centers, special education, and to protect Milwaukee taxpayers from inequitable fiscal policies, such as the funding flaw in the Milwaukee Parental Choice Program.

FINANCIAL POLICIES

In accordance with Milwaukee Public Schools, Administrative Policy 3.01 (1):

- (a) The superintendent of schools shall prepare an annual operating budget for the Milwaukee Public Schools consistent with state statutes, Department of Public Instruction regulations, and district policies and goals.
- (b) The purpose of the annual operating budget is to identify adequate financial resources for the educational programs and to provide a basis for accountability in fiscal management.

The State of Wisconsin 2013-2015 Governor's Proposed Budget was issued in February 2013 and was adopted by the state legislative bodies. The MPS FY14 Budget includes the following:

- The state budget allows for a \$75 increase in the per pupil rate that is used in the calculation of the revenue limit.
- Enrollment remained consistent, with actual results showing a nominal increase, this reverses a decade long trend of declining enrollment.

Eighty-seven cents of every dollar budgeted in the School Operations Fund has been allocated for staff and supplies necessary to educate City of Milwaukee children. Education is provided through MPS traditional and charter schools, open enrollment or with other MPS contracted schools. Eight cents of every dollar budgeted has been allocated for non-school-based staff and services. The remaining five cents of every dollar are for costs that are necessary to run schools such as utilities, insurance, technology licenses and debt repayment.

DEBT ADMINISTRATION

The City school bonds, notes and capital lease obligations outstanding at June 30, 2013 totaled \$381,914,695. Of this total, \$39,691,954 represents school bonds and notes that will be repaid by the City using the City's property tax levy. As the District does not have an obligation to repay these bonds and notes from its own property tax levy, the debt is not reflected in the District's long-term obligations. The remaining balance of \$342,222,741 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

INDEPENDENT AUDIT

The financial records of the Milwaukee Board of School Directors have been audited by Baker Tilly Virchow Krause, LLP, independent auditors. The auditors' opinion is unmodified. Such an opinion states the basic financial statements 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 District as of June 30, 2013, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The auditors' report on the basic financial statements and schedules is included in the financial section of this report.

In addition to a financial audit, Baker Tilly Virchow Krause, LLP performed an audit designed to meet the requirements of the Single Audit Act of 1996, and related OMB Circular A-133 and state single audit requirements. Information related to federal and state single audits are disclosed in separate reports.

REPORTING ACHIEVEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Milwaukee Public Schools for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. We believe that our current report conforms to the Certificate program requirements. Accordingly, we are submitting it to GFOA to determine its eligibility for certification.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire staffs of the Office of the Chief Financial Officer, the Office of Board Governance - Audit Services and the Office of Accountability and Efficiency. We would like to express our appreciation to all members of these offices who assisted and contributed to its preparation.

Respectfully submitted,

GREGORY E. THORNTON, Ed.D
SUPERINTENDENT OF SCHOOLS

GERALD J. PACE, Esq.
CHIEF FINANCIAL OFFICER

BOARD OF SCHOOL DIRECTORS

DISTRICT	NAME	ADDRESS	TERM EXPIRES
1	Mark Sain	5225 W. Vliet Street (53208)	April, 2015
2	Jeff Spence	3180 N. Colonial Drive (53222)	April, 2015
3	Michael Bonds	3519 N. 50 th Street (53216)	April, 2015
4	Annie Woodward	1920 W. McKinley Avenue (53205)	April, 2017
5	Larry Miller	2584 N. Farwell Avenue (53211)	April, 2017
6	Tatiana Joseph	1018 W. Greenfield Avenue (53204)	April, 2017
7	Claire Zautke	3162 S. 42 nd Street (53215)	April, 2017
8	Meagan Holman	5225 W. Vliet Street (53208)	April, 2015
At-Large	Terrence Falk	2978 S. Wentworth Avenue (53207)	April, 2015

President – Michael Bonds
 Vice President – Meagan Holman
 Superintendent of Schools – Gregory E. Thornton, Ed.D
 Director, Office of Board Governance/Board Clerk – Lynne A. Sobczak

STANDING COMMITTEES

STUDENT ACHIEVEMENT AND SCHOOL INNOVATION COMMITTEE

Directors Miller (Chair), Holman (Vice-chair), Falk, Joseph, Spence

LEGISLATION, RULES AND POLICIES COMMITTEE

Directors Sain (Chair), Joseph (Vice-chair), Falk, Miller, Woodward

ACCOUNTABILITY, FINANCE AND PERSONNEL COMMITTEE

Directors Spence (Chair), Miller (Vice-chair), Bonds, Sain, Zautke

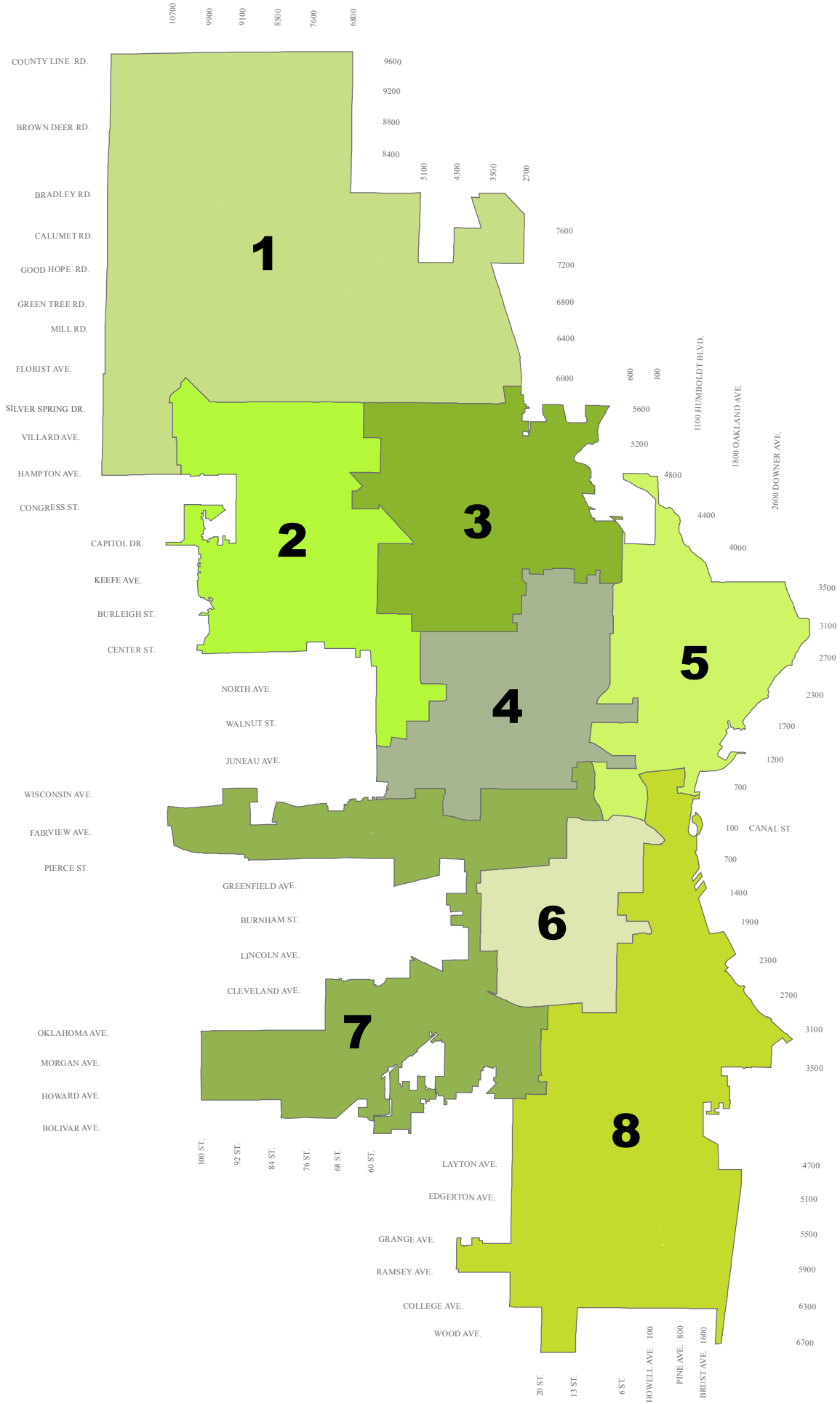
STRATEGIC PLANNING AND BUDGET COMMITTEE

Directors Falk (Chair), Sain (Vice-chair), Bonds, Holman, Joseph, Miller,
Spence, Woodward, Zautke

PARENT AND COMMUNITY ENGAGEMENT COMMITTEE

Directors Woodward (Chair), Zautke (Vice-chair), Bonds, Holman, Joseph

MILWAUKEE SCHOOL BOARD DISTRICTS



**MILWAUKEE PUBLIC SCHOOLS
ADMINISTRATIVE OFFICERS**

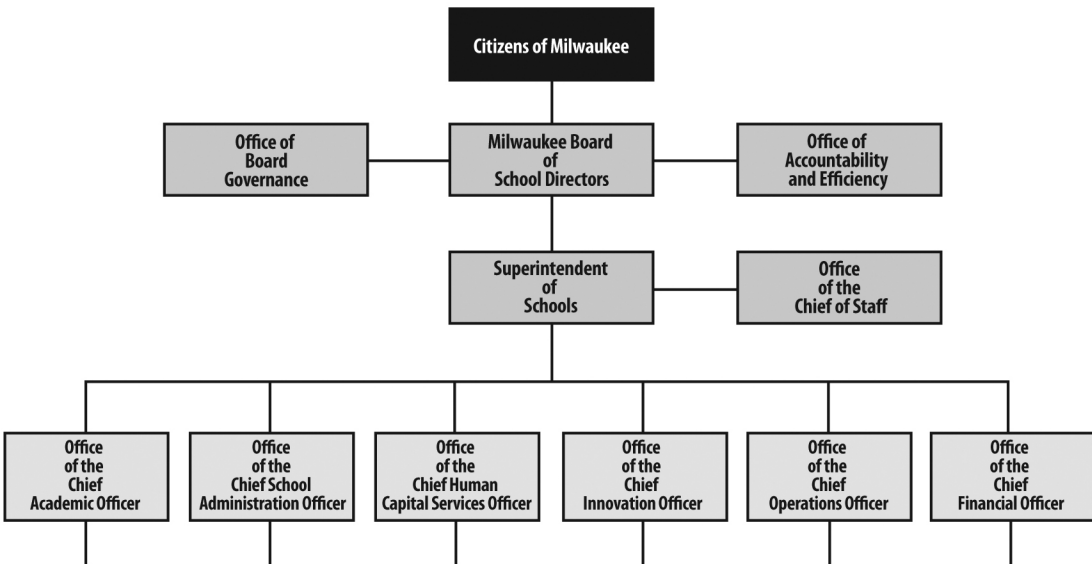
SUPERINTENDENT OF SCHOOLS

	Dr. Gregory E. Thornton
Chief of Staff	Ms. Naomi P. Gubernick
Chief Innovation Officer	Dr. Darienne Driver
Chief Human Capital Officer	Dr. Karen R. Jackson
Chief Academic Officer	Ms. Christina A. Flood
Chief Financial Officer	Mr. Gerald J. Pace
Chief Operations Officer	Ms. Michelle J. Nate
Director, Family Services	Ms. Patricia Gill
Chief School Administration Officer	Dr. Keith Posley
Executive Director, Community Engagement	Ms. Denise Callaway
Executive Coordinator, Superintendent's Initiatives	Ms. Susan Saller



**MILWAUKEE
PUBLIC SCHOOLS**

Organizational Chart



Students and Schools

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Milwaukee Public Schools for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Board of School Directors
Milwaukee Public Schools
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

This page intentionally left blank.

FINANCIAL SECTION



Milwaukee Public Schools



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Milwaukee Public Schools's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Milwaukee Public Schools 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 Milwaukee Public Schools 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 previously 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 Milwaukee Public Schools, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the Milwaukee Public Schools adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

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 and schedule of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milwaukee Public Schools's basic financial statements. The combining and individual fund financial statements and the schedule of changes in assets and liabilities - agency fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of changes in assets and liabilities - agency fund are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milwaukee Public Schools basic financial statements. The introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
Milwaukee Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of the Milwaukee Public Schools 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 Milwaukee Public Schools internal control over financial reporting and compliance.

Samuel L. Verbeke, CPA

Milwaukee, Wisconsin
December 18, 2013

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

INTRODUCTION

This discussion and analysis of the financial performance of Milwaukee Public Schools (MPS or the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. The intent of the management discussion and analysis is to look at the financial performance of MPS as a whole. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The District's government-wide financial statements reflect the following:

- Total net position of MPS decreased to (\$155.1 million) at June 30, 2013, from (\$132.5 million) at June 30, 2012, a decline of approximately \$22.6 million, or 17.1%. This decrease is primarily due to spending of \$20 million of 2010 Qualified School Construction Bonds.
- Total revenues decreased to \$1.166 billion in fiscal year 2013 (FY13), down from \$1.176 billion in fiscal year 2012, a decrease of approximately .9% or \$10 million. The decrease is primarily attributable to unexpected Medicaid revenues in fiscal year 2012 of \$10 million.
- Total expenses increased to \$1.189 billion, up from \$1.182 billion for the year ended June 30, 2012, an increase of .6%. The increase in expenditures included approximately \$15 million in payouts of 3% base-building pay increases for teachers and educational staff and non-base building payouts to other employees.

The District's governmental fund financial statements reflect the following:

- Total fund balances of the District's governmental funds decreased \$28.5 million in fiscal year 2013. This decrease included a \$17.4 million decrease in the General Fund, a \$9.9 million decrease in the Construction Fund, a \$1.2 million decrease in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The decrease in the General fund balance is primarily the result of \$10 million less Title I revenues, a 3% base-building pay raise to teachers and a non-base building payout to employees of totaling approximately \$15 million. There were also increases in one-time retiree severance payouts of \$2.7 million. These increases were offset by cost savings in healthcare.
- The decrease in the Construction fund balance is the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In fiscal year 2010 (FY10), MPS, through the city of Milwaukee, issued \$48 million of Qualified School Construction Bonds to fund school related projects. During FY13, MPS spent \$20 million of Qualified School Construction Bond proceeds on projects.
- The \$1,186,798 decrease in the School Nutrition fund balance is attributable to pupil lunch revenues being less than projected and due to the Nutrition fund post-employment benefit (OPEB) health costs.
- Total fund balances for all governmental funds at June 30, 2013 were \$92.0 million. Of this amount, \$7.3 million was nonspendable, \$16.2 million was restricted for self-insurance, debt service, and flex spending, \$17.1 million was committed for construction, \$3.1 million was assigned, and \$48.3 million remains unassigned.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

Below is an outline of the remaining sections of this annual report in the order in which they are presented. Following the outline is a brief description of each section.

1. Management's Discussion and Analysis (this section)

2. Basic Financial Statements

- Government-wide Financial Statements
 - Statement of Net Position
 - Statement of Activities
- Fund Financial Statements
- Notes to Basic Financial Statements

3. Required Supplementary Information (RSI)

- Budget-to-Actual Comparison
- Employee Pension Plan Liabilities, Current and Past Service
- OPEB Schedule of Funding Programs

The **Management's Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2013. It includes an overview of the financial statements of the District and a report on the budgetary highlights.

The **Basic Financial Statements** section includes both *Government-wide* and *Fund Financial Statements*. *Government-wide financial statements* report information about MPS as a whole, using accounting methods similar to those used by private sector companies. Two government-wide statements are presented. The **statement of net position** includes all of the District's assets and liabilities of the governmental funds. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position. The **statement of activities** includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of these government-wide statements is to present a snapshot of the District's *net position*, and to provide an explanation of material changes that occurred since the prior year. Net position—the difference between assets and liabilities—is one way to measure the District's financial strength.

The *fund financial statements* provide detailed information about the District's significant *funds*, rather than MPS as a whole. A *fund* is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. Funds are created to carry on specific activities or attain certain objectives in accordance with special regulations or limitations. There are three types of funds: governmental, proprietary, and fiduciary. MPS does not have any proprietary funds. Table 1 summarizes various features of each of these funds.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Table 1

Major Features of MPS' Government-wide and Fund Financial Statements

	Government-Wide	Fund Statements	
	<u>Statements</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire MPS entity (not including fiduciary funds)	Activities that are not proprietary or fiduciary; e.g. school operations, capital projects, and debt service	Activities where MPS acts as trustee or agent for another; e.g. employee retirement plans
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balance	- Statement of fiduciary net position - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets consumed and liabilities due in the current year, or soon after; no capital assets	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses occurring during the year, regardless when cash is received or paid	Revenues when cash is received by year-end, or soon after; expenditures when goods and services have been received and payment is due by year-end, or soon after	All revenues and expenses occurring during the year, regardless of when cash is received or paid

Governmental Funds — Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash flow and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance MPS programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship between them.

Fiduciary Funds — MPS is the trustee, or fiduciary, for its employees' pension plans. The District is also responsible for other assets that — because of a trust arrangement — can be used only for the trust beneficiaries. MPS is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the government-wide statements because MPS cannot use these assets to finance its operations.

Required supplementary information (RSI) includes a budget-to-actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenue and expenditure categories. In addition, RSI includes information concerning MPS' employee pension plan costs and OPEB. Two pension-related schedules are included. One schedule shows the District's progress toward funding its *past* service liability. The other is a schedule of employer contributions that focuses on payment of *current* pension fund costs.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

Total net position decreased from the prior year by \$22.6 million. This decrease is largely the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In FY10, MPS, through the city of Milwaukee, issued \$48 million of Qualified School Construction Bonds to fund school related projects. During FY13, MPS spent \$20 million of Qualified School Construction Bond proceeds on projects.

MPS ended its fiscal year with a net position of (\$155.1 million), of which \$490.2 million was net investment in capital assets, \$6.9 million was restricted for debt service, and (\$652.2) million was an unrestricted deficit. The unrestricted deficit is the result of a \$539.2 OPEB liability as well as the District's pension liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability, which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of \$168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2013 the balance of the outstanding pension debt grew to \$185.6 million due to the fact the pension financing includes capital appreciation securities which accrete over time.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Table 2

Condensed Statement of Net Position

(in thousands)

	Governmental Activities		
	2013	2012	Difference
Capital assets, net	\$ 625,138	\$ 627,013	\$ (1,875)
Noncapital assets	305,060	331,244	(26,184)
Intangible assets	12,551	14,418	(1,867)
Total assets	<u>942,749</u>	<u>972,675</u>	<u>(29,926)</u>
Current liabilities	175,963	193,930	(17,967)
Noncurrent liabilities	921,846	911,212	10,634
Total liabilities	<u>1,097,809</u>	<u>1,105,142</u>	<u>(7,333)</u>
Net position:			
Net investment in capital assets	490,235	495,794	(5,559)
Restricted	6,867	13,472	(6,605)
Unrestricted (deficit)	<u>(652,162)</u>	<u>(641,733)</u>	<u>(10,429)</u>
Total net position	<u>\$ (155,060)</u>	<u>\$ (132,467)</u>	<u>\$ (22,593)</u>

Capital Assets decreased by \$1.9 million. The decrease is the net result of Construction in Progress decreasing by \$1.0 million, Buildings, Leasehold Improvements, and Furniture increasing by \$21.1 million, and Accumulated Depreciation increasing by \$22.0 million.

Notable changes in Noncapital Assets occurred in the areas of Restricted Cash and Investments and Deferred Cash Flow Hedges-Unrealized Loss on Derivatives. The decrease in Restricted Cash and Investments is generally the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In FY10, MPS, through the city of Milwaukee, issued \$48 million of Qualified School Construction Bonds to fund school-related projects. During FY13, MPS spent \$20 million of those proceeds on projects.

Deferred Cash Flow Hedges-Unrealized Loss on Derivatives is reported as the District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, a decrease in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position. For the reporting period, all the District's derivatives met the effectiveness test. The current asset component of the decrease in fair value is \$23.4 million and the noncurrent asset component is \$40.8 million.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Current liabilities decreased \$18.0 million in the current year. This was due to an increase of \$2.0 million in Accounts Payable and Other Current Liabilities, a decrease in accrued interest of \$0.7 million, a decrease in Derivative instruments liability of \$12.9 million, a decrease in the Current Portion of Long-Term Obligations of \$4.3 million, and a decrease in Unearned Revenue of \$2.1 million. The increase in Accounts Payable and Other Current Liabilities was caused by an increase in accounts payable of \$4 million, a decrease in contracts payable of \$7.7 million, an increase in accrued salaries and wages of \$4.5 million, a decrease in accrued pension payable of \$2.6 million and an increase in accrued claims for self-insurance of \$3.8 million. The decrease of \$2.1 million in Unearned Revenue is attributable to collections of Microsoft refunds. The decrease in Current Portion of Long-Term Obligations of \$4.4 million is due to a \$5.8 million decrease in compensated absences resulting from the retiree severance payouts and a \$0.3 million decrease in worker's compensation claims, and \$1.8 million decrease in debt principal.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2013 with a decrease in net position of \$22.6 million, compared to a decrease of \$6.3 million in fiscal year 2012.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Table 3

Schedule of Revenues and Expenses

(in thousands)

	Governmental Activities		
	2013	2012	Difference
Program revenues:			
Charges for services	\$ 14,089	\$ 12,383	\$ 1,706
Operating grants and contributions	288,740	298,422	(9,682)
Capital grants and contributions	6,491	3,245	3,246
Total program revenues	309,320	314,050	(4,730)
General revenues:			
Property taxes	300,605	297,787	2,818
Other taxes	33	533	(500)
Federal and state aid	553,527	560,069	(6,542)
Interest and investment earnings	255	224	31
Gain on sale of fixed assets	114	0	114
Miscellaneous	2,625	3,286	(661)
Total general revenues	857,159	861,899	(4,740)
Total revenues	1,166,479	1,175,949	(9,470)
Expenses:			
Instruction	714,036	685,590	28,446
Community services	30,537	26,041	4,496
Pupil and staff services	130,190	135,649	(5,459)
General administration	103,503	113,952	(10,449)
Business services	149,452	154,702	(5,250)
School nutrition	44,946	44,527	419
Interest on long-term debt	16,148	17,790	(1,642)
Loss on sale of buildings	260	4,028	(3,768)
Total expenses	1,189,072	1,182,279	6,793
Increase (decrease) in net position	\$ (22,593)	(6,330)	(16,263)

Total revenues decreased \$9.5 million, or 1% over the prior year. The greatest changes came in the areas of Program-Operating grants and contributions and General-Federal and State Aid. Operating grants and contributions declined due to unexpected Medicaid revenues in fiscal year 2012 of \$10 million and offset by an increase in capital grants and contribution due to increase in Microsoft receipts of \$4.4 million. Federal and State Aid decreased by \$6.5 million due to decrease in equalization aid and other federal aid.

Total expenses increased by \$6.8 million, or .6%. This increase in instruction expense is primarily attributable to a raise for employees of approximately \$15 million and offset by a decrease in general administration due to a plan decrease of shifting more cost to the schools.

Capital Assets

Table 4 shows that at June 30, 2013, MPS had \$1.169 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of \$21.1 million from the previous year. The primary driver of this increase is the Buildings, which rose \$19.2 million.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

More detailed information can be found in Table 4 and in Note 5 to the District's financial statements.

Table 4
Change in Capital and Intangible Assets
(in thousands)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital and intangible assets:				
Land	\$ 31,495	\$ —	\$ —	\$ 31,495
Construction in progress	5,690	18,269	19,231	4,728
Buildings	1,002,182	19,231	—	1,021,413
Leasehold improvements	12,219	—	—	12,219
Furniture and equipment	49,706	2,211	327	51,590
Software	46,098	4,662	3,668	47,092
Total capital and intangible assets	1,147,390	44,373	23,226	1,168,537
Accumulated depreciation and amortization	(505,959)	(25,247)	(358)	(530,848)
Total Capital and intangible assets, net	\$ <u>641,431</u>	\$ <u>19,126</u>	\$ <u>22,868</u>	\$ <u>637,689</u>

Long-term Debt

Long-term debt at June 30, 2013 was \$342.2 million with debt retirements totaling \$65.1 million.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Table 5

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

	<u>July 1, 2012</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Governmental activities:				
Americans with Disabilities				
Act loans	\$ 9,703	\$ 444	\$ 1,194	\$ 8,953
Neighborhood School				
Initiative bonds	90,995	52,198	57,259	85,934
Qualified School Construction Bonds	48,934	—	(28)	48,962
Qualified Zone Academy bonds	3,681	—	911	2,770
Pension refinancing debt	182,309	—	(3,260)	185,569
Capital leases	10,245	—	5,295	4,950
Other intergovernmental debt	3,969	4,883	3,767	5,085
Total debt	\$ <u>349,836</u>	\$ <u>57,525</u>	\$ <u>65,138</u>	\$ <u>342,223</u>

The Neighborhood School Initiative (NSI) debt is part of a state of Wisconsin-sponsored program intended to increase the capacity and improve the quality of Milwaukee's neighborhood schools. The outstanding debt is in the form of revenue bonds issued by the Redevelopment Authority of the City of Milwaukee on behalf of MPS, and is secured through bond insurance and a moral obligation pledge by the state of Wisconsin. A total of \$112,040,000 of NSI debt was issued, with the first tranche issued in February 2002 (Series 2002A) in the amount of \$33,300,000, and the second tranche sold on November 5, 2003 (Series 2003A) in the amount of \$78,740,000. On February 1, 2007 MPS completed an advance refunding of \$29,260,000 of the second tranche (Series 2003A) and also retired \$5.1 million of bonds from that same tranche. Approximately \$4.4 million of NSI debt was retired in fiscal year 2013.

The Qualified Zone Academy Bond (QZAB) debt is in the form of lease-purchase agreements collateralized by the assets purchased with the proceeds. The QZAB program is sponsored by the Internal Revenue Service (IRS) and provides interest-free capital for the purpose of promoting academic programs in partnership with the business community. QZAB debt has been used to support the purchase of furniture and equipment, and to make building improvements at several MPS schools. Interest on the debt is paid by the IRS via tax credits to the lender. QZAB debt decreased by \$911,318 in fiscal year 2013.

In December 2003, the city of Milwaukee, in connection with an intergovernmental cooperation agreement, issued \$168,051,136 in bonds on behalf of the District to refund pension-related debt for the Wisconsin Retirement System totaling \$165,505,293. In June 2006, MPS spent \$5.9 million to retire \$8.5 million of face value pension-related capital appreciation notes. The fiscal year 2013 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

MPS has outstanding capital leases that funded major modifications to three school facilities. The three include the Congress School, Craig Montessori School, and Fratney Street School. The financing vehicle

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

for the capital leases was lease revenue bonds. In addition, MPS had capital leases that funded improvements to the Milwaukee Education Center (MEC) and the Grand Avenue School, but were refinanced in fiscal year 2010 through an intergovernmental cooperation agreement with the city of Milwaukee. The city issued general obligation bonds (GO bonds) sufficient to retire the lease revenue bonds associated with the capital leases for MEC and Grand Avenue School. These GO bonds have the same maturity as the refunded debt and will be retired in fiscal year 2014. \$290,000 remains outstanding on these bonds. The Congress, Craig, and Fratney debt will be retired in 2026. The amount outstanding at year end 2013 was \$5.0 million, down \$5,295,000 from the previous year.

Additional information is provided in Table 5 on previous page, and in note 7 to the District's financial statements.

FUND FINANCIAL STATEMENTS

Milwaukee Public Schools has three major funds reported on the governmental fund statements. The major funds are the General Fund, School Nutrition Services Fund, and the Construction Fund.

- The year-end General fund balance decreased \$17.4 million over the prior year-end. The decrease in the General fund balance is primarily the result of \$10 million less Title I revenues, and increases in expenditures including approximately \$15 million in payouts for 3% base-building pay increases for teachers and educational staff (approximately \$12m) and non-base building payouts to other employees (\$3m). There were also increases in amounts paid for retiree severance of approximately \$2.7 million because of an unusually large number of retirements. These increases were offset by savings in healthcare.
- The decrease in the Construction fund balance is result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In FY10, MPS, through the city of Milwaukee, issued \$48 million of Qualified School Construction Bonds to fund school related projects. During FY13, MPS spent an additional \$20 million of Qualified School Construction Bond proceeds on projects.
- The \$1,186,798 decrease in the School Nutrition fund balance is attributable to pupil lunch revenues being less than projected and due to Nutrition fund post-employment benefit (OPEB) health costs.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements supplement the basic financial statements by providing detailed descriptions of the District's significant accounting policies and presenting data that identifies changes that occurred throughout the year.

BUDGETARY HIGHLIGHTS

Annual budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America for the general, construction, and other non-major governmental funds. Annual unencumbered appropriations lapse at fiscal year-end.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

In June 2012, the MPS Board of School Directors (the Board) adopted the District's fiscal 2013 budget (July 1, 2012 – June 30, 2013). The adopted budget by necessity used a *projection* of the fiscal 2013 student enrollment. In October 2012, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2012, as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state general aids and property taxes, are predicated on actual MPS enrollment.

The October amendment process also incorporates all other changes in revenue and expenditure projections that result from having current information. The adopted budget, as amended, becomes the District's final budget.

In October 2012, the Board approved a revised fiscal year 2013 (FY13) General Fund expenditure budget in the amount of \$1,145,129,282. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY13 were over 94% of the FY13 revised General Fund budget.

Current Economic Facts and Next Year's Budget

In October 2013, the MPS Board approved a revised FY14 General Fund budget of \$1,120,796,280. The FY14 budget includes prior year encumbrances and carryover appropriation authority and is down 2% from the FY13 General Fund Budget. The reduction is due to reduced grant funding.

The state-imposed revenue limit for FY14 increased to \$826,790,697, a 0.09% increase above FY13. The \$4,000,000 increase is due to:

- a \$75 increase in the per pupil amount;
- enrollment remained consistent with the FY13 level.

State general aids increased 1.0% to \$534.2 million. The change in equalization and integration aids is attributed to an increase in the State-wide allocation for school aids and a reduction in the levy required for Milwaukee Parental Choice Program (MPCP).

The MPS FY14 Amended Adopted Budget totals \$1,178,976,131. This is 1.5% less than the FY13 Final Adopted Budget of \$1,196,830,955.

- Categorical grant revenue is projected to decrease by \$33.3 million from the FY13 budget. This is as a result of continuing reductions in Federal grants in part due to sequestration.
- State revenues increased by \$8.5 million primarily due to an increase in funding outside of the revenue limit.

More than 87 cents of every dollar budgeted in the School Operations Fund has been allocated for educating the City of Milwaukee children. Education is provided through MPS traditional and charter schools, open enrollment or with MPS contracted schools. Eight cents of every dollar budgeted has been allocated for non-school-based staff and services. The remaining five cents of every dollar are for costs that are necessary to run schools such as utilities, insurance, technology licenses and debt repayment.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

(Unaudited)

District enrollment was estimated to decline 1.0% in FY14 but actually remained virtually the same at 87,019. Non-instrumentality charter school enrollment increased and MPS traditional school enrollment decreased for almost no net change.

The FY14 budget moves the district ahead in a spirit of collaboration and remains committed to the children of Milwaukee by consistently placing their academic needs first. The budget has been strategically crafted to arrange key resources to continue supporting academic achievement for all students assuring they have the necessary skills to realize positive futures. The budget includes:

- A standard of care for every school in the area of art, music or physical education. Every traditional MPS school in FY14 will have a school librarian, art and physical education teacher in their school at least one day per week.
- Continuation of the centralization process that began in FY12. The costs for most school office staff and school librarians will continue to enable all schools to spend the same amount on educating children.
- Continued growth of college and career readiness programs.

REQUESTS FOR INFORMATION

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

**Milwaukee Public Schools
Department of Finance
5225 West Vliet Street
Milwaukee, WI 53208**

Or visit our website at: www.milwaukee.k12.wi.us

**BASIC FINANCIAL
STATEMENTS**

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

June 30, 2013

	Governmental Activities
Assets	
Currents:	
Assets:	
Cash and investments (note 2)	\$ 89,619,663
Accounts receivable, net (note 3)	18,094,092
Due from other governments (note 3)	93,457,544
Inventory (note 1(g))	907,073
Prepaid items (note 1(g))	1,388,395
Total current assets	203,466,767
Deferred outflow of resources:	
Deferred cash flow hedges-unrealized loss on derivatives (note 7)	23,383,159
Noncurrent assets:	
Restricted cash and investments (note 1(d))	16,538,432
Deposits for self-insurance (note 1(l))	4,408,669
Capital assets not being depreciated (note 5)	36,223,029
Capital assets being depreciated, net (note 5)	588,915,287
Intangible assets, net (note 5A)	12,550,988
Net Pension assets (note 10)	13,710,948
Bond issuance costs (note 1(m))	2,788,658
Total noncurrent assets	675,136,011
Deferred outflow of resources:	
Deferred cash flow hedges-unrealized loss on derivatives (note 7)	40,763,555
Total assets and deferred outflow of resources	942,749,492
Liabilities	
Current liabilities:	
Accounts payable and other current liabilities	112,641,734
Accrued interest payable on long-term liabilities	3,756,443
Unearned revenue (note 1(j))	14,936,638
Current portion of long-term obligations (note 7)	21,245,764
Total current liabilities	152,580,579
Deferred inflow of resources:	
Derivative instruments liability (note 7)	23,383,159
Noncurrent liabilities:	
Noncurrent portion of long-term obligations (note 7)	881,082,476
Deferred inflow of resources:	
Derivative instruments liability (note 7)	40,763,555
Total liabilities and deferred inflow of resources	1,097,809,769
Net Position	
Net investment in capital assets	490,235,574
Restricted for debt service	6,866,476
Unrestricted (Deficit)	(652,162,327)
Total net position (deficit)	\$ (155,060,277)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2013

Functions/programs	Expenses	Program revenues		Capital grants and contributions	Net (expenses) revenues and changes in net position
		Charges for services	Operating grants and contributions		
Governmental activities:					
Instruction	\$ 714,036,147	6,135,034	218,784,528	6,491,624	(482,624,961)
Support services:					
Community services	30,536,990	1,789,570	6,689,857	—	(22,057,563)
Pupil and staff services	130,189,957	—	17,344,944	—	(112,845,013)
General, administration, and central services	103,502,882	—	—	—	(103,502,882)
Business services	149,452,181	3,230,905	6,045,771	—	(140,175,505)
School nutrition services	44,945,680	2,933,140	39,875,043	—	(2,137,497)
Interest on long-term debt	16,147,608	—	—	—	(16,147,608)
Loss on disposal of software	260,129	—	—	—	(260,129)
Total support services	475,035,427	7,953,615	69,955,615	—	(397,126,197)
Total school district	\$ 1,189,071,574	14,088,649	288,740,143	6,491,624	(879,751,158)
General revenues:					
Taxes:					
Property taxes levied for general purposes					269,493,379
Property taxes levied for construction					8,619,687
Property taxes levied for debt service					5,426,145
Property taxes levied for community services					17,065,871
Other taxes					32,559
Federal and state aid not restricted to a specific purpose:					
General (equalization aid)					494,557,826
Other					58,969,122
Miscellaneous					2,624,753
Interest and investment earnings					254,662
Gain on sale of fixed assets					113,881
Total general revenues					857,157,885
Change in net position					(22,593,273)
Net position—Beginning of Year (deficit)					(132,467,004)
Net position—Ending of Year (deficit)					\$ (155,060,277)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2013

Assets	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	\$ 67,836,199	21,783,464	—	—	89,619,663
Receivables, net:					
Accounts (note 3)	15,159,878	2,703,795	230,419	—	18,094,092
Due from other governmental units (note 3)	71,821,100	—	16,070,512	5,565,932	93,457,544
Due from other funds (note 4)	32,944,130	—	—	—	32,944,130
Total receivables	119,925,108	2,703,795	16,300,931	5,565,932	144,495,766
Restricted cash and investments (note 1(d))	10,855,693	5,682,739	—	—	16,538,432
Inventories (note 1(g))	907,073	—	—	—	907,073
Prepaid items (note 1(g))	1,388,395	—	—	—	1,388,395
Deposits for self-insurance (note 1(l))	4,408,669	—	—	—	4,408,669
Total assets	\$ 205,321,137	30,169,998	16,300,931	5,565,932	257,357,998
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 51,672,000	919,132	1,239,952	304,972	54,136,056
Contracts payable	271,140	747,907	—	—	1,019,047
Accrued salaries and wages	15,811,420	—	—	—	15,811,420
Deferred revenue (note 1(j))	16,930,977	2,770,000	68,075	—	19,769,052
Accrued claims for self-insurance (note 9)	38,004,628	—	—	—	38,004,628
Accrued pension payable (note 10)	3,603,827	—	—	—	3,603,827
Other accrued expenditures	66,756	—	—	—	66,756
Due to other funds (note 4)	—	7,716,532	19,966,638	5,260,960	32,944,130
Total liabilities	126,360,748	12,153,571	21,274,665	5,565,932	165,354,916
Fund balances (deficits):					
Non-Spendable					
Inventories	907,073	—	—	—	907,073
Prepaid items	1,388,395	—	—	—	1,388,395
Noncurrent Advances	4,973,734	—	—	—	4,973,734
Restricted:					
Self-insurance deposits	4,408,669	—	—	—	4,408,669
Debt service	10,599,746	941,258	—	—	11,541,004
Flex Spending	253,825	—	—	—	253,825
Committed:					
Construction	2,122	17,075,169	—	—	17,077,291
Assigned for 2014 budget appropriation	3,104,129	—	—	—	3,104,129
Unassigned	53,322,696	—	(4,973,734)	—	48,348,962
Total fund balances (deficits)	78,960,389	18,016,427	(4,973,734)	—	92,003,082
Total liabilities and fund balances	\$ 205,321,137	30,169,998	16,300,931	5,565,932	257,357,998

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total fund balances—governmental funds		\$	92,003,082
Amounts reported for governmental activities in the statement of net assets are different because:			
Bond costs of issuance are capitalized at the government-wide level and amortized over the life of the related bonds			2,788,658
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:			
Cost of capital assets	\$	1,121,445,550	
Accumulated depreciation		<u>(496,307,234)</u>	
Net capital assets			625,138,316
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:			
Cost of intangible assets	\$	47,091,783	
Accumulated depreciation		<u>(34,540,795)</u>	
Net capital assets			12,550,988
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds			13,710,948
Grant and other receivables that are not collected within 90 days after year-end are not considered to be available to pay for the current period's expenditures and, therefore, are deferred in the funds			4,832,414
Long-term liabilities (including bonds payable) are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
Bonds and notes payable		(424,982,563)	
Bonds premium and discounts		(5,471,128)	
Discount on capital appreciation bonds		93,180,950	
Capital leases payable		(4,950,000)	
Accrued bond interest payable		(3,756,443)	
Compensated absences payable (vacation and sick leave)		(10,274,457)	
OPEB liability		(539,203,697)	
Workers' compensation claims payable		(7,656,218)	
Self-insurance claims payable		(521,024)	
Life insurance benefits and other long-term liabilities		<u>(2,450,103)</u>	
Total long-term debt liabilities			<u>(906,084,683)</u>
Total net position—government activities (deficit)		\$	<u><u>(155,060,277)</u></u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund
Balances (Deficits)—Governmental Funds
Year ended June 30, 2013

	<u>General</u>	<u>Construction</u>	<u>School Nutrition Services</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Revenues:					
Property tax levy	\$ 286,559,250	8,619,687	—	5,426,145	300,605,082
Other taxes	75,084	—	—	—	75,084
Lunchroom sales	—	—	2,924,898	—	2,924,898
Other local sources	13,666,654	1,022,642	344,323	—	15,033,619
Microsoft Settlement Refunds	4,492,796	—	—	—	4,492,796
State aid:					
Equalization aid	494,557,826	—	—	—	494,557,826
Special classes	51,792,301	—	—	—	51,792,301
Integration	34,178,357	—	—	—	34,178,357
Other state aid	50,161,524	1,345	876,268	—	51,039,137
Federal aid:					
Education Consolidation Improvement Act	96,038,429	—	—	—	96,038,429
School nutrition services	—	—	38,289,523	—	38,289,523
Erate refunds	52,666	—	—	—	52,666
Other federal aid	49,635,541	—	388,817	20,941,452	70,965,810
Miscellaneous	3,190,257	—	—	—	3,190,257
Interest and investment earnings	183,416	35,134	—	—	218,550
Total revenues	<u>1,084,584,101</u>	<u>9,678,808</u>	<u>42,823,829</u>	<u>26,367,597</u>	<u>1,163,454,335</u>
Expenditures:					
Current:					
Instructional services:					
Undifferentiated curriculum	364,488,175	—	—	—	364,488,175
Regular and other curriculum	147,099,479	—	—	—	147,099,479
Special curriculum	165,369,430	—	—	5,082,314	170,451,744
Total instructional services	<u>676,957,084</u>	<u>—</u>	<u>—</u>	<u>5,082,314</u>	<u>682,039,398</u>
Community services	29,146,352	—	—	—	29,146,352
Pupil and staff services	111,575,339	—	—	15,844,009	127,419,348
General and school building administration	101,012,616	—	—	—	101,012,616
Business services	155,818,995	5,650,680	—	—	161,469,675
School nutrition services	—	—	43,938,860	—	43,938,860
Capital Outlay	5,252,233	16,609,406	71,767	15,129	21,948,535
Debt Service:					
Principal	550,000	—	—	67,310,692	67,860,692
Interest	436,028	—	—	13,876,596	14,312,624
Bond administrative fees	1,000	—	—	527,668	528,668
Total expenditures	<u>1,080,749,647</u>	<u>22,260,086</u>	<u>44,010,627</u>	<u>102,656,408</u>	<u>1,249,676,768</u>
Excess of revenues over (under) expenditures	<u>3,834,454</u>	<u>(12,581,278)</u>	<u>(1,186,798)</u>	<u>(76,288,811)</u>	<u>(86,222,433)</u>
Other financing sources (uses):					
Proceeds from sale of assets	63,500	120,085	—	—	183,585
Transfers In (Out)	(21,287,465)	2,523,168	—	18,764,297	—
Refunding bond debt issued	—	—	—	50,108,810	50,108,810
Premium on debt issued	—	—	—	7,415,704	7,415,704
Total other financing sources (uses), net	<u>(21,223,965)</u>	<u>2,643,253</u>	<u>—</u>	<u>76,288,811</u>	<u>57,708,099</u>
Net change in fund balances	<u>(17,389,511)</u>	<u>(9,938,025)</u>	<u>(1,186,798)</u>	<u>—</u>	<u>(28,514,334)</u>
Fund balances (deficit):					
Beginning of year	96,349,900	27,954,452	(3,786,936)	—	120,517,416
End of year	<u>\$ 78,960,389</u>	<u>18,016,427</u>	<u>(4,973,734)</u>	<u>—</u>	<u>92,003,082</u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2013

Net change in fund balances—total governmental funds		\$ (28,514,334)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlay reported in governmental fund statements	\$ 21,948,535	
Some items reported as capital outlay were not capitalized	(12,642)	
Depreciation and amortization expense reported in the statement of activities	<u>(25,247,117)</u>	
Amount by which capital outlays are less than depreciation and amortization in the current period		(3,311,224)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position		(431,072)
Some revenues will not be collected for several months after the District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds		3,023,940
Some expenses reported in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in the government funds.		(812,827)
Bond, note, and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Debt issued:		
Refunded debt	(50,108,810)	
premium on refunding	(7,415,704)	
Repayments:		
Bonds and notes	10,846,882	
Refunded debt	<u>57,013,810</u>	
Net adjustment		10,336,178
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Net decrease in accrued interest payable	708,658	
Accretion of interest on capital appreciation bonds	(3,260,202)	
Amortization of bond premium, discount and refunding deferred	537,349	
Amortization of bond issuance costs	165,221	
Net decrease in compensated absences payable (vacation and sick pay)	15,405,146	
Net increase in workers' compensation claims payable	(785,504)	
Net increase in OPEB liability	(15,808,764)	
Net decrease in general insurance claims payable	231,345	
Net increase in life insurance benefits payable	<u>(77,183)</u>	
Net adjustment		<u>(2,883,934)</u>
Change in net position of governmental activities		\$ <u><u>(22,593,273)</u></u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

June 30, 2013

Assets	Pension and Other Post Employment Benefits trusts	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	\$ —	—	5,144,161
Investments (note 2)	—	2,819,066	—
Money market accounts	14,371,311	—	—
Treasury and agency securities	23,975,838	—	—
Mortgage-backed securities	77	—	—
Nongovernment obligations	17,875,468	—	—
Municipal bonds	1,488,163	—	—
Investment in the State of Wisconsin	173,124,261	—	—
Receivables-interest and contributions	17,775,270	—	—
Total assets	<u>248,610,388</u>	<u>2,819,066</u>	<u>5,144,161</u>
Liabilities			
Accounts payable and accrued expenses	5,507,547	—	—
Due to student organizations	—	—	5,144,161
Total liabilities	<u>5,507,547</u>	<u>—</u>	<u>5,144,161</u>
Net Position			
Held in trust for:			
Supplemental benefits	243,102,841	—	—
Endowments	—	2,819,066	—
Total net position	<u>\$ 243,102,841</u>	<u>2,819,066</u>	<u>—</u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

	Pension and Other Post Employment Benefits trusts	Private purpose trust
Additions:		
Employer contributions	\$ 93,734,510	—
Participants contributions	7,449,378	—
Private donations	—	350,398
Interest income	—	4,262
Investment income (loss):		
Net investment (loss) from the State of Wisconsin:		
Core Retirement Investment Trust Fund	15,431,988	—
Variable Retirement Trust Fund	3,476,302	—
Net investment income from other investments	72,076	—
Total investment income (loss):	18,980,366	—
Investment expenses	(15,571)	—
Net investment income/(loss)	18,964,795	—
Total additions	120,148,683	354,660
Deductions:		
Benefits paid to participant's or beneficiaries	\$ 85,604,203	—
Realized Losses on Investments	247,929	—
Distribution of participant contribution accounts	55,516	—
Administrative expenses	229,484	—
Scholarships and awards	—	353,199
Total deductions	86,137,132	353,199
Changes in net position	34,011,551	1,461
Net position—beginning of year	209,091,290	2,817,605
Net position—end of year	243,102,841	2,819,066

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The financial statements of the Milwaukee Public Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies used by the District are described below.

(a) Reporting Entity

The District was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin State Statutes. The District is the largest school district in Wisconsin. The District, governed by a nine-member elected school board, provides elementary, secondary, vocational, and special education services through grade 12 to residents of the City of Milwaukee, Wisconsin (the City).

The District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities.

The reporting entity for the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*. Under this pronouncement, the financial reporting entity consists of (a) the primary government, which is controlled by a separately elected governing body that is legally separate and is fiscally independent, and (b) organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

The financial statements of the District are excluded from the City's financial statements because the District operates with a separate governing board that is not under the control of the City. The City, however, performs the following services for the District, as prescribed under Wisconsin State Statutes:

- Administers the property tax levy adopted by the school board and collects and remits the property taxes to the District
- Acts as the treasurer for the major portion of the District's cash
- Issues debt for the benefit of the District for the purchase of sites and buildings

This report includes all of the funds of the 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 to or burdens on the primary government.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

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. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. This report does not contain any component units.

(b) Basis of Presentation

Government-wide Statements—The statement of net position and the statement of activities present financial information about the District as a whole. They include all funds of the District except for fiduciary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Interfund services provided and used are not eliminated.

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 of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, equalized aid, and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than program revenues.

Fund Financial Statements—The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds; each is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The District reports the following major governmental funds:

General Fund: The general fund is the general operating fund of the District. It is comprised of two taxing entities that were established by Wisconsin State Statutes and is used to account for all financial revenues and expenditures of the District except those required to be accounted for in other funds or taxing entities.

Construction Fund: The construction fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities and the additions to and remodeling of existing buildings. The District has only one activity unit within the construction fund for which property taxes are levied to finance various capital expenditures.

School Nutrition Services Fund: This fund is used to account for the breakfast and lunch programs operated by the District for students. Revenues are provided through federal and state aids, as well as sales at schools.

The District reports the following nonmajor governmental funds:

Special Revenue Funds: used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specified purposes.

Categorically Aided Programs

Debt Service Fund: used to account and report financial resources that are restricted, committed or assigned to expenditures for the payment of general long-term debt principal, interest and related costs.

Additionally, the District reports the following fund types:

Pension Trust Funds: The pension trust funds account for the accumulation of resources for pension benefit payments under two early retirement plans maintained by the District for qualified teachers and administrators.

Other Postemployment Employee Benefits Funds (OPEB): The OPEB trust fund account may hold or be used to account for assets used to pay post-employment benefits or fund accrued liability associated with such benefits.

Private-Purpose Trust Fund: The private-purpose trust funds are:

- 1) Donations that are received pursuant to a trust agreement that restricts the use of the donations to the extent of the interest or other earnings of the fund. These trusts are maintained by the District for the purpose of scholarships for students.
- 2) Donations that are received pursuant to a trust agreement that restricts the use of the donation to a specified purpose but allows for the principal and interest to be expended. These trusts are maintained by the District to include scholarships, donations toward specified activities within schools, and trusts to support extracurricular programs.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Agency Fund: The agency fund accounts for the accumulation and expenditure of individual school activity funds. The sources of these funds include sales of supplies to students, residuals from fund-raising activities, and funds raised by the schools to support field trips or school-related activities. The principal at each school is responsible for accounting for all school activity funds and individual schools are required to maintain uniform accounting records.

(c) ***Measurement Focus and Basis of Accounting***

The government-wide and fiduciary fund statements (excluding agency funds) 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. For the pension trust funds, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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.

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 90 days after the end of the fiscal year except for property taxes, which must be collected within 60 days after year-end. Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants, and charges for services. Other revenue is recorded when received. Expenditures are recorded when the fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences that are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of 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 funds, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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

(d) ***Restricted Cash and Investments***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used to finance project costs or the retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

(e) Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible accounts is reported at year-end.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

(f) Investments

The District has adopted an investment policy. Provisions of the policy are discussed in Note (2).

Investments, including investments of the pension trust funds, are reported at fair value based on quoted market prices. Short-term investments are reported at cost, which approximates fair value. Investments principally consist of U.S. Government securities, mortgage-backed securities, corporate bonds obligations, money market mutual funds, and investments in the State of Wisconsin Fixed Retirement Investment Trust Fund (Trust Fund). The fair value of investments in the Trust Fund is the same as the value of the pooled shares. Although not subject to direct regulators’ oversight, the Trust Fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin State Statutes. Purchases and sales of securities are recorded on a trade-date basis. Net investment income in the Trust Fund consists of realized and unrealized gains and losses and investment income.

(g) Inventories and Prepaid Items

Inventories are valued at average cost. 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 school nutrition services at the fair value when originally donated by the USDA. When used by the schools, the commodities are expensed and the related assets are reduced.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(h) Capital Assets and Intangible Assets

Capital and intangible assets are reported at actual cost or estimated costs. Donated assets are reported at the estimated fair market value at the time received. Capital and intangible assets are depreciated and amortized using the straight-line method over their estimated lives. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital and intangible assets reported in the government-wide statements are as follows:

	Capitalization threshold	Estimated useful life
Buildings	\$ 5,000	50 years
Furniture and equipment	5,000	5 – 20 years
Vehicles	5,000	5 – 15 years
Computers and related equipment	5,000	5 years
Major computer	50,000	7 years
Intangible assets	50,000	7 years

(i) Property Taxes

The aggregate amount of property taxes to be levied for school purposes is determined according to provisions of Chapter 120 of the Wisconsin State Statutes. Property taxes for the District are adopted by the Board by early November and are certified to the City for levy and collection.

The District’s property taxes are levied annually prior to December 31, are administered by the City for the District based on the assessed (taxable) values as of January 1 of that calendar year, and are recognized as District revenue in the fiscal year they are levied. The levy becomes a lien against property on January 1. The taxes are due January 31, but may be paid in 10 monthly installments to the City from January through October. All unpaid taxes as of June 30 are purchased by the City.

(j) Deferred Revenue

Governmental funds deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Deferred revenues include amounts received from grants and other sources that have not yet been earned.

(k) Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The accumulated decrease in fair value of hedging derivatives represents the change in value of derivative instruments that are deemed to be effective hedge.

(l) *Compensated Absences*

District employees are granted vacation, compensatory time, and sick leave benefits in varying amounts in accordance with the provisions of union contracts and District policies. In the event of retirement, death, or resignation of an employee, the District is obligated to pay for all unused vacation days. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are available for subsequent use and, in certain situations, a portion vests upon retirement. A liability for sick pay has been calculated using the vesting method in which leave amounts for both employees who currently are eligible to receive termination payments upon retirement and other employees who are expected to become eligible in the future to receive such payments are included.

(m) *Insurance Deposits*

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a restriction of fund balance aggregating \$4,408,669 at June 30, 2013 to provide for payment of future claims.

(n) *Bond Premiums, Discounts, and Issuance Costs*

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Discounts for capital appreciation bonds and notes (i.e., zero coupon debt) are netted against the face amount of the debt. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(o) *Claims and Judgments*

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(p) *Deferred Inflows of Resources*

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

(q) *Net Position*

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in capital assets—This consists of capital assets including restricted capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus unspent proceeds.

Restricted—This consists of net position with constraints placed on their use by 1) external groups such as creditors, grantors, contributors, or 2) law through constitutional provisions or enabling legislation.

Unrestricted—This consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(r) *Fund Balance*

Governmental fund equity is classified as fund balance. Milwaukee Public Schools has implemented GASB Statement 54 employing terminology and classifications for fund balance items according to the following classifications:

- *Nonspendable fund balance*—Includes amounts that cannot be spent because they are either not in spendable form or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.
- *Restricted fund balance*—Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).
- *Committed fund balance*—Amounts that can only be used for specific purposes because of a formal action (resolution) by the government’s highest level of decision-making authority. Fund balance amounts are committed through a formal action of the District. The formal action must occur prior to the end of the reporting period, but the amount of commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District that originally created the commitment.
- *Assigned fund balance*—Amounts that are constrained by MPS’ intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom that authority has been given. The District by resolution has given

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

authority to the District's Chief Financial Officer. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

- Unassigned fund balance—This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Fiduciary fund equity is classified as held in trust for employee benefits.

(s) ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses/expenditures for the reporting period. Actual results could differ from those estimates.

(t) ***New Accounting Pronouncements***

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows or resources, or current period outflows and inflows. Milwaukee Public Schools will implement this Statement beginning with fiscal year ending June 30, 2014.

In July 2012, the GASB issued *Statement No. 67, Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The objective of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans. This statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Milwaukee Public Schools will implement this Statement beginning with the fiscal year ending June 30, 2014.

In July 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures*. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

disclosures and RSI. Milwaukee Public Schools will implement this Statement beginning with the fiscal year ending June 30, 2015.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	<u>Carrying Value</u>	<u>Bank Balance</u>
Cash at the City	\$ 85,421,830	\$ 84,430,946
Demand deposits	9,429,123	18,560,100
Repurchase Agreement	3,000,000	2,631,022
Money market funds	22,047,029	18,647,984
Non-Government Obligations	12,567,440	12,567,440
U.S. Treasury Notes	23,975,838	23,975,838
State and Municipal Notes	1,488,163	1,488,163
Certificate of Deposit	20,000	20,000
Total Cash and Investments	<u>\$ 157,949,423</u>	<u>\$ 162,321,493</u>

Reconciliation to financial statements

Per statement of net position

Unrestricted cash and investments	\$ 89,619,663
Restricted cash and investments	16,538,432

Per statement of net position – Fiduciary Funds

Private purpose trust	2,819,066
Other post employment benefits trust	43,828,101
Agency	<u>5,144,161</u>

Total Cash and Investments	<u>\$ 157,949,423</u>
----------------------------	-----------------------

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit credit risk, MPS restricts the commitment of funds to only those investments authorized by Wisconsin State Statute 66.0603 including the following:

- Time deposits with maturities of not more than 3 years.
- Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- The state of Wisconsin local government pooled investment fund.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

- Bonds or securities of any county, city, drainage district, vocational or technical college, village, town, school district in Wisconsin, local exposition district, local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority and the Wisconsin Aerospace Authority.
- Fully collateralized repurchase agreements.
- Any security that matures within 7 years and has a credit rating which is the highest or second highest rating assigned by Standard & Poor’s corporation, Moody’s investor service, or other similar nationally recognized rating agencies.
- No-load securities of open-end, registered, management investment companies or investment trusts.

The District has funds invested in overnight repurchase agreements, money market funds, non-government obligations, and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. Treasury, Government or agency instruments with an implied AAA (Standard & Poor’s) credit rating. All of the \$18,647,984 invested in money market funds are triple-A rated. The U.S. Treasury Notes of \$23,975,838 are AA+ rated (Standard & Poor’s) and AAA rated (Moody) State and Municipal of \$1,488,163 are rated AA+ to BBB (Standard and Poor’s). The non-government obligations of \$12,567,440 range from triple-A rated to BBB.

Interest rate risk is defined as the probability that changes in interest rates will adversely affect the fair value of an investment. Milwaukee Public Schools uses weighted average maturity as a method for monitoring interest rate risk. The District does not have a formal investment policy limiting investment maturities as a means of managing its exposure to fair value losses resulting from rising interest rates.

As of June 30, 2013 the District had the following investments, shown with their maturities.

<u>Investment Type</u>	<u>Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Less Than 5</u>	<u>5-10</u>	<u>Over 10</u>
Repurchase Agreement	\$ 2,631,022	\$ 2,631,022	-	-	-
Money market funds	18,647,984	18,647,984	-	-	-
U.S. Treasury Notes	23,975,838	-	19,730,362	2,618,711	1,626,765
U.S. Treasury strips	1,488,163	-	1,488,163	-	-
Non-Government obligations	12,567,440	-	9,367,981	2,300,711	898,748
	<u>\$59,310,447</u>	<u>21,279,006</u>	<u>30,586,506</u>	<u>4,919,422</u>	<u>2,525,513</u>

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The District does have a collateralization policy concerning this risk, and the policy requires collateralization of all uninsured deposits.

At year-end the District’s demand deposit balance (exclusive of funds held and controlled by the treasurer of the City) was \$21,191,122 of which \$2,631,022 was invested in overnight repurchase agreements. Of the \$21,191,122 bank balance, \$16,341,532 was covered by the

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and \$4,849,590 was uninsured, with the bank posting securities at 102% of the value of the repurchase agreements. However, the posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized.

Funds held and controlled by the treasurer of the City are insured by the FDIC and the Wisconsin Public Deposit Guarantee Fund. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (excluding interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. Milwaukee Public Schools' deposits with the City Treasurer for investments are all insured or collateralized on June 30, 2013.

Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan

The Trustees of the Plan have adopted a Statement of Investment Policy (the Policy). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (SWIB funds), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO Global Asset Management (BMO), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. For 2013, the SWIB Core Fund asset-mix targets were 25% to U.S. Stocks, 34% to Fixed Income, 25% to International Stocks, 7% to Real Estate, and 13% to Alternative Investments. The target allocations total 103% reflecting the possibility of introducing leverage into the portfolio. For 2013, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, and 30% to International Stocks. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

A. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Milwaukee Public Schools uses both duration and weighted average maturity as methods of monitoring interest rate risk. SWIB data is expressed in terms of modified duration and option adjusted duration. Modified duration, which is stated in years, is the measure of price sensitivity of a fixed income security to an interest rate change of 100 basis points. The calculation is based on the weighted average of the present value of all cash flows. Some pooled investments are analyzed using an option adjusted duration calculation which is similar to the modified duration method. Option adjusted duration incorporates the duration shortening effect of any embedded call provisions in securities.

The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2013.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	30% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 10.6 years. Additional detail on the SWIB fixed income investments is included below.	\$ 44,079,493
Money market accounts	0.1	\$ 1,204,616
U.S. Treasuries, Agencies, and Government Bonds	N/A	\$ -
Municipal Bonds	N/A	\$ -
Mortgage-backed securities	N/A	\$ 77
Non-government obligations	N/A	\$ -
Mutual Funds	3.3	\$ 3,031,927

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	3.4	\$ 31 Million
Commerical Paper	0.2	\$ 292 Million
Corporate Bonds and Private Placements	5.3	\$ 4,787 Million
Corporate Bonds and Private Placements	N/A	\$ 3 Million
Foreign Gov't/Agency Bonds	7.2	\$ 3,716 Million
Future Contracts	5.0	\$ 2,221 Million
Municipal Bonds	10.6	\$ 101 Million
Repurchase Agreements	0.0	\$ 1,868 Million
US Government Agencies	2.0	\$ 643 Million
US TIPS	7.8	\$ 5,988 Million
United States Treasuries	5.5	\$ 3,144 Million
Commingled Funds	0.1 to 7.3	\$ 9,531 Million

Note: On June 30, 2013, SWIB's Core Fund and Variable Fund had \$80.3 billion and \$6.2 billion in assets, respectively. As of June 30, 2013, the Plan's assets were invested 77% in the SWIB Core Fund, 14% in the SWIB Variable Fund, and 9% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolios for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds and in the separate accounts managed by BMO on June 30, 2013. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

<u>Ratings*</u>	<u>SWIB</u> <u>2013</u>	<u>BMO</u> <u>2013</u>
P-1 or A-1	1%	N/A
UST	N/A**	N/A
AGY	N/A**	N/A
AAA/Aaa	2%	28%
AA/Aa	36%	N/A
A	9%	N/A
BBB/Baa	8%	N/A
BB/Ba	2%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Collective Trusts		
& Mutual Funds	31%	72%
Not-Rated	8%	0%

*As defined by Moody's Bond Ratings or Standard and Poor's

**As of June 30, SWIB's holdings of UST AGY are included in the "AA" category.

***The weighted average quality of the commingled funds in the SWIB portfolio was AA. The weighted average of the mutual funds in BMO portfolio was A (excluding BMO's money market fund which was rated AAA).

SWIB's Core Fund's Government/Credit Portfolio shall maintain an average quality rating of A or better. Non-Investment Grade securities shall not exceed 15% of each portfolio's market value. Securities sold to SWIB under Rule 144A may not exceed 20% of the portfolios market value. Financial futures, options, and swaps are permitted for purposes of adjusting duration, taking or modifying credit positions, or investing anticipated cash flows, subject to SWIB's guidelines. For SWIB's Global Bond Portfolio, overall portfolio quality must be maintained at an average rating of A or better. Corporate securities may not exceed 20% of the portfolio's market value. Emerging Market Debt is limited to sovereign debt of countries in the J.P. Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the portfolio's market value. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

C. Custodial Credit Risk

The Plan does not have a deposit or investment policy specifically related to custodial credit risk. The Plan's assets are restricted to investments in the SWIB Core and Variable Funds and in portfolios at BMO.

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling \$455.5 million on June 30, 2013 that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of \$190.6 million on June 30, 2013, all of which were uncollateralized and uninsured. In total, these deposits represented 0.7% of the combined assets of the SWIB Core and Variable Funds, on June 30, 2013.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 23 tri-party repurchase agreements totaling \$1.9 billion on June 30, 2013. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 2.2% of the combined assets of the SWIB Core and Variable Funds on June 30, 2013.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a fund's investment in a single issuer. SWIB limits concentrations of credit risk by establishing investment guidelines for individual portfolios or groups of portfolios (excluding U.S. Government and Agency Securities) that generally restrict issuer concentrations in any one company or Rule 144A securities to less than 5% of assets. For the other separately managed portfolios, the policy guidelines specify that individual securities (excluding U.S. Government and Agency securities) in a separate portfolio should not exceed 7% of the value of that portfolio. None of the securities in these portfolios represented more than 5% of the market value of the Fund.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2013, \$21.2 billion of the SWIB Core and Variable Funds' \$87.2 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure.

The risk definitions noted above are from the Governmental Accounting Standards Board. The data, risk descriptions, and guidelines for the SWIB Funds were provided by SWIB and the data and risk information for the other investment types were provided by BMO.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Plan Net Position. At June 30, 2013, the Plan's interest in the plan net position of the Core Trust was approximately 0.047%, and the Plan's interest in the plan net position of the Variable Trust was approximately 0.106%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

A financial futures contract is an exchange traded agreement to buy or sell a financial instrument at an agreed upon price and time in the future. Futures contracts are marked to market daily, based upon the closing market price of the contract at the board of trade or exchange on which they are traded. The resulting gain or loss is typically received or paid the following day until the contract expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin. Losses may arise from future changes in the value of the underlying instrument. Substantially all future contracts have a maturity date of less than one year.

Option contracts give the purchaser of the contract the right to buy (call) or sell (put) the security or index underlying the contract at an agreed upon price on or before the expiration of the option contract. The fair value of option contracts is based upon the closing market price of the contract. The seller of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk to the extent of the premium paid to enter into the contract.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Spot and forward contracts entered into by SWIB are over-the-counter contracts, entered into with various counterparties. These contracts are valued daily, and guidelines have been established which provide minimum credit ratings for counterparties. Losses may arise from future changes in value of the underlying currency, or if the counterparties do not perform under the terms of the contract.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at June 30, 2013 (in thousands):

	2013
Future contracts	\$ 3,348,123
Foreign exchange forward and spot contracts – sold	3,518,828
Foreign exchange forward and spot contracts – purchased	(3,504,781)
Options – puts	(580,427)
Options - calls	107,878

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The Trustees of the Plan have adopted a Statement of Investment Policy (the Policy). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (SWIB funds), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO Global Asset Management (BMO), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. For 2013, the SWIB Core Fund asset-mix targets were 25% to U.S. Stocks, 34% to Fixed Income, 25% to International Stocks, 7% to Real Estate, and 13% to Alternative Investments. For 2013, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Milwaukee Public Schools uses both duration and weighted average maturity as methods of monitoring interest rate risk. SWIB data is expressed in terms of modified

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

duration and option adjusted duration. Modified duration, which is stated in years, is the measure of price sensitivity of a fixed income security to an interest rate change of 100 basis points. The calculation is based on the weighted average of the present value of all cash flows. Some pooled investments are analyzed using an option adjusted duration calculation which is similar to the modified duration method. Option adjusted duration incorporates the duration shortening effect of any embedded call provisions in securities.

The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2013.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	30% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 10.6 years. Additional detail on the SWIB fixed income investments is included below.	\$ 129,044,768
Money market accounts	0.1	\$ 7,370,035
Mutual Funds	3.2	\$ 2,276,101

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	3.4	\$ 31 Million
Commerical Paper	0.2	\$ 292 Million
Corporate Bonds and Private Placements	5.3	\$ 4,787 Million
Corporate Bonds and Private Placements	N/A	\$ 3 Million
Foreign Gov't/Agency Bonds	7.2	\$ 3,716 Million
Future Contracts	5	\$ 2,221 Million
Municipal Bonds	10.6	\$ 101 Million
Repurchase Agreements	0.0	\$ 1,868 Million
US Government Agencies	2	\$ 643 Million
U.S. TIPS	7.8	\$ 5,988 Million
U.S. Treasury Securities	5.5	\$ 3,144 Million
Commingled Funds	0.1 to 7.3	\$ 9,531 Million

Note: On June 30, 2013, SWIB's Core Fund and Variable Fund had \$80.3 billion and \$6.2 billion in assets, respectively. As of June 30, 2013, the Plan's assets were invested 83% in the SWIB Core Fund, 11% in the SWIB Variable Fund, and 6% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds and in the separate accounts managed by BMO on June 30, 2013. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

<u>Ratings*</u>	<u>SWIB</u> <u>2013</u>	<u>BMO</u> <u>2013</u>
P-1 or A-1	1%	N/A
UST	N/A**	N/A
AGY	N/A**	N/A
AAA/Aaa	2%	76%
AA/Aa	36%	N/A
A	9%	N/A
BBB/Baa	8%	N/A
BB/Ba	2%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Collective Trusts & Mutual Funds***	31%	24%
Not-Rated	8%	0%

*As defined by Moody's Bond Ratings or Standard and Poor's

**As of June 30, SWIB's holdings of UST and AGY are included in the "AA" category

***The weighted average quality of the commingled funds in the SWIB portfolio was AA. The weighted average quality of the mutual funds in the BMO portfolio was A (excluding BMO's money market fund which was rated AAA).

SWIB's Core Fund's Government/Credit Portfolio shall maintain an average quality rating of A or better. Non-Investment Grade securities shall not exceed 15% of the portfolio's market value. For SWIB's Global Bond Portfolio, overall portfolio quality must be maintained at an average rating of A or better. Corporate securities may not exceed 20% of the portfolio's market value. Emerging Market Debt is limited to sovereign debt of countries in the J.P. Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

portfolio's market value. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.

C. Custodial Credit Risk

The Plan does not have a deposit or investment policy specifically related to custodial credit risk. The Plan's assets are restricted to investments in the SWIB Core and Variable Funds and in portfolios at BMO.

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling \$455.5 million on June 30, 2013 that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of \$190.6 million on June 30, 2013, all of which were uncollateralized and uninsured. In total, these deposits represented 0.7% of the combined assets of the SWIB Core and Variable Funds, on June 30, 2013.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 23 tri-party repurchase agreements totaling \$1.9 billion on June 30, 2013. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 2.2% of the combined assets of the SWIB Core and Variable Funds on June 30, 2013.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a fund's investment in a single issuer. SWIB limits concentrations of credit risk by establishing investment guidelines for individual portfolios or groups of portfolios (excluding U.S. Government and Agency Securities) that generally restrict issuer concentrations in any one company or Rule 144A securities to less than 5% of assets. For the other separately managed portfolios, the policy guidelines specify that individual securities (excluding U.S. Government and Agency securities) in a separate portfolio should not exceed 7% of the value of that portfolio. None of the securities in these portfolios represented more than 5% of the market value of the Fund.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2013, \$21.2 billion of the SWIB Core and Variable Funds' \$87.2 billion in currency exposure was denominated in foreign currency.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The risk definitions noted above are from the Governmental Accounting Standards Board. The data, risk descriptions, and guidelines for the SWIB Funds were provided by SWIB and the data and risk information for the other investment types were provided by BMO.

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Plan Net Position. At June 30, 2013, the Plan's interest in the plan net position of the Core Trust was approximately 0.143%, and the Plan's interest in the plan net position of the Variable Trust was approximately 0.225%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

A financial futures contract is an exchange traded agreement to buy or sell a financial instrument at an agreed upon price and time in the future. Futures contracts are marked to market daily, based upon the closing market price of the contract at the board of trade or exchange on which they are traded. The resulting gain or loss is typically received or paid the following day until the contract expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin. Losses may arise from future changes in the value of the underlying instrument. Substantially all future contracts have a maturity date of less than one year.

Option contracts give the purchaser of the contract the right to buy (call) or sell (put) the security or index underlying the contract at an agreed upon price on or before the expiration of the option contract. The fair value of option contracts is based upon the closing market price of the contract. The seller of the contract is subject to market risk, while the purchaser is subject to credit risk and market risk to the extent of the premium paid to enter into the contract.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Spot and forward contracts entered into by SWIB are over-the-counter contracts, entered into with various counterparties. These contracts are valued daily, and guidelines have been established which provide minimum credit ratings for counterparties. Losses may arise from future changes in value of the underlying currency, or if the counterparties do not perform under the terms of the contract.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at June 30, 2013 (in thousands):

	2013
	<hr/>
Future contracts	\$ 3,348,123
Foreign exchange forward and spot contracts – sold	3,518,828
Foreign exchange forward and spot contracts – purchased	3,504,781
Options – puts	(580,427)
Options - calls	107,878

(3) Receivables

Receivables as of June 30, 2013 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Construction Fund</u>	<u>School Nutrition Services Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Receivables:					
Accounts	\$ 15,585,024	2,703,795	230,419	—	18,519,238
Intergovernmental-federal	54,925,423	—	16,002,437	5,565,932	76,493,792
Intergovernmental-state	16,895,677	—	—	—	16,895,677
Intergovernmental-other	—	—	68,075	—	68,075
Gross receivables	<u>87,406,124</u>	<u>2,703,795</u>	<u>16,300,931</u>	<u>5,565,932</u>	<u>111,976,782</u>
Less allowance for uncollectibles	<u>(425,146)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(425,146)</u>
Total receivables, net	\$ <u>86,980,978</u>	<u>2,703,795</u>	<u>16,300,931</u>	<u>5,565,932</u>	<u>111,551,636</u>

The District expects to collect all receivables within one year except for \$583,578.

Accounts Receivable includes \$7.3 million from the settlement of a class action lawsuit with Microsoft Corporation. The settlement will be paid in the form of hardware and software vouchers upon the expenditure of eligible costs. The District has reported \$7.3 million of this balance as deferred/unearned revenue pending the future expenditures for eligible costs.

Accounts Receivable includes \$2.7 million from a Land Contract property sale. On February 1, 2013, the City of Milwaukee (for the benefit of MPS) entered into a Land Contract to sell the property located at 4601 N. 84th Street to Hmong American Peace Academy, Ltd. (HAPA), an MPS-Non-Instrumentality Charter School.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The purchase price of the property is \$2,770,000, with \$11,000 paid at the execution of the contract. The balance of \$2,759,000, with an interest rate of 3% per annum, will be paid in monthly installments of \$15,301.35 beginning March 1, 2013 and maturing February 28, 2033. Title to the property is not transferred until the purchase price with interest is fully paid and all conditions fully performed.

Remaining payments due as of June 30, 2013 are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal years:				
2014	\$	103,271	80,345	183,616
2015		106,412	77,204	183,616
2016		109,648	73,968	183,616
2017		112,983	70,633	183,616
2018		116,420	67,196	183,616
2019 - 2023		637,419	280,662	918,081
2024 - 2028		740,437	177,644	918,081
2029 - 2033		<u>798,668</u>	<u>58,208</u>	<u>856,876</u>
Totals	\$	<u>2,725,258</u>	<u>885,860</u>	<u>3,611,118</u>

(4) Interfund Transactions

Interfund borrowings are reflected as “due from/to other funds” on the accompanying financial statements.

The following balances as of June 30, 2013 represent due to/from balances among all funds:

		<u>Due from other funds</u>			
		<u>General Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>	<u>Due In More Than One Year</u>
Due to other funds:					
Construction fund	\$	7,716,532	—	7,716,532	—
Nutrition fund		19,966,638	—	19,966,638	4,973,734
Nonmajor funds		<u>5,260,960</u>	—	<u>5,260,960</u>	—
Total	\$	<u>32,944,130</u>	—	<u>32,944,130</u>	<u>4,973,734</u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Balances resulted from the timing difference between the dates that interfund goods and services are provided or reimbursable expenditures occur.

The following balances as of June 30, 2013 represent transfer in/out balances among all funds:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Reason</u>
Construction	General Fund	\$ 2,523,168	To fund current year expenditures
Debt Service Fund	General Fund	18,764,297	To fund current year debt service

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,494,591	—	—	31,494,591
Construction in progress	<u>5,690,606</u>	<u>18,269,147</u>	<u>19,231,315</u>	<u>4,728,438</u>
Total capital assets, not being depreciated	<u>37,185,197</u>	<u>18,269,147</u>	<u>19,231,315</u>	<u>36,223,029</u>
Capital assets, being depreciated:				
Buildings	1,002,182,338	19,231,315	—	1,021,413,653
Leasehold improvements	12,219,204	—	—	12,219,204
Furniture and equipment	<u>49,706,315</u>	<u>2,210,545</u>	<u>327,196</u>	<u>51,589,664</u>
Total capital assets, being depreciated	<u>1,064,107,857</u>	<u>21,441,860</u>	<u>327,196</u>	<u>1,085,222,521</u>
Less accumulated depreciation for:				
Buildings	(426,125,026)	(20,332,231)	—	(446,457,257)
Leasehold improvements	(3,194,126)	(540,942)	—	(3,735,068)
Furniture and equipment	<u>(44,960,522)</u>	<u>(1,479,449)</u>	<u>(325,062)</u>	<u>(46,114,909)</u>
Total accumulated depreciation	<u>(474,279,674)</u>	<u>(22,352,622)</u>	<u>(325,062)</u>	<u>(496,307,234)</u>
Total capital assets, being depreciated	<u>589,828,183</u>	<u>(910,762)</u>	<u>2,134</u>	<u>588,915,287</u>
Capital assets, net	<u>\$ 627,013,380</u>	<u>17,358,385</u>	<u>19,233,449</u>	<u>625,138,316</u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Depreciation expense for governmental activities for the year ended June 30, 2013 was charged to functions/programs as follows:

Governmental activities:		
Instruction	\$	13,854,843
Community services		572,220
Pupil and staff services		2,439,575
General, administration and central services		1,939,497
Business services		2,704,269
School nutrition		<u>842,218</u>
Total depreciation	\$	<u><u>22,352,622</u></u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	\$ <u>2,717,231</u>	<u>1,468,841</u>	<u>3,205,804</u>	<u>980,268</u>
Total intangible assets, not being amortized	<u>2,717,231</u>	<u>1,468,841</u>	<u>3,205,804</u>	<u>980,268</u>
Intangible assets, being amortized:				
Software	\$ <u>43,380,288</u>	<u>3,193,160</u>	<u>461,933</u>	<u>46,111,515</u>
Total intangible assets, being amortized	<u>43,380,288</u>	<u>3,193,160</u>	<u>461,933</u>	<u>46,111,515</u>
Less accumulated amortization for:				
Software	<u>(31,679,295)</u>	<u>(2,894,495)</u>	<u>(32,995)</u>	<u>(34,540,795)</u>
Total accumulated amortized	<u>(31,679,295)</u>	<u>(2,894,495)</u>	<u>(32,995)</u>	<u>(34,540,795)</u>
Total intangible assets being amortized	<u>11,700,993</u>	<u>298,665</u>	<u>428,938</u>	<u>11,570,720</u>
Intangible assets, net	\$ <u><u>14,418,224</u></u>	<u><u>1,767,506</u></u>	<u><u>3,634,742</u></u>	<u><u>12,550,988</u></u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Amortization expense for governmental activities for the year ended June 30, 2013 was charged to functions/programs as follows:

Governmental activities:	
Instruction	\$ 1,794,098
Community services	74,098
Pupil and staff services	315,906
General, administration and central services	251,150
Business services	350,182
School nutrition	<u>109,061</u>
Total amortization	<u>\$ 2,894,495</u>

(6) Short-term Borrowings

To finance on an interim basis MPS' general operating costs pending receipt of state school aid payments, the City of Milwaukee issued \$50,000,000 of commercial paper on October 10, 2012, maturing December 3, 2012 and \$50,000,000 of commercial paper on December 6, 2012, maturing December 27, 2012. \$120,000,000 of Revenue Anticipation Notes (RANs), Series 2012 M11, were issued October 25, 2012, maturing June 26, 2013. Interest was payable at maturity. The debt was repaid from the District's equalization aid allocations received from the state government prior to June 30, 2013.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2013 totaled \$381,914,695. Of this total, \$39,691,954 represents school bonds and notes that will be repaid by the City using the City's property tax levy. As the District does not have an obligation to repay these bonds and notes from its own property tax levy, the debt is not reflected in the District's long-term obligations. The remaining balance of \$342,222,741 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Long-term obligations of the District are as follows:

	<u>Original amount</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee:						
American with Disabilities Act loans:						
2002A Refund (Trust Loans & C5, O, R & T)	\$ 5,395,000	1,191,970	—	153,304	1,038,666	153,304
4.0 – 5.0%, due in annual installments to September 2017	660,000	219,760	—	219,760	—	—
4.0 – 5.0%, due in annual installments to February 2019	335,000	335,000	—	268,000	67,000	—
4.0 – 5.0%, due in annual installments to February 2014	670,000	134,000	—	67,000	67,000	67,000
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,582,676	—	172,358	4,410,318	236,844
2.5 – 3.0%, due in annual installments to February 2019	2,700,000	1,890,000	—	270,000	1,620,000	270,000
5.0%, due in installments to February 2024	1,350,000	1,350,000	—	—	1,350,000	—
5.25%, due August 15th, 2014 to February 2027	443,810	—	443,810	43,952	399,858	43,952
General Obligation Bonds:						
1.5 – 3.0%, due in May 2014	11,020,000	3,965,000	—	3,675,000	290,000	290,000
Plus: Premium on issuance	334,110	4,277	—	4,277	—	—
5.25%, due August 15th, 2014 to February 2027	4,095,000	—	4,095,000	—	4,095,000	—
Plus: Premium on Issuance	787,801	—	787,801	87,533	700,268	—
Qualified School Construction Bonds:						
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	925,000
Less: Discount on issuance	(450,000)	(365,625)	—	(28,125)	(337,500)	—
5.25%, due August 15th, 2014 to February 2027	37,300,000	37,300,000	—	—	37,300,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	92,040,000	45,570,000	56,785,000	80,825,000	4,430,000
Plus: Premium on issuance	1,357,121	206,460	—	49,052	157,408	—
Less: Discount on 2007A issuance	(338,503)	(210,311)	—	(21,427)	(188,884)	—
Less: Deferred amount of refunding	(1,677,174)	(1,042,028)	—	(106,065)	(935,963)	—
Plus: Premium on 2013A issuance	—	—	6,627,903	552,104	6,075,799	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	3,681,039	—	911,318	2,769,721	714,745
Pension debt refinancing:						
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	37,375,000	—	—	37,375,000	1,900,000
Less: Discount	(25,232,986)	(12,702,174)	—	(1,531,244)	(11,170,930)	—
Capital appreciation bonds, due in annual installments beginning April 1, 2026 through April 1, 2041	110,525,000	110,525,000	—	—	110,525,000	—
Less: Discount	(94,805,878)	(83,738,978)	—	(1,728,958)	(82,010,020)	—
Pension bonds, variable interest rate “index-linked”, interest due in semi- annual installment, principal due at maturity on October 1, 2043	130,850,000	130,850,000	—	—	130,850,000	—
Capital leases—Microsoft and other leases	11,504,297	—	—	—	—	—
Capital lease—CCF	12,415,000	10,245,000	—	5,295,000	4,950,000	575,000
Total intergovernmental cooperation agreement debt		\$ 349,836,066	57,524,514	65,137,839	342,222,741	12,055,845

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2013</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	\$ 349,836,066	57,524,514	65,137,839	342,222,741	12,055,845
Accrued compensated absences	25,679,603	5,014,741	20,419,887	10,274,457	3,800,000
Accrued OPEB Obligation	523,394,933	95,693,459	79,884,695	539,203,697	—
Workers' compensation claims	6,870,714	5,029,079	4,243,575	7,656,218	5,000,000
General insurance claims	752,369	501,191	732,536	521,024	2,800
Life insurance benefits	2,087,869	77,183	—	2,165,052	387,119
Liability for other long-term benefits	285,051	—	—	285,051	—
	<u>\$ 908,906,605</u>	<u>163,840,167</u>	<u>170,418,532</u>	<u>902,328,240</u>	<u>21,245,764</u>
Total long-term obligations					

Estimated payments of compensated absences, other post employment benefits, and insurance claims are not included in the debt service requirement schedules. The compensated absences, OPEB, and insurance claims liabilities attributable to governmental activities will be liquidated primarily by the general fund.

The District has recognized workers' compensation claims liability in the governmental funds of approximately \$437,000 as of June 30, 2013. Accordingly, the total liability for workers' compensation claims was approximately \$8.1 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2014	\$ 12,380,845	13,758,408	26,139,253
2015	13,336,889	13,227,838	26,564,727
2016	13,345,420	12,978,167	26,323,587
2017	15,219,062	12,662,431	27,881,493
2018	15,087,432	12,287,202	27,374,634
2019 – 2023	88,437,914	54,823,261	143,261,175
2024 – 2028	63,480,000	41,380,564	104,860,564
2029 – 2033	58,240,001	24,118,325	82,358,326
2034 – 2038	80,605,001	15,356,440	95,961,441
2039 – 2043	58,725,001	6,645,513	65,370,514
2044	6,125,000	114,538	6,239,538
	<u>\$ 424,982,565</u>	<u>207,352,687</u>	<u>632,335,252</u>
Total			

Interest on the \$130,850,000 variable rate pension debt (index-linked bonds), included in the schedule of future payments above, is based upon the one-month LIBOR rate (the London Interbank Offered Rate) plus 25 basis points (.25%) and is adjusted monthly. The LIBOR interest rate was 0.195050% as of June 30, 2013.

The District leases land and buildings with a historical cost and accumulated depreciation of \$12,415,000 and \$2,483,000. In addition, the District has capital leases for computers with a historical cost of \$11,504,297 and accumulated depreciation of \$11,504,297.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Future minimum lease payments under these capital leases at June 30, 2013 are as follows:

Fiscal year ended June 30:		
2014	\$	988,940
2015		-
2016		-
2017		-
2018		-
2019 – 2023		1,969,345
2024 – 2026		<u>2,908,674</u>
Total minimum lease payments		5,866,959
Less amount representing interest		<u>(916,959)</u>
Present value of minimum lease payments	\$	<u>4,950,000</u>

The maximum allowable amount of City debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City (Wisconsin State Statute Chapter 67.03). Wisconsin State Statute Chapter 119.49 further authorizes referendum-approved bonding in an additional amount equivalent to 2% of the equalized taxable property for school capital purposes. The total equalized taxable property in the City for calendar year 2013 was \$26,076,792,800 and the 5% debt limit was \$1,303,839,640. No referendum-approved debt is outstanding at June 30, 2013.

The District has pledged future Intradistrict Aid revenues to repay \$109,545,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2004 and June 30, 2024. The bonds are payable solely from pledged revenues and are payable through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 33.6% of net revenues at the point of the highest debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2013 is \$103,172,740. Principal and interest paid for the year ended June 30, 2013 was \$8,705,504 while the Intradistrict Aid revenues were \$31,449,026.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Revenue debt payable at June 30, 2013 consists of the following:

Neighborhood Schools Initiative Bonds			
Amounts Outstanding			
	Principal	Interest	Total
Fiscal year ended:			
2014	\$ 4,430,000	3,675,067	8,105,067
2015	5,130,000	3,192,335	8,322,335
2016	5,550,000	3,004,385	8,554,385
2017	6,010,000	2,773,185	8,783,185
2018	6,530,000	2,498,735	9,019,735
2019	7,120,000	2,148,485	9,268,485
2020	7,740,000	1,776,985	9,516,985
2021	8,390,000	1,404,153	9,794,153
2022	9,030,000	1,030,310	10,060,310
2023	10,015,000	635,500	10,650,500
2024	10,880,000	217,600	11,097,600
	<u>\$ 80,825,000</u>	<u>22,347,740</u>	<u>103,172,740</u>

Prior-Year Defeasance of Debt

In prior years, the District defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, \$29.3 million of bonds outstanding are considered defeased. The bonds are callable on August 1, 2013.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Current Refunding

On May 6, 2013 the District issued \$45,570,000 of Refunding Revenue Bonds Series 2013A with an average interest rate of 1.54% to refund \$51,825,000 million of Series 2002A and Series 2003A Neighborhood Schools Initiative bonds that had an average interest rate of 4.48%. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The bonds are callable on August 1, 2013. The refunding gave the District an economic gain of approximately \$6.429 million net present value.

Projected cash flow for debt before refunding	\$109,601,793
Projected cash flow for debt after refunding	<u>103,172,739</u>
Projected net savings from refunding	<u>\$ 6,429,054</u>

On May 15, 2013 the District issued \$4,095,000 of GO Series 2013 N2 B3 bonds with an average interest rate of 1.27% to refund \$4,745,000 of 2005 RACM bonds that had an average interest rate of 4.3%. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The bonds are callable on August 1, 2013. The refunding gave the District an economic gain of approximately \$563,076 net present value.

Projected cash flow for debt before refunding	\$12,758,895
Projected cash flow for debt after refunding	<u>12,195,819</u>
Projected net savings from refunding	<u>\$ 563,076</u>

Derivative Instruments - Interest Rate Swap Agreements

In December 2003, the District entered into contracts to hedge its exposure to fluctuating interest rates associated with the variable rate bonds that it issued to fund an unfunded actuarial accrued liability for pensions. These contracts are evaluated pursuant to GASB Statement No. 53, Accounting and Financial reporting for Derivative Instruments, to determine whether they effectively hedge the expected cash flows associated with interest rate exposures.

The District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, the increase (decrease) in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net assets. For the reporting period, all of the District's derivatives meet the effectiveness test.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2013 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

		2013 Change in Fair Value		Fair Value, End of 2013		<u>Notional Amount</u>
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental activities						
Interest Rate Derivatives:						
Pay-fixed interest rate swaps	Deferred outflow		\$23,383	Derivative	(\$40,764)	\$130,850

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the District's hedging derivative instruments outstanding at June 30, 2013, along with the credit rating of the associated counterparty (amounts in thousands).

<u>Item</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$21,255	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$6,620)	A2/A/A+
B	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$49,595	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$15,446)	Aa3/AA- /AA-
C	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$18,698)	Baa1/A-/A
Total Fair Value							(\$40,764)	

Objective. As a means to lower its borrowing costs when compared against fixed-rate bonds at the time of issuance in December 2003, the District entered into three interest rate swap agreements in connection with the \$130,850,000 Taxable Pension Funding Bonds, 2003 Series D (originally variable auction rate securities, converted to index-linked bonds on July 7, 2005). The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed rate of 5.56%. The conversion to index-linked bonds eliminated liquidity and basis risk, and maintained the swap agreements, but with a fixed rate cost to MPS of 5.61%.

Terms. The bonds and the related swap agreements mature on October 1, 2043 and the swaps' aggregate notional amount of \$130,850,000 matches the \$130,850,000 par amount of the variable-rate bonds. The swaps were entered into at the same time the bonds were issued in December 2003, and continue to remain in effect after the conversion to index-linked bonds on July 7, 2005. Starting in fiscal year 2024, the notional value of the swap and the principal amount of the bonds decline until the debt is completely retired. Under the swap agreements, the District pays the counterparty a fixed payment of 5.56% and receives a variable payment computed as the 1-month London

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Interbank Offered rate (LIBOR) plus 20 basis points (.20%). Conversely, the District pays the bond's index linked coupon rate of LIBOR plus 25 basis points (0.25%).

Fair Value. The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Risks of Derivative Instruments

Credit risk – Credit risk is the risk of loss due to a counterparty defaulting on its obligations. The District seeks to minimize credit risk by requiring counterparty collateral posting provisions in its hedging derivative instruments. These terms require full collateralization should the counterparties credit ratings fall below certain levels.

As of June 30, 2013 the District was not exposed to credit risk because the swaps had negative fair value. There are three swap counterparties with whom the District has a total of three swap agreements. The credit ratings of the counterparties are provided in the prior table. To mitigate the potential for credit risk, if the credit quality is below Aa3 by Moody's Investor's Service, AA- by Standard & Poor's, and AA- by Fitch Ratings, the fair value of the swap will be fully collateralized by the counterparty. Collateral is posted with the trustee of the bonds.

Interest rate risk – The District is exposed to interest rate risk on its interest rate swap. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the District's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the District's net payment on the swap increases.

Basis risk – Basis risk is the risk that arises when a hedged item and a derivative that is attempting to hedge that item are based on different indices. As a result of the District's conversion to index-linked bonds from auction rate securities, the basis risk exposure to the District from its swap agreements was eliminated.

Termination risk – Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default and mergers in which the successor entity does not meet credit criteria. The District or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. The swaps may be terminated by the District at any time. A swap may be terminated by a counterparty if the District's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" by Moody's Investors Service. If a swap is terminated, the variable-rate bonds will no longer carry a synthetic interest rate and the District would be subject to interest costs reflective of the variable interest rates. Also, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. At June 30, 2013 the swap's currently have a cumulative negative fair value of \$40.76 million.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Rollover risk – Rollover risk occurs when the hedging derivative instrument does not extend to the maturity of the hedgeable item. When the hedging derivative instrument terminates, the hedgeable item will no longer have the benefit of the hedging derivative instrument. Because the District’s swap agreements extend to the maturity of the hedged debt, the District is not exposed to rollover risk.

Swap payments and associated debt – Using rates as June 30, 2013, debt service requirements of the variable-rate index-linked bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (as rates vary, variable rate interest payments and net swap payments will vary):

	Variable-rate bonds		Interest	Total
	Principal	Interest	rate swaps, net	
Fiscal year ended June 30:				
2014	\$ —	255,233	7,085,462	7,340,695
2015	—	255,233	7,085,462	7,340,695
2016	—	255,233	7,085,462	7,340,695
2017	—	255,233	7,085,462	7,340,695
2018	—	255,233	7,085,462	7,340,695
2019 – 2023	—	1,276,115	35,427,310	36,703,425
2024 – 2028	25,075,000	1,143,586	31,748,077	57,966,663
2029 – 2033	31,250,000	838,552	23,279,773	55,368,325
2034 – 2038	31,200,000	533,917	14,822,523	46,556,440
2039 – 2043	31,000,000	231,053	6,414,460	37,645,513
2044	12,325,000	3,982	110,555	12,439,537
Totals	\$ 130,850,000	5,303,370	147,230,008	283,383,378

(8) Fund Balance

The Board has established a formula to identify the amount of unassigned fund balance required to fund the six months of the subsequent year’s school operations property tax levy. The purpose of this portion of fund balance is to provide working capital until state aids and other payments from federal agencies are received.

The formula established by this action, and the application thereof as of June 30, 2013, is as follows:

General fund unassigned fund balance	\$ 53,322,696
Amount required to fund six months of the school operation's property tax levy:	
Subsequent year’s school operations school levy (\$272,784,364)	
multiplied by a ratio of subsequent year’s tax days from July 1 to December 31 (76) to total calendar school year days (180)	<u>115,175,620</u>
General fund unassigned fund balance deficiency	\$ <u>(61,852,924)</u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(9) Risk Management

The District is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risks of loss associated with providing health, dental, and life insurance benefits to employees and retirees.

The District provides health insurance benefits to employees and retirees through a self-insured PPO/Indemnity plan and self-insured exclusive provider organization (EPO) plan. The District purchases stop-loss insurance for its self-insured exclusive provider organization (EPO) plan. Life insurance benefits are provided for active and retired employees through an insured life insurance program. Life insurance costs that exceed certain rates are funded by the District.

The District provides dental insurance benefits through a fully insured dental maintenance organization and through a self-insured indemnity plan. The District does not purchase stop-loss insurance for its self-insured dental indemnity plan. The District is fully self-insured for workers' compensation benefits and does not purchase stop-loss insurance.

The District purchases commercial property insurance, auto liability insurance, errors and omissions insurance, fiduciary liability, and excess liability insurance. The District assumes a \$250,000 self-insured retention for any one loss or occurrence under its self-insured general liability program. The District purchases excess liability insurance for its general liability that provides per-occurrence and general aggregate protection. The District is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance.

The only significant change in the insurance coverage from coverage provided in the current year for the above described risks effective July 1, 2013 was a reduction in abuse and molestation liability insurance. Effective July 1, 2013, abuse and molestation limits were reduced from \$5 million primary coverage and \$2 million excess coverage to \$1 million primary coverage and no excess coverage due to insurance market conditions.

A liability for claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claim liabilities also include estimated costs for claim administration fees and outside legal and medical assistance costs. The liability for claims and judgments is reported in the general fund.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Changes in the balance of claim liabilities during the past two years are as follows:

	Year ended June 30	
	2013	2,012
Beginning of year liability	\$ 38,190,339	47,594,152
Current year claims and changes in estimate	211,172,812	207,342,317
Claim payments	(213,473,802)	(216,746,130)
End of year liability	\$ 35,889,349	38,190,339

The District has recognized the liability for health and dental benefits, which totaled \$24,825,004 and \$26,560,853 as of June 30, 2013 and 2012, respectively, in the general fund. The District has also recognized a liability of \$437,000 and \$1,633,483 as of June 30, 2013 and 2012, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include \$12.7 million of other insurance related liabilities. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

(10) Retirement Plans

Retirement Plans—The District has two supplemental defined benefit retirement plans covering substantially all certificated employees (mainly teachers, principals, and assistant principals) and administrative classified employees. These plans were established to supplement the pension benefits of the District employees participating in the Wisconsin Retirement System and the Employees' Retirement System of the City of Milwaukee. The District currently contributes to both plans to provide for payment of current service costs and to fund prior service costs.

Wisconsin Retirement System—All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for the year ended June 30, 2013 were:

	<u>Employee</u>	<u>Employer</u>
July 1, 2012 – December 31, 2012	5.90%	5.90%
January 1, 2013 – June 30, 2013	6.65%	6.65%

The payroll for District employees covered by the WRS for the year ended December 31, 2012 was \$377,858,000; the employer's total payroll was \$489,436,000. The total required contribution for the year ended December 31, 2012 was \$44,588,000 or 5.9% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$46,381,000 and \$46,395,000, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

There was no pension related debt for the District as of June 30, 2013.

Employees' Retirement System of the City of Milwaukee

Plan Description – The District makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 789 North Water Street, Suite 300, Milwaukee, WI 53202.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Funding Policy – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5% for general employees. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The District's contributions to the System for the years ended December 31, 2012, 2011, and 2010, were \$5,878,370, \$15,799,000 and \$14,139,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan

The plan is a defined benefit pension plan established to provide benefits after early retirement which will supplement the pension benefits provided by the WRS and the System.

A participant must be an administrative, supervisory, or professional staff employee of the District who is in the collective bargaining unit represented by the Administrators and Supervisors Council, Inc (the "ASC"), an exempt employee excluded by the ASC bargaining contract, or any other employee who is identified as a covered employee by the Milwaukee Board of School Directors (MBSD) through an employment contract between such employee and the MBSD. Such employees shall become participants in the plan on the later of the effective date of the plan or the date they become a participant in the WRS. Certain classified participants represented by the ASC or any exempt employee excluded by the ASC bargaining contract and covered by the System, and certain psychologists who elected to remain in the plan after June 30, 1980 are also eligible for participation.

The Plan is classified as a "governmental plan" and is, therefore, exempt from provisions of the Employee Retirement Security Act of 1974 (ERISA).

Participants are eligible for retirement benefits provided they have made three years of participant contributions and have eight or more years of vesting service. For Plan years, effective July 1, 2003, vesting under the Plan is modified to be three years of service as a covered employee and eight or more years of vesting service. The plan provides for unreduced benefits on or after age 60 and for reduced benefits between ages 55 and 60. For participants who retire between ages 60 and 65 under the System or under the WRS, a special supplemental benefit, as defined, shall be paid until the retiree attains age 65. Benefits are paid in the form of monthly payments based on years of service and average monthly compensation for the three highest fiscal years of earnings preceding the date of retirement to a maximum benefit for this plan and either the System or WRS of 70% of average monthly compensation. The benefit paid under this plan for a participant whose benefit is related to the WRS shall be reduced by the amount of the WRS benefit paid. Wisconsin Act 11 directly affects the plan by decreasing the benefits paid and increasing the funded status of the plan.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

In consideration of the reduced benefits to be paid by the plan as a result of Wisconsin Act 11, the District signed an agreement with the ASC to amend the plan effective July 1, 2003 as follows:

- Transfer the benefit formula under the teachers plan to the plan for those individuals who have prior MPS teaching service after July 1, 1982 and are eligible to receive a benefit from the teachers plan. Such individuals will have the option of electing either the teacher or ASC benefit formula.
- Eliminate employee contributions to the plan.
- Close the plan to anyone who is not a covered employee as of June 30, 2003 and previous employees that are rehired after June 30, 2003.
- Eliminate the suspension of benefits provision in the plan and replace it with a new provision that suspends benefits paid from the plan if the retired annuitant is rehired as a covered employee and elects to participate as an active employee under the WRS.

In fiscal year 2004, the District received more than the required 95% of signed waivers and consents from covered employee to implement the negotiated change to the Plan. Subsequently the MBSD adopted the restated Plan at its June 2004 regular meeting.

The amendments to the plan were included in the July 1, 2003 actuarial valuation. These amendments resulted in an increase to the actuarial accrued liability of \$4,973,000 as of July 1, 2003.

In fiscal year 2005, the definition of “Year of Benefit Service” of the Plan was amended to provide for the addition of the following at the end of such definition:

For a covered employee who was an active participant in the Plan on or after July 1, 2004 and who:

- Became a covered employee on or after July 1, 1982; and
- Was covered under the MTEA-teacher collective bargaining unit and under the WRS on or after July 1, 1982; and
- Is vested under the Teachers Plan; and
- Has consented in writing to the amendment of the Plan as provided in a Negotiating Note between the Board and the ASC dated June 24, 2003.

A covered employee shall continue to be credited with the Years of Benefit Service without giving effect to Years of Benefit Service provisions of the Teachers Plan, for the periods beginning on and after July 1, 2004, except for the purpose of computing the Alternate Benefit for certain Teachers Plan participants as a result of Wisconsin Act 11 discussed above.

The plan also provides for disability benefits to vested participants if employment is terminated between ages 55 and 65 by reason of total and permanent disability as approved by the WRS. Upon the death of an active participant who is not eligible for any other form of

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

benefit under the plan, a lump-sum death benefit of the value of the participant's employee contribution account is provided to the participant's beneficiary.

The Plan does not provide for any postretirement increases.

The District maintains a separate "member contribution account" for each participant. Annually, as of June 30, the portion of investment income of the fund attributable to the participants' contribution is credited to the respective member contribution accounts. If a participant leaves covered employment or dies, accumulated employee contributions, plus related investment earnings, are refunded to the employee or designated beneficiary based on their election. Classified employees are not required to make member contributions under the plan.

Effective July 1, 2003, participants are no longer required to make contributions to the Plan and the employer shall pay 100% of required plan contributions.

Accrued plan liabilities are reduced by the amount attributed to employer contributions for employees who are not vested for benefits and who terminate participation in the Plan for reasons that include termination of employment. These employer contributions are applied to reduce the cost of the Plan and not to increase benefits otherwise payable to eligible participants.

During the year beginning July 1, 2012, management directed the Custodial Trustee/Investment Manager to make on transfer from the Plan's Employer Account to the Plan's Employee Contribution account equal to the total Employee Account balances as of June 30, 2012.

- As Participants retire, adhere to the following procedures:
 - For the Participant electing to retire under the Administrator's formula, transfer the amount pertaining to that Participant's Contribution Account with interest to the Employer account and pay all monthly benefits from the Employer account
 - For the Participant electing to retire under Teacher's formula, pay the amount pertaining to that Participant's Contribution Account with interest from the Employee Account to the Participant and pay all monthly benefits from the Plan's Employer account
 - All Plans monthly benefits payable effective July 1, 2012 and paid on or after August 1, 2012, shall be paid from the Plan's Employer Account.

On March 20, 2012, the MBSD approved changes to key actuarial assumptions effective July 1, 2012. The following is a summary of the key actuarial assumption changes:

- Price inflation is lowered from 3.00 percent to 2.80 percent.
- Investment return is lowered from 8.0 percent to 7.5 percent.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

- No wage increases will be assumed for fiscal years ending June 30, 2013, June 30, 2014 and June 30, 2015. Thereafter, a 2.8 percent wage inflation increases are assumed.
- Current age-based retirement rate assumptions are changed to reallocate rates based on age.
- Current age-based termination rates are maintained.
- The Mortality Rate is changed from the 1994 Group Annuity Mortality Table, sex distinct, to the Wisconsin Projected Experience Table - 2005 for women and 90 percent of the Wisconsin Projected Experience Table - 2005 for men and post-retirement deaths.
- Disability rates are updated to be the blended rates for males and females from the rates used in the most recent Wisconsin Retirement System valuation.
- The actuarial cost method is changed to Entry Age Normal cost method.
- Amortization method is changed to level dollar 5-year open period.
- Current asset smoothing method assumption is maintained.

The aforementioned changes in actuarial assumptions are expected to have an increase effective fiscal year 2013 to the unfunded actuarial accrued liability of approximately \$4.2 million and reduce recommended annual contributions by approximately \$434,000.

The Plan issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report can be obtained by writing the Milwaukee Public Schools, Office of Human Resources—Benefits and Insurance Services Division, 5225 West Vliet Street, Milwaukee, WI 53208-2698.

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The plan is a defined benefit pension plan established to provide benefits after early retirement which will supplement the pension benefits provided by the WRS.

To be eligible for participation, an employee must be a teacher of the District who is in the collective bargaining unit represented by the Milwaukee Teachers' Education Association ("MTEA") and who is participating as an active employee in the WRS. Such employees shall become participants in the plan on the later of the effective date of the Plan or the date they become a participant in the WRS. Employees who first became participants before July 1, 1998, are vested upon participation. Employees who first became participants on or after July 1, 1998, are vested after being employed by the District for at least 15 years after July 1, 1998, in a position that is covered under the MBSD/MTEA teacher contract and that counts as creditable service under the WRS (but excluding periods of military service) and terminates employment with the District on or after the employee's 55th birthday.

The plan is classified as a "governmental plan" and is, therefore, exempt from the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The Plan provides for early reduced retirement benefits to participants who are eligible and commence their WRS benefits after age 55 and prior to age 62 and provides early retirement benefits if they commence WRS benefits after age 62 but prior to age 65. Benefits are paid in the form of monthly payments based on compensation, years of service, and a defined maximum of average monthly compensation for the three fiscal years of highest earnings preceding the date of retirement. The Plan does not provide for any post employment increases.

Accrued plan liabilities are reduced by the amount attributed to employer contributions for employees who are not vested for benefits and who terminate participation under the Plan for reasons that include termination of employment. These employer contributions are applied to reduce the cost of the Plan and not to increase benefits otherwise payable to eligible participants.

Significant actuarial assumption changes made effective for the plan year June 30, 2013 are:

- Price inflation is lowered from 3.00 percent to 2.80 percent.
- Investment return is lowered from 8.0 percent to 7.5 percent.
- No wage, step or lane increases will be assumed for fiscal years ending June 30, 2014 and June 30, 2015. Thereafter, a 2.8 percent wage inflation increase are assumed.
- Normal retirement rates are modified in order to apply higher retirement rates in plan years beginning July 1, 2012 and July 1, 2013 to reflect the potential for accelerated retirements due to changes in post retirement healthcare benefits for individuals who retire during this period.
- Age based termination rates are modified.
- The Mortality Rate is changed from the 1994 Group Annuity Mortality Table, sex distinct, to the Wisconsin Projected Experience Table - 2005 for women and 90 percent of the Wisconsin Projected Experience Table - 2005 for men and post-retirement deaths.
- Disability rates are updated to be the blended rates for males and females from the rates used in the most recent Wisconsin Retirement System valuation.
- The current actuarial cost method, which is the Entry Age Normal Cost method, is maintained.
- Current amortization methods, asset smoothing methods, and dependent assumptions are maintained.
- Decrement timing will be changed to occur at the end of the year for retirement and at mid-year for all other decrements.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The aforementioned changes in actuarial assumptions is expected to have an increase to the unfunded actuarial accrued liability of approximately \$6.4 million; however, will not significantly affect the recommended annual contributions. Likewise, management is expecting a significant number of retirees over the next fiscal year due to the expiration of labor contracts and reductions in post-retirement healthcare benefits beginning in the Plan's fiscal year 2014. If the amount of estimated retirements occur, effective fiscal year 2013, the unfunded actuarial accrued liability and annual contribution is projected to approximately increase an additional \$5.4 million and \$486,000, respectively.

The plan issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report can be obtained by writing the Milwaukee Public Schools, Department of Human Resources-Benefits and Insurance Services Division, 5225 West Vliet Street, Milwaukee, WI 53208-2698.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(b) Annual Pension Costs and Actuarial Assumptions Used

The District's annual pension costs for the year ended June 30, 2013 and related actuarial assumptions used for the current year and related information for each plan is as follows:

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
	<hr/>	<hr/>
Contribution rates as a percentage of payroll:		
District	14.84%	4.44%
Plan participants	—	—
Annual required contribution	\$ 3,519,437	14,365,412
Interest on net pension obligation	(8,217)	(50,135)
Adjustment to annual required contribution	20,840	—
Annual pension cost	<hr/> 3,532,060	<hr/> 14,315,277
Contributions made	<hr/> 3,086,023	<hr/> 13,948,487
Increase (decrease) in net pension obligation	<hr/> 446,037	<hr/> 366,790
Net pension prepayment, beginning of year	<hr/> (3,232,649)	<hr/> (11,291,126)
Net pension prepayment, end of year	<hr/> <hr/> (2,786,612)	<hr/> <hr/> (10,924,336)

The funded status of the plans of July 1, 2012, the most recent actuarial valuations date, was as follows:

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
	<hr/>	<hr/>
Actuarial accrued liability(AAL)	\$ 56,005,138	230,401,333
Actuarial value of plans assets	<hr/> 42,403,148	<hr/> 114,882,834
Unfunded Actuarial Accrued Liability	<hr/> <hr/> 13,601,990	<hr/> <hr/> 115,518,499
Funded ratio (actuarial value of plan assets/AAL)	75.71%	49.86%
Covered payroll (active plan members)	\$ 18,745,343	323,922,137
UAAL as a percentage of covered payroll	72.56%	35.66%

The net pension obligation prepayment is included in prepaid items on the Statement of Net Position.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Entry Age Normal	Entry age normal
Amortization method	5-year open period, level dollar	The loss at July 1, 2006, due to the valuation of deferred vested temporary benefits is amortized over a 15-year closed period commencing July 1, 2006, on a level dollar basis. Unfunded liabilities not attributable to the loss due to valuation of deferred vested temporary benefits are amortized using a 25- year closed period, level-dollar amortization commencing July 1, 2007. The resulting amortization period is 19.2 and is in accordance with GASB 25 and 27 requirements.
Actuarial Valuation Method	5-year smoothed market	5-year smoothed market
Investment rate of return	7.5%	7.5%

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Projected salary increases:		
Certificated participants	Wage inflation of 2.8% per year with additional service-based increases of up to 3.7% per year.	Wage inflation of 2.8% per year plus additional service-based increases of up to 4.20%
Classified participants	4.0% to 5% per year	N/A
Cost of Living Increases	0.0% per year*	0.0% per year**
Mortality Table	RP2000 table projected 30 years using scale AA	RP2000 table projected 30 years using scale AA

*In accordance with the current bargaining agreement, no salary increase due to wage inflation is assumed for fiscal years 2011, 2012 and 2013 and no salary increase is assumed for fiscal years 2014 and 2015.

**The Plan is frozen at July 1, 2013. Pay increases received after that date are not pensionable under the Teacher's Plan.

(c) Three-Year Trend Information

The following tables of information are provided to assist users in assessing each plan's progress in accumulating sufficient assets to pay benefits when due.

Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan

	<u>Annual pension cost</u>	<u>% of annual pension cost contributed</u>	<u>Net pension obligation</u>
Fiscal year beginning July 1:			
2012	\$ 3,532,060	87%	\$ (2,786,612)
2011	4,220,473	91%	(3,232,649)
2010	3,582,032	201%	(3,614,364)

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	<u>Annual pension cost</u>	<u>% of annual pension cost contributed</u>	<u>Net pension obligation</u>
Fiscal year beginning			
July 1:			
2012	\$ 14,315,277	97%	\$ (10,924,336)
2011	15,764,073	96%	(11,291,126)
2010	15,592,455	176%	(11,961,721)

(11) Post-Employment Life and Healthcare Insurance Benefits

The District administers a single-employer defined benefit healthcare plan and life insurance plan (“the Retiree Plan”). The plan provides health insurance contributions for eligible retirees and their eligible dependents through the District’s group health insurance plan, which covers both active and retired members. The plan also provides for life insurance contributions for eligible retirees through the District’s group life insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and Board policy and plan provisions which state that eligible retirees and their spouses receive lifetime healthcare benefits and eligible retirees receive lifetime life insurance benefits either on a self-paid basis or a District-paid basis at established contribution rates. The Retiree Plan was closed to employees hired or rehired on or after July 1, 2013. The Retiree Plan does not issue a publicly available financial report.

Employee and retiree contribution requirements are established through collective bargaining agreements and Board policy and plan provisions. Contributions may be amended only through negotiations between the District and the union in the case of represented employees and by Board policy, as may be amended by action of the governing body, in the case of non-represented employees. 2011 Wisconsin Acts 10 and 32 stipulate that once existing collective bargaining agreements expire, or are terminated, extended, modified or renewed, such benefit provisions are a prohibited subject of bargaining and therefore such benefits including contributions are established through Board policy and plan provisions as may be amended by action of the governing body. As of June 30, 2013 all collective bargaining agreements expired.

An employee who is age 55 or older with 15 or more years of eligible service and 70 percent or more of the maximum accumulated sick leave at the time of retirement, in accordance with collective bargaining agreements and Board policy, will receive a monthly Board subsidy at the Board’s share of the PPO/Indemnity active single plan or family plan premium rate in effect as of the employee’s date of retirement. (Certain bargaining units and certain non-represented employees who submit a retirement notice by either March 1 or April 1 will receive the greater of the June 30th or July 1st premium rate as their monthly Board subsidy in accordance with their collective bargaining agreement and Board policy.) A special one-time provision providing the higher PPO/Indemnity active single plan or family plan premium rate of March 31, 2011 or July 1, 2011 was extended to certain bargaining units and non-represented employees who gave their retirement notice by April 1, 2011 and retired by the end of their regular work year in June, 2011. Generally,

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

the Board subsidy for health insurance remains fixed for the lifetime of the retiree while the retiree continues enrollment in an MPS health plan. MPS will reimburse the retiree for the retiree's Medicare Part B premium in an amount not to exceed the Board subsidy. Employees who meet all other eligibility requirements, but do not meet the 70 percent maximum accumulated eligibility requirement for the Board subsidy, may continue coverage in an MPS health plan as a retiree on a self-paid basis at the group premium rate. There are also disability retirement provisions that provide for lifetime health coverage for the disabled retiree and eligible dependents. The surviving spouse coverage provisions for death of an employee in active service or after retirement for certain collective bargaining units and non-represented employees provide lifetime health coverage for the surviving spouse and limited coverage for eligible dependents at the established Board subsidy rate.

Effective with dates of retirement on or after July 1, 2013, eligibility provisions for retiree health insurance were changed to whichever of the following occurs earlier: (a) age 60 or older and 20 years of eligible service; OR (b) age 55 or older with 30 or more years of eligible service until sunset on July 1, 2015. Eligibility for the Board subsidy was also changed to 90 percent or more of the maximum accumulated sick leave at time of retirement for employees who meet the age and service requirements for dates of retirement on or after July 1, 2013.

The District provides an explicit subsidy for healthcare benefits that is not indexed for healthcare inflation once the member retires. However, because premiums for pre-Medicare retiree and active coverage are rated in one pool, the District is also providing an implicit subsidy after retirement that is indexed for inflation. Consequently, healthcare inflation impacts the implicit subsidy and the explicit subsidy of retirees. However, effective with dates of retirement on or after July 1, 2013, the methodology to determine premium rates was changed to establish pre-Medicare premium rates.

Effective with dates of retirement on or after July 1, 2013, the Board subsidy was changed to the Board's share of the average of the active PPO/Indemnity Health Plan and the EPO Health Plan. Upon reaching Medicare eligibility, the Board subsidy will be adjusted (reduced) to reflect coordination with Medicare.

Effective August 1, 2011, all active employees pay premium contributions for health insurance based on either a percentage of the active premium rate or a percentage of salary in accordance with their collective bargaining agreement and Board Policy. This is as a result of settlement of all union contracts in late 2010 and early 2011. Prior to this, there was no employee premium contribution for most active employees. Certain non-represented employees paid 5 percent of their health plan premium. Board members pay any premium difference between the health plan they selected and the lowest cost health plan. Effective July 1, 2012 or July 1, 2013 upon expiration of labor contracts all employees will pay a percentage of premium for health insurance ranging from 5% to 14 percent based on their annual salary.

In general and in accordance with collective bargaining agreements, Board policy and plan provisions, retirees who meet the age and service requirements for retiree life insurance pay the premium contribution at the group rate until age 65 after which the District pays the premium. Certain collective bargaining units and non-represented employees who meet the age requirement and have 30 or more years of service receive life insurance benefits fully paid by the District. Certain other bargaining units have retiree life insurance benefits that are fully paid by the retiree at the group premium rate. Once retirees attain age 65, the life insurance coverage is reduced by 25

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

percent of the original coverage for each year following their 65th birthday. Coverage is not reduced below 25 percent of the original coverage in effect at time of retirement.

Effective with dates of retirement on or after July 1, 2013, eligibility provisions for retiree life insurance were changed to whichever of the following occurs earlier: (a) age 60 or older and 20 years of eligible service; OR (b) age 55 or older with 30 or more years of eligible service until sunset on July 1, 2015. The maximum benefit payable at the 25 percent reduction at age 67 was changed to \$25,000.

Effective July 1, 2010 the District established an IRC Section 115 trust for the purpose of holding assets and funding for the District's postemployment health and life insurance benefits. The trust is reported as a fiduciary fund in the District's financial statement. For fiscal year ending June 30, 2013, the District contributed \$79,884,695 (including pre-funding contributions, Medicare Part D and ERRP contributions) to the Retiree Plan. For fiscal year ending June 30, 2013, total member contributions to the Retiree Plan were \$7,449,377.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$110,503,788
Interest on Net OPEB Obligation	23,814,468
Adjustment to annual required contribution	(38,624,797)
	<hr/>
Annual OPEB cost	95,693,459
MPS Contributions made	(79,884,695)
	<hr/>
Increase in Net OPEB Liability	15,808,764
Net OPEB obligation, beginning of year	523,394,933
	<hr/>
Net OPEB obligation, end of year	\$539,203,697
	<hr/> <hr/>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2013 and the two preceding years was 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>
6/30/13	\$ 95,693,459	83.5%	\$539,203,697
6/30/12	\$ 95,332,485	97.1%	\$523,394,993
6/30/11	\$196,701,424	33.2%	\$520,600,193

The funded status of the plan as of July 1, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$1,393,486,064
Actuarial value of plan assets	<u>9,368,067</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$1,384,117,997</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0.7 %
Covered payroll (active plan members)	\$ 488,996,859
UAAL as a percentage of covered payroll	283.1 %

Actuarial valuations of an ongoing plan involve estimates for 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (defined as the benefits covered by the plan as understood by the employer and plan members at the time of each actuarial valuation) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The District's OPEB financial disclosure information for fiscal year ending, June 30, 2013 was based on the assumptions and methods in the July 1, 2011 actuarial valuation. The District made significant changes to the retiree healthcare plan provisions and eligibility conditions effective during 2012 and 2013 which reduced both the annual OPEB cost and growth of actuarial liabilities. The impact of these changes and the anticipated accelerated retirements during fiscal years 2012 and 2013 due to these changes were measured in the valuation as of July 1, 2011. The entry age normal actuarial cost method was used. The District established an IRC Section 115 trust to contribute 105 percent of actual retiree healthcare claims to the trust beginning July 1, 2010. The actuarial assumptions include a 4.55 percent investment rate of return that reflects the District's prefunding policy and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates include a 3 percent inflation assumption. The Retiree Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. In accordance with the GASB No. 45 standard, the unfunded actuarial liability is amortized over a 30 year period with an open amortization method. Financial statements of the Other Post Employment Benefits Trust are included on pages 94 and 95.

(12) Limitation on District Revenues

Wisconsin State Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by 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 a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

For the fiscal year ended June 30, 2013, the District met its revenue limitation.

(13) School Nutrition Deficit

The School Nutrition Services Fund had a deficit of \$4,973,734. The deficit is anticipated to be funded through future operations.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(14) Excess Expenditures Over Appropriations

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2013:

Fund	Excess Expenditures
General Fund:	
High Schools	\$840,522
Middle Schools	935,124
K-8 Schools	386,630
Charter Schools	493,680
Agency Programs	528,630
Home & Hospital Instruction	95,846
Milwaukee County Collaborative	191,107
Contracted Kindergarten	56,273
EEN Itinerant Allied Services	91,213
Department of Recreation & Community Ser	41,320
Musical Festival	6,440
School District Insurances	1,161,924
Debt Services (includes NSI)	1,000
CAMP	4,754,070
Debt Service	15,489,072

The General Fund's total expenditures were less than total budget appropriations.

(15) Commitments and Contingencies

(a) Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of District management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(b) Contractual Commitments

The District has \$24 million of encumbrances outstanding as of June 30, 2013 of which \$19.5 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals of 6/30/13	Contract Commitments at 6/30/13
Major Funds		
General Fund	\$ 21,500,935	\$ 17,339,836
Construction Fund	2,409,743	2,050,904
Nutrition Fund	84,650	35,310
Total Major Funds	\$ 23,995,328	\$ 19,426,050
Non-Major Funds	100,674	32,305
Total Encumbrances and Contract Commitments	<u>\$ 24,096,002</u>	<u>\$ 19,458,355</u>

(c) Litigation

The board is the defendant in litigation involving discrimination, personal injury, employee grievances, and a variety of other matters, each of which are being contested by the board. The board and management of the District believe that resolution of these contingencies will not have a material effect on the District's financial position.

(d) FCC Channels

The District has had the 4 FCC channels for a number of years and has the right to sell and or lease these channels. The District must renew the FCC license every twelve years. MPS received \$4,200,000 upfront in March 2008, and \$55,000 per month initially, which increases 3% each March during the contract period. Clearwire will build a WiMax Network and MPS plans on buying back WiMax broadband internet services from Clearwire. At that time, Clearwire will then pay an additional monthly fee to MPS ranging from \$2,000, increasing every five years, to a maximum of \$4,023.

(16) Subsequent Events

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, the City of Milwaukee issued \$50,000,000 of commercial paper on September 12, 2013 and \$50,000,000 of commercial paper on October 10, 2013. \$130,000,000 of Revenue Anticipation Notes (RANs), Series 2013 M7, was issued on October 24, 2013. The commercial paper matures on December 11, 2013 and the RANs mature on June 30, 2014. Interest is payable at maturity.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

On November 26, 2013, the City of Milwaukee authorized the sale of the Milwaukee Public Schools' (MPS) former Malcolm X Academy under the following terms:

- MPS would sell the site to 2760 Holdings, LLC — a development company formed by James Phelps of JCP Construction, Inc. – for \$2.1 million. It is anticipated that the sale will occur in the first quarter of calendar year 2014.
- The redeveloped site would include an International Baccalaureate (IB) “Middle Years Programme” school which is anticipated to open in calendar year 2015.
- Community assets including the gymnasiums and auditorium would be available to the community through partnerships with the MLK Economic Development Corporation.
- A portion of the existing facility would be taken down to separate the school space from the mixed-use development.
- MPS would pay 2760 Holdings to lease the remodeled school space for a term that matches the financing for the full redevelopment project. Lease payments would be based upon the amortized cost of the renovation of the school and the purchase price of the school portion of the property.
- MPS will repurchase the school portion of the property at the conclusion of the lease or during the lease for \$1 or the remaining cost of the school site purchase price and school site renovation cost.

This page intentionally left blank.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2013

	<u>Budgeted amounts</u>		<u>Actual (GAAP basis)</u>	<u>Variance with Revised Budget</u>
	<u>Adopted</u>	<u>Revised</u>		
REVENUES:				
Property Tax Levy	\$ 285,761,934	\$ 286,609,250	\$ 286,634,334	\$ 25,084
Equalization & Integration Aids	537,302,540	528,736,183	528,736,183	-
Other State Aids	70,046,247	73,305,230	75,196,091	1,890,861
Federal Aids	12,700,000	14,000,000	8,484,814	(5,515,186)
Other Local Revenues	11,425,731	13,848,981	19,608,138	5,759,157
Applied Surplus	4,582,172	4,925,111	-	(4,925,111)
SCHOOL OPERATIONS & EXTENSION	<u>921,818,624</u>	<u>921,424,755</u>	<u>918,659,560</u>	<u>(2,765,195)</u>
CAMP	<u>-</u>	<u>-</u>	<u>4,626,566</u>	<u>4,626,566</u>
GRANTS	<u>166,483,584</u>	<u>197,060,375</u>	<u>161,297,975</u>	<u>(35,762,400)</u>
Total Revenues	<u>1,088,302,208</u>	<u>1,118,485,130</u>	<u>1,084,584,101</u>	<u>(33,901,029)</u>
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	86,572,211	89,211,316	90,051,838	(840,522)
Middle Schools	22,699,317	19,391,863	20,326,987	(935,124)
K-8 Schools	119,891,427	128,619,367	129,005,997	(386,630)
Elementary Schools	64,471,804	69,413,753	67,541,970	1,871,783
Charter Schools	66,166,196	65,334,653	65,828,333	(493,680)
School To Work Transition	3,110,276	3,031,439	3,030,336	1,103
School Age Parents	611,357	718,656	682,554	36,102
Alternative Schools	4,214,614	5,538,435	5,012,522	525,913
Agency Programs	19,633,694	18,392,763	18,921,393	(528,630)
Home & Hospital Instruction	968,968	831,100	926,946	(95,846)
Milwaukee County Collaborative	969,361	972,116	1,163,223	(191,107)
Contracted Kindergarten	157,465	156,099	212,372	(56,273)
Summer School	3,619,711	3,532,691	3,324,854	207,837
Centralized EEN and Safety	193,234,409	189,866,255	186,198,503	3,667,752
EEN Itinerant Allied Services	5,373,678	5,363,038	5,454,251	(91,213)
School Special and Unallotted	83,835,674	86,125,208	85,868,050	257,158
TOTAL - PROGRAM ACCOUNTS	<u>\$ 675,530,162</u>	<u>\$ 686,498,752</u>	<u>\$ 683,550,129</u>	<u>\$ 2,948,623</u>

See Independent Auditors' Report and accompanying Notes to Required Supplementary Information.

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2013

	Budgeted amounts		Actual (GAAP basis)	Variance with Revised Budget
	Adopted	Revised		
INDIRECT & SUPPORT SERVICES				
BOARD OF SCHOOL DIRECTORS	\$ 394,440	\$ 510,453	\$ 390,984	\$ 119,469
Office of Board Governance	2,530,843	3,398,877	2,413,894	984,983
Office of Accountability and Efficiency	1,355,364	1,967,236	1,573,715	393,521
Office of Superintendent	2,679,434	2,831,077	2,496,227	334,850
Dept. of School Administration	3,329,248	3,616,620	3,106,791	509,829
Dept of Academic Support	13,966,240	15,058,541	12,878,248	2,180,293
Office of Innovation	-	67,545	37,740	29,805
Operations Office & Business Services	2,010,557	2,188,857	1,638,815	550,042
Dept. of Recreation & Community Services	4,351,010	4,334,646	4,375,966	(41,320)
Dept. of Facilities & Maintenance	24,725,567	29,030,169	26,647,740	2,382,429
Dept. of Technology	9,605,688	10,611,226	9,201,956	1,409,270
Dept of Finance Services	4,858,598	5,112,084	4,865,390	246,694
Dept of Human Resources	4,836,422	6,803,553	4,869,798	1,933,755
Dept of Family Services	4,247,883	4,442,405	3,594,356	848,049
TOTAL - INDIRECT & SUPPORT	78,891,294	89,973,289	78,091,620	11,881,669
OTHER ACCOUNTS				
Textbook Adoptions	4,300,000	5,790,664	4,206,627	1,584,037
Music Festival	-	1,400	7,840	(6,440)
Teacher Quality Programs	3,167,222	3,168,332	2,224,425	943,907
Partnership Academy	186,832	288,185	177,864	110,321
Safety Supplement	1,107,505	1,408,134	735,997	672,137
Transportation Operations	56,823,995	58,039,218	56,748,966	1,290,252
School District Insurances	10,650,822	10,657,950	11,819,874	(1,161,924)
Technology Initiatives	5,104,502	13,411,326	12,362,995	1,048,331
Debt Service (includes NSI)	986,028	986,028	987,028	(1,000)
Utilities & Leases	58,117,703	55,717,959	54,133,001	1,584,958
Special & Contingent Funds	2,522,163	1,646,029	-	1,646,029
TOTAL - OTHER ACCOUNTS	142,966,772	151,115,225	143,404,617	7,710,608
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	9,322,306	11,142,585	9,127,426	2,015,159
Summer School Wrap-around	5,878,679	8,313,798	5,793,201	2,520,597
Educational Programs	933,026	118,344	52,101	66,243
Community Arts Program	1,500,000	2,297,664	1,371,541	926,123
Partnership for Humanities	-	296,742	221,147	75,595
Other Accounts	4,018,928	6,015,573	2,514,026	3,501,547
District Insurances and Utilities	1,147,678	342,778	342,563	215
Employee Benefits	497,726	497,727	-	497,727
Special & Contingent Fund	400,000	400,000	-	400,000
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	23,698,343	29,425,211	19,422,005	10,003,206
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES				
	(8,943,919)	(8,943,570)	(10,460,202)	1,516,632
SCHOOL OPERATIONS & EXT. FUND	912,142,652	948,068,907	914,008,169	34,060,738
CAMP	-	-	4,754,070	(4,754,070)
GRANTS	166,483,584	197,060,375	161,987,408	35,072,967
Total Expenditures	1,078,626,236	1,145,129,282	1,080,749,647	64,379,635
Excess of revenues over (under) expenditures	9,675,972	(26,644,152)	3,834,454	(30,478,606)
Transfer In (Out)	(9,675,972)	(2,799,901)	(21,287,465)	18,487,564
Proceeds from sale of assets	-	-	63,500	(63,500)
Change in Fund Balance	\$ -	\$ (29,444,053)	(17,389,511)	\$ 12,054,542
Fund balance-beginning of year			96,349,900	
Fund balance-end of year			<u>78,960,389</u>	

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

Year ended June 30, 2013

	<u>Budgeted amounts</u>		<u>Actual (GAAP basis)</u>	<u>Variance with Revised Budget</u>
	<u>Adopted</u>	<u>Revised</u>		
Revenues:				
Lunchroom sales	\$ 4,080,000	\$ 4,080,000	\$ 2,924,898	\$ (1,155,102)
Other local sources	—	—	344,323	344,323
State aid:				
School nutrition aid	967,378	967,378	876,268	(91,110)
Federal aid:				
School nutrition aid	35,506,691	35,506,691	38,289,523	2,782,832
Other federal aid	2,448,000	2,942,650	388,817	(2,553,833)
Total revenues	<u>43,002,069</u>	<u>43,496,719</u>	<u>42,823,829</u>	<u>(672,890)</u>
Expenditures:				
Current operating:				
School Nutrition Services	42,479,069	42,973,719	43,938,860	(965,141)
Capital Outlay	523,000	523,000	71,767	451,233
Total expenditures	<u>43,002,069</u>	<u>43,496,719</u>	<u>44,010,627</u>	<u>(513,908)</u>
Excess of revenues over(under)				
expenditures	—	—	(1,186,798)	(1,186,798)
Net change in fund balances	\$ <u>—</u>	\$ <u>—</u>	(1,186,798)	(1,186,798)
Fund deficit—beginning of year			<u>(3,786,936)</u>	
Fund deficit—end of year			\$ <u><u>(4,973,734)</u></u>	

See Independent Auditors' Report and accompanying Notes to Required Supplementary Information.

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Year ended June 30, 2013

Schedules of Funding Progress

Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Total underfunded AAL</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>Underfunded AAL as a percentage of covered payroll</u>
7/1/2012	\$ 42,403,148	\$ 56,005,138	\$ 13,601,990	75.71 %	\$ 18,745,343	72.56 %
7/1/2011	42,744,856	52,975,446	10,230,590	80.69	19,365,117	52.83
7/1/2010	42,306,659	52,695,253	10,388,594	80.29	26,473,931	39.24

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Total underfunded AAL</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>Underfunded AAL as a percentage of covered payroll</u>
7/1/2012	\$ 114,882,834	\$ 230,401,333	\$ 115,518,499	49.86 %	\$ 323,922,137	35.66 %
7/1/2011	110,184,768	236,343,774	126,159,006	46.62	333,480,915	37.83
7/1/2010	102,968,116	228,417,032	125,448,916	45.08	342,784,884	36.60

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan

<u>Fiscal year beginning</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
7/1/2012	\$ 3,519,437	100 %	\$ 3,232,649
7/1/2011	4,210,948	100	3,614,364
7/1/2010	3,595,479	100	-
7/1/2009	3,242,746	100	2,500,000
7/1/2008	2,482,200	100	2,319,939
7/1/2007	2,576,104	100	2,532,824

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

<u>Fiscal year beginning</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
7/1/2012	\$ 14,365,412	100 %	\$ 11,291,126
7/1/2011	15,797,043	100	11,961,721
7/1/2010	15,645,398	100	187,428
7/1/2009	15,641,408	100	11,447,452
7/1/2008	15,235,493	100	15,276,218
7/1/2007	15,408,267	100	15,375,539

See Independent Auditors' Report and accompanying Notes to Required Supplementary Information.

MILWAUKEE PUBLIC SCHOOLS
 Required Supplementary Information
 Year Ended June 30, 2013

Post-Employment Life and Healthcare Insurance Benefits
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age Normal</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2011	\$ 9,368,067	\$1,393,486,064	\$1,384,117,997	0.7%	\$ 488,996,859	283.1%
7/1/2009	-	\$2,398,129,645	\$2,398,129,645	0%	\$ 507,339,126	472.7%
7/1/2007	n/a	\$2,222,673,800	\$2,222,673,800	0%	\$ 501,134,000	443.5%

Note: The District is required to present the above information for the three most recent actuarial studies. The first study was performed as of July 1, 2007.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Postemployment Health Care Plan

<u>Fiscal Year Beginning</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
7/1/2012	\$ 110,503,788	72.3%	\$ 523,394,993
7/1/2011	109,216,666	84.7	520,600,193
7/1/2010	194,969,742	33.5	389,150,650
7/1/2009	186,702,017	32.7	261,946,200
7/1/2008	189,880,613	31.3	131,035,465

For the plan year beginning July 1, 2009, there were several changes made to the assumptions from the prior valuation done. The changes include a change in the discount rate from 4.5% to 4.55%, less increase in healthcare costs than the trend previously used, and a change in demographic assumptions, including less retirements and less new actives than expected.

See Independent Auditors' Report and accompanying Notes to Required Supplementary Information.

MILWAUKEE PUBLIC SCHOOLS

Notes to Required Supplementary Information

Year ended June 30, 2013

(1) **Budgeting**

Annual appropriated budgets are adopted for the general, special revenue and debt service funds by June 30th each year. Budgets are adopted for the construction fund on a project-length basis. Budgets are adopted on a modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America, except for the treatment of encumbrances (see below) and property tax revenues. Property tax revenues are budgeted based on the amount levied.

In accordance with the Wisconsin Department of Public Instruction's reporting requirements, the Board exercises control over budgeted amounts at the responsibility center level within the general, special revenue, and debt service funds. The capital projects fund is controlled at the project level. During the year, budgets can be amended by approval of a majority of the members of the board.

As a management practice, the superintendent, or his or her designee, may transfer funds between functions at the department, school, or program level subject to the following criteria:

- The transaction does not exceed \$100,000
- Is not initiated by a Board member
- Will not effectuate a change in policy
- Will not create a new area of activity for the District
- Does not increase authorized staffing levels
- Does not move monies between statutory funds

Board policy requires that all annual appropriations lapse at fiscal year-end except for the following: excess budgetary authority for capital project funds lapse when a specific project is completed; deficits incurred automatically reduce the subsequent year's budget appropriations; and, with school board approval, schools are allowed to carry over appropriations into the following year up to a maximum of 1.5% of the total revised school budget each year up to a total accumulated carryover of 3%; and appropriations for special projects or planned purchases can be carried into the subsequent year.

This page intentionally left blank.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

This page intentionally left blank

MILWAUKEE PUBLIC SCHOOLS

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used and report the proceeds of specific revenue sources other than debt service or capital projects that are restricted or committed to expenditure for particular purposes. These funds include the following:

Categorically Aided Programs Fund—This fund is used to account for proceeds from federal grants that provide emphasis on social and curriculum needs of special populations within the District.

Debt Service Fund

Debt Service Fund—This fund is used to account and report financial resources that are restricted, committed or assigned to expenditures for the payment of general long-term debt principal, interest and related costs.

MILWAUKEE PUBLIC SCHOOLS

Combining Balance Sheet—Nonmajor Governmental Funds

June 30, 2013

		<u>Special Revenue</u>		
Assets		<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Receivables due from other governmental units	\$	5,565,932	—	5,565,932
Total assets	\$	<u>5,565,932</u>	<u>—</u>	<u>5,565,932</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$	304,972	—	304,972
Due to other funds		5,260,960	—	5,260,960
Total liabilities		<u>5,565,932</u>	<u>—</u>	<u>5,565,932</u>
Fund balances:				
Restricted		—	—	—
Total fund balances		<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and fund balances	\$	<u>5,565,932</u>	<u>—</u>	<u>5,565,932</u>

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances—Nonmajor Governmental Funds

Year ended June 30, 2013

	<u>Special Revenue</u>		
	<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Property taxes	\$ —	5,426,145	5,426,145
Federal aid:			
Other federal aid	20,941,452	—	20,941,452
Total revenues	<u>20,941,452</u>	<u>5,426,145</u>	<u>26,367,597</u>
Expenditures:			
Instructional services—			
special curriculum	5,082,314	—	5,082,314
Pupil and staff services	15,844,009	—	15,844,009
Capital Outlay	15,129	—	15,129
Debt service:			
Principal	—	67,310,692	67,310,692
Interest	—	13,876,596	13,876,596
Bond administrative fees	—	527,668	527,668
Total expenditures	<u>20,941,452</u>	<u>81,714,956</u>	<u>102,656,408</u>
Excess of revenues over (under) expenditures	—	(76,288,811)	(76,288,811)
Other financing sources (uses):			
Refunding bond issued debt	—	50,108,810	50,108,810
Premium on refunded debt issued	—	7,415,704	7,415,704
Transfers In	—	18,764,297	18,764,297
Total other financing sources (uses), net	<u>—</u>	<u>76,288,811</u>	<u>76,288,811</u>
Net changes in fund balances	—	—	—
Fund balances:			
Beginning of year	—	—	—
End of year	<u>\$ —</u>	<u>—</u>	<u>—</u>

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual

Year ended June 30, 2013

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Federal aid:			
Other federal aid	\$ 30,697,885	30,546,310	20,941,452
Total revenues	<u>30,697,885</u>	<u>30,546,310</u>	<u>20,941,452</u>
Expenditures:			
Current operating:			
Special curriculum	7,450,119	7,413,332	5,082,314
Pupil and staff services	23,225,589	23,110,910	15,844,009
Capital Outlay	<u>22,177</u>	<u>22,068</u>	<u>15,129</u>
Total expenditures	<u>30,697,885</u>	<u>30,546,310</u>	<u>20,941,452</u>
Net change in fund balance	\$ <u> —</u>	<u> —</u>	<u> —</u>
Fund balance—beginning of year			<u> —</u>
Fund balance—end of year			\$ <u><u> —</u></u>

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual

Year ended June 30, 2013

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Property taxes	\$ 5,426,145	5,426,145	5,426,145
Total revenues	5,426,145	5,426,145	5,426,145
Expenditures:			
Current operating:			
Debt service	15,102,117	8,226,046	81,714,956
Total expenditures	15,102,117	8,226,046	81,714,956
Excess of revenues over (under) expenditures	(9,675,972)	(2,799,901)	(76,288,811)
Other financing sources (uses)			
Refunding bond issued debt	—	—	50,108,810
Premium on refunded debt issued	—	—	7,415,704
Transfers In (Out)	9,675,972	2,799,901	18,764,297
Total other financing sources (uses), net	9,675,972	2,799,901	76,288,811
Net changes in fund balances	\$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			\$ —

This page intentionally left blank.

MILWAUKEE PUBLIC SCHOOLS

Fiduciary Funds

Pension Trust Funds

The pension trust funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. These funds include the following:

Milwaukee Board of School Directors Early Retirement Supplemental and Benefit Improvement Plan—This fund is used to account for the accumulation of resources for pension benefit payments for early retirement plans maintained by the District for qualified administrators.

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers—This fund is used to account for the accumulation of resources for pension benefit payments for early retirement plans maintained by the District for qualified teachers.

Other Post Employment Benefits Trust—This fund is used to account for assets used to pay post employment benefits or fund accrued liability associated with such benefits.

Agency Fund

The agency fund collects and disburses cash and investments for student organizations and activities through district schools that act in the capacity of an agent of such funds.

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Changes in Net Position—Pension and Other Post Employment Benefits Trust Funds

Year ended June 30, 2013

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Other Post Employment Benefits trust	Total
Additions:					
Employer contributions	\$	3,086,023	13,948,487	76,700,000	93,734,510
Participants contributions		—	—	7,449,378	7,449,378
Investment income (loss):					
Net investment (loss) from the State of Wisconsin:					
Core Retirement Investment Trust Fund		3,863,355	11,568,633	—	15,431,988
Variable Retirement Trust Fund		1,083,750	2,392,552	—	3,476,302
Net investment income from other investments		(2,725)	74,801	—	72,076
Total investment income (loss):		4,944,380	14,035,986	—	18,980,366
Investment expenses		(5,480)	(10,091)	—	(15,571)
Net investment income/(loss)		4,938,900	14,025,895	—	18,964,795
Total additions		8,024,923	27,974,382	84,149,378	120,148,683
Deductions:					
Benefits paid to participant's or beneficiaries		5,229,924	15,298,434	65,075,845	85,604,203
Realized Losses on Investments		—	—	247,929	247,929
Distribution of participant contribution accounts		55,516	—	—	55,516
Administrative expenses		53,282	128,856	47,346	229,484
Total deductions		5,338,722	15,427,290	65,371,120	86,137,132
Changes in net position		2,686,201	12,547,092	18,778,258	34,011,551
Net Position—Beginning of Year		45,097,516	124,753,032	39,240,742	209,091,290
Net Position—Ending of Year	\$	47,783,717	137,300,124	58,019,000	243,102,841

MILWAUKEE PUBLIC SCHOOLS
Agency Fund
Schedule of Changes in Assets and Liabilities
Year ended June 30, 2013

Assets	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Cash and cash equivalents	\$ 5,338,240	10,606,670	(10,800,749)	5,144,161
Total assets	<u>\$ 5,338,240</u>	<u>10,606,670</u>	<u>(10,800,749)</u>	<u>5,144,161</u>
Liabilities				
Liabilities:				
Due to student organizations	\$ 5,338,240	10,606,670	(10,800,749)	5,144,161
Total liabilities	<u>\$ 5,338,240</u>	<u>10,606,670</u>	<u>(10,800,749)</u>	<u>5,144,161</u>



Milwaukee Public Schools



STATISTICAL SECTION

This part of the Milwaukee Public Schools' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	98-101
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	102-107
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	108-110
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	111-115
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	116-126

MILWAUKEE PUBLIC SCHOOLS
Statement of Net Position
Last Ten Fiscal Years

Governmental activities

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net investment in capital assets	\$ 490,235,574	495,794,462	499,760,461	494,531,410	499,644,800	483,877,761	473,612,564	481,469,344	475,757,763	456,936,816
Restricted for debt service	6,866,476	13,472,018	11,247,463	4,699,678	8,351,394	16,045,169	14,472,771	1,796,177	13,502,378	9,518,692
Unrestricted (Deficit)	<u>(652,162,327)</u>	<u>(641,733,484)</u>	<u>(637,144,852)</u>	<u>(520,167,556)</u>	<u>(389,665,110)</u>	<u>(249,579,105)</u>	<u>(102,111,255)</u>	<u>(97,025,340)</u>	<u>(122,424,347)</u>	<u>(113,587,990)</u>
Total net position*	<u>\$ (155,060,277)</u>	<u>(132,467,004)</u>	<u>(126,136,928)</u>	<u>(20,936,468)</u>	<u>118,331,084</u>	<u>250,343,825</u>	<u>385,974,080</u>	<u>386,240,181</u>	<u>366,835,794</u>	<u>352,867,518</u>

See accompanying independent auditors' report.

*Due to implementation of GASB 63 for fiscal year ended June 30, 2013, the term net assets has been changed to net position.

MILWAUKEE PUBLIC SCHOOLS
Changes in Net Position
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Instruction	\$ 714,036,147	685,589,990	863,184,570	887,815,447	864,409,791	826,151,034	676,103,840	664,810,169	652,714,635	645,880,553
Support services:										
Community services	30,536,990	26,041,483	27,499,000	25,538,287	25,574,386	19,658,453	20,110,243	23,270,780	20,560,706	18,154,857
Pupil and staff services	130,189,957	135,648,452	160,715,900	143,517,392	138,220,288	132,463,255	122,202,632	117,138,777	110,034,688	105,549,340
General, administration, and central services	103,502,882	113,952,373	117,817,193	132,145,392	118,454,437	117,404,599	111,430,021	112,657,972	108,742,800	116,816,130
Business services	149,452,181	154,701,665	169,960,141	159,725,009	161,738,970	176,006,641	162,219,265	155,889,203	162,748,023	140,825,201
School nutrition services	44,945,680	44,527,282	44,205,351	40,555,069	40,891,942	40,654,079	36,515,840	32,793,305	32,165,131	31,249,035
Interest on long-term debt	16,147,608	17,790,345	17,926,945	17,166,361	16,181,174	16,771,008	18,130,489	20,176,300	16,245,344	6,250,445
Loss on sale/disposal of buildings/software	260,129	4,028,012	-	-	-	-	-	-	-	-
Total support services	\$ 475,035,427	496,689,612	538,124,530	518,647,510	501,061,197	502,958,035	470,608,490	461,926,337	450,496,692	418,845,008
Total expenses	\$ 1,189,071,574	\$ 1,182,279,602	\$ 1,401,309,100	\$ 1,406,462,957	1,365,470,988	1,329,109,069	1,146,712,330	1,126,736,506	1,103,211,327	1,064,725,561
Program revenues:										
Charges for services:										
Instruction	\$ 6,135,034	4,897,115	5,270,970	4,668,475	5,508,572	9,168,741	8,224,655	9,925,797	3,130,444	2,309,821
Community services	1,789,570	1,844,915	1,981,562	2,022,823	1,994,701	2,333,636	2,934,878	1,906,234	1,930,856	3,246,347
Business services	3,230,905	2,613,852	1,962,560	1,755,862	2,000,182	1,571,882	296,678	103,409	281,329	111,642
Nutrition services	2,933,140	3,027,221	3,233,097	3,900,398	4,186,989	3,915,031	3,991,342	4,391,811	4,747,456	4,754,985
Interest on long-term debt	-	-	-	-	-	-	-	-	-	296,612
Operating grants and contributions:										
Instruction	218,784,528	218,860,380	284,307,386	288,369,454	314,249,488	211,544,865	187,252,284	204,453,803	105,071,902	106,964,376
Community services	6,689,857	6,286,075	6,693,672	7,218,268	8,472,311	6,389,186	6,031,898	9,864,927	7,318,142	7,629,273
Pupil and staff services	17,344,944	27,257,411	16,187,840	15,608,318	15,106,248	10,811,749	3,679,418	3,746,360	3,583,626	2,864,019
General, administration, and central services	-	-	-	-	-	-	-	-	-	-
Business services	6,045,771	6,758,686	7,058,695	6,631,649	7,140,808	6,867,633	2,779,926	3,511,831	44,078,275	41,609,807
Nutrition services	39,875,043	39,259,843	39,640,325	37,770,914	34,803,122	32,462,000	30,879,192	25,961,118	25,176,146	24,876,913
Capital grants and contributions:										
Instruction	6,491,624	3,244,501	11,532,654	11,118,264	1,698,541	10,906,976	5,371,128	9,759,824	20,355,818	11,334,558
General, administration, and central services	-	-	-	-	-	-	-	-	726,957	5,732,070
Business services	-	-	-	-	-	-	-	-	-	639,448
Total program revenues	\$ 309,320,416	314,049,999	377,868,761	379,064,425	395,160,962	295,971,699	251,441,399	273,625,114	216,400,951	212,369,871
Net (expense)/revenue	\$ (879,751,158)	(868,229,603)	(1,023,440,339)	(1,027,398,532)	(970,310,026)	(1,033,137,370)	(895,270,931)	(853,111,392)	(886,810,376)	(852,355,690)
General revenues and other changes in net position:										
Taxes:										
Property taxes levied for general purposes	\$ 269,493,379	270,368,281	259,744,794	274,190,085	257,763,742	223,761,147	192,891,583	183,710,164	180,704,104	168,470,699
Property taxes levied for construction	8,619,687	5,127,012	14,729,342	9,074,793	17,001,718	16,975,373	14,580,539	13,237,040	12,266,054	-
Property taxes levied for debt service	5,426,145	5,475,630	5,698,454	2,342,002	1,870,414	-	13,546,414	8,843,502	6,469,806	6,723,273
Property taxes levied for community services	17,065,871	16,815,871	13,334,418	10,226,234	11,142,826	10,340,610	9,327,455	8,077,455	8,002,455	8,004,465
Other taxes	32,559	533,466	1,729,836	59,021	49,468	133,509	2,369,741	-	-	-
Federal and state aid not restricted to a specific purpose:										
General (equalization aid)	494,557,826	496,690,640	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,749	575,069,738
Other	58,969,122	63,378,858	73,161,388	75,412,753	78,351,979	70,601,690	71,253,170	69,325,745	116,147,856	123,574,539
Interest and investment earnings	254,662	224,216	289,799	759,476	1,159,402	2,496,060	3,535,723	2,823,351	1,773,508	761,505
Gain on sales of property	113,881	-	-	-	-	817,921	-	-	10,200	-
Other	2,624,753	3,285,553	4,636,939	1,075,826	1,045,095	-	916,544	-	1,200,921	88,755
Total general revenues	\$ 857,157,885	861,899,527	918,239,879	888,130,980	838,297,285	895,938,956	895,004,830	872,515,778	900,778,653	882,692,974
Change in net position*	\$ (22,593,273)	(6,330,076)	(105,200,460)	(139,267,552)	(132,012,741)	(137,198,414)	(266,101)	19,404,386	13,968,277	30,337,284

See accompanying independent auditors' report.

*Due to implementation of GASB 63 for fiscal year ended June 30, 2013, the term net assets has been changed to net position.

MILWAUKEE PUBLIC SCHOOLS
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund										
Nonspendable										
Inventories	\$ 907,073	746,342	586,777							
Prepaid expenditures	1,388,395	2,011,198	3,032,231							
Noncurrent advances	4,973,734	3,786,936	2,251,164							
Restricted										
Self-insurance deposits	4,408,669	4,454,209	3,723,449							
Debt service	10,599,746	16,305,038	15,818,504							
Flex spending	253,825	191,658	241,978							
Committed for Construction	2,122	2,122	2,122							
Assigned	3,104,129	4,925,111	1,123,863							
Unassigned	53,322,696	63,927,286	64,820,786							
Reserved				35,081,314	56,034,728	70,201,296	83,119,252	73,378,466	54,166,313	41,006,883
Unreserved				56,933,260	40,610,378	28,063,255	27,510,956	35,971,431	45,933,995	40,801,363
Total general fund	\$ 78,960,389	96,349,900	91,600,874	92,014,574	96,645,106	98,264,551	110,630,208	109,349,897	100,100,308	81,808,246
Other Governmental Funds										
Restricted										
Debt service	\$ 941,258	940,863								
Committed										
Construction	17,075,169	27,013,589	44,604,504							
Assigned										
Unassigned	(4,973,734)	(3,786,936)	(2,251,164)							
Reserved				9,341,521	9,191,384	12,494,623	14,210,055	32,798,010	56,974,895	90,457,405
Unreserved										
Construction fund				37,687,706	-	858,122	(1,328,640)	(1,417,829)	(14,836,707)	(11,772,547)
Special revenue fund				(2,154,013)	(5,557,534)	(5,628,473)	(4,214,279)	(4,033,184)	(1,927,970)	(320,546)
Total all other governmental funds	\$ 13,042,693	24,167,516	42,353,340	44,875,214	3,633,850	7,724,272	8,667,136	27,346,997	40,210,218	78,364,312

The District implemented GASB Statement No. 54 for the total governmental fund statements on June 30, 2011; accordingly, prior year data is based on before GASB Statement No. 54.

See accompanying independent auditors' report.

MILWAUKEE PUBLIC SCHOOLS
Changes in Fund Balance, Governmental Funds, and Debt Service Ratios
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Property tax levy	\$ 300,605,082	297,786,794	293,507,008	295,833,114	287,778,700	251,077,130	230,345,991	213,803,808	207,442,419	183,198,437
Other taxes	75,084	104,824	108,820	97,291	92,608	88,839	291,341	—	—	—
Lunchroom sales	2,924,898	2,943,482	3,226,519	3,853,462	4,180,102	3,774,957	3,875,772	4,391,811	4,747,456	4,754,985
Other local sources	15,033,619	11,680,793	11,836,869	10,288,493	12,686,419	16,967,736	11,729,344	14,656,297	13,550,964	9,221,099
Lawsuit Settlement Refunds	4,492,796	278,642	6,706,515	6,796,310	—	—	—	—	—	—
State aid:										
Equalization aid	494,557,826	496,690,640	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,739	575,069,738
Special classes	51,792,301	54,013,275	49,429,225	46,323,816	47,564,912	42,288,233	39,265,952	39,188,603	39,419,557	40,437,993
Integration	34,178,357	35,235,721	39,158,028	40,804,682	41,276,129	41,864,808	45,208,452	43,660,426	38,661,528	39,437,167
Other state aid	51,039,137	48,365,268	72,947,102	73,460,777	76,658,767	55,720,015	51,424,988	53,759,282	52,338,422	52,217,130
Federal aid:										
Education Consolidation Improvement Act	96,038,429	106,765,706	121,910,586	121,231,450	102,207,198	81,727,901	70,566,992	72,246,390	69,124,917	59,694,854
School nutrition services	38,289,523	37,629,945	38,163,553	36,525,598	33,501,200	31,387,925	30,114,964	25,961,118	24,531,108	24,215,335
Erate refunds	52,666	2,753,269	3,346,923	1,920,868	1,751,957	3,638,808	1,601,683	—	4,510,353	639,448
Other federal aid	70,965,810	82,063,530	102,780,085	111,175,815	157,572,767	79,462,513	69,013,674	79,134,117	78,325,787	90,929,422
Intergovernmental aid from the City of Milwaukee	—	—	—	191,000	—	6,000,000	—	9,240,442	14,265,000	11,334,558
Miscellaneous	3,190,257	3,346,721	4,533,161	1,222,859	932,475	816,009	916,544	—	—	—
Interest and investment earnings	218,550	224,215	289,981	759,476	1,159,402	2,496,060	3,535,721	2,823,350	1,798,305	1,058,117
Total revenues	\$ 1,163,454,335	1,179,882,825	1,292,859,104	1,265,475,801	1,237,275,277	1,188,123,577	1,144,535,079	1,145,364,165	1,122,919,555	1,092,208,283
Expenditures:										
Instructional services:										
Undifferentiated curriculum	\$ 364,488,175	379,231,430	408,281,267	419,013,141	426,468,415	420,350,045	420,196,158	430,564,038	418,322,709	426,491,163
Regular and other curriculum	147,099,479	129,989,610	153,723,073	162,055,281	152,019,378	139,085,524	113,231,381	105,796,528	99,908,858	103,609,583
Special curriculum	170,451,744	158,713,453	169,704,527	158,358,450	141,682,491	128,758,524	126,898,396	113,370,170	113,285,852	101,456,920
Total instructional services	682,039,398	667,934,493	731,708,867	739,426,872	720,170,284	688,194,093	660,325,935	649,730,736	631,517,419	631,557,666
Community services	29,146,352	24,841,805	23,467,701	23,184,162	23,482,483	19,337,638	20,022,641	23,127,716	20,591,303	18,191,494
Pupil and staff services	127,419,348	132,786,434	158,034,350	141,633,899	136,274,148	130,014,574	120,056,089	115,122,913	109,425,025	106,347,902
General and school building administration	101,012,616	111,351,669	118,430,195	128,618,542	118,520,404	112,066,634	109,867,741	111,227,914	108,422,951	116,968,619
Business services	161,469,675	155,497,490	170,709,794	160,335,051	161,983,843	154,214,637	160,817,367	151,129,644	153,790,477	156,312,056
School nutrition services	43,938,860	43,525,912	43,247,754	39,803,908	39,547,617	38,476,566	35,782,244	32,210,593	32,006,084	31,097,577
Capital Outlay	21,948,535	34,504,618	21,847,799	19,371,066	21,845,269	38,476,566	27,701,230	46,591,605	66,940,733	82,496,380
Debt service:										
Principal	67,860,692	11,374,372	14,099,135	18,929,274	11,849,070	11,037,918	14,931,291	18,826,401	10,884,355	10,592,638
Interest	14,312,624	14,528,046	14,176,335	13,261,491	13,407,173	13,698,240	14,426,612	14,646,900	13,955,810	4,212,525
Bond issuance cost	528,668	34,769	111,525	2,113,376	33,858	480,561	625,649	—	—	3,282,941
Other	—	—	—	—	—	—	—	799,375	1,162,108	1,383,820
Total expenditures	\$ 1,249,676,768	1,196,379,608	1,295,833,455	1,286,677,641	1,247,114,149	1,205,997,427	1,164,556,619	1,163,413,797	1,148,696,265	1,162,443,618
Excess of revenues over (under) expenditures	\$ (86,222,433)	(16,496,783)	(2,974,351)	(21,201,840)	(9,838,872)	(17,873,850)	(20,021,540)	(18,049,632)	(25,776,710)	(70,235,335)
Other financing sources (uses) (note 7):										
Long-Term Debt Issued	\$ —	—	—	49,300,000	4,050,000	—	—	—	5,889,478	—
Proceeds from City of Milwaukee general obligation bonds	—	—	—	—	—	—	—	—	—	1,005,000
Proceeds from Pension bonds	—	—	—	—	—	—	—	—	—	168,051,136
Payment for refunded pension debt	—	—	—	—	—	—	—	—	—	(165,505,293)
Proceeds from qualified zone academy bonds	—	—	—	—	—	—	1,078,100	2,021,000	—	2,650,000
Proceeds from Neighborhood Schools Initiative bonds	—	—	—	—	—	—	—	—	—	78,740,000
Premium on NSI bonds	—	—	—	—	—	—	—	—	—	1,357,121
Proceeds from Sale of Property	183,585	3,059,985	38,777	287,395	—	—	—	—	25,200	—
Premium on debt issued	7,415,704	—	—	—	—	—	—	—	—	—
Proceeds from capital leases	—	—	—	11,504,297	—	—	—	12,415,000	—	34,475,000
Insurance proceeds from fire	—	—	—	60,980	79,005	2,997,170	1,000,000	—	—	—
Refunding bond debt issued	50,108,810	—	—	11,020,000	—	—	31,865,000	—	—	—
Payment for refunded bond debt	—	—	—	(14,360,000)	—	—	(30,982,607)	—	—	—
Discount on debt issued	—	—	—	—	—	—	(338,503)	—	—	—
Refunding intergovernmental debt issued	—	—	—	—	—	—	—	—	847,676	790,000
Payment for refunded intergovernmental debt	—	—	—	—	—	—	—	—	(847,676)	(790,000)
Total other financing sources (uses), net	\$ 52,519,289	3,059,985	38,777	57,812,672	4,129,005	2,997,170	2,621,990	14,436,000	5,914,678	120,772,964
Net change in fund balance	\$ (33,703,144)	(13,436,798)	(2,935,574)	36,610,832	(5,709,867)	(14,876,680)	(17,399,550)	(3,613,632)	(19,862,032)	50,537,629
Debt service as a percentage of noncapital expenditures	7.2%	2.3%	2.3%	2.8%	2.1%	2.2%	2.7%	3.1%	2.4%	1.7%

See accompanying independent auditors' report.

MILWAUKEE PUBLIC SCHOOLS

Assessed and Equalized Valuation—City of Milwaukee

(in thousands)

The assessed and equalized valuations for the past 30 years are shown below.

<u>Assessed Year</u>	<u>Assessed valuation</u>	<u>Assessed valuation increase (decrease) over prior years</u>	<u>Equalized valuation</u>
1983	10,542,257	109,595	10,906,324
1984	11,001,963	459,705	11,025,039
1985	11,076,974	75,011	11,152,473
1986	11,140,003	63,029	11,181,029
1987	11,303,217	163,214	11,709,716
1988	11,865,999	562,782	12,002,681
1989	12,017,462	151,463	12,648,530
1990	12,614,531	597,069	12,808,708
1991	12,701,237	86,706	13,189,084
1992	13,336,770	635,533	13,279,156
1993	13,345,968	9,198	14,047,985
1994	14,029,734	683,766	14,363,706
1995	13,976,649	(53,085)	14,821,109
1996	14,850,607	873,958	15,041,199
1997	14,914,137	63,530	15,511,857
1998	16,072,114	1,157,977	16,228,218
1999	15,773,850	(298,264)	16,701,225
2000	17,582,995	1,809,145	17,344,251
2001	17,699,784	116,789	19,453,830
2002	19,866,255	2,166,471	20,298,387
2003	21,009,517	1,143,262	21,730,754
2004	22,772,419	1,762,902	23,491,773
2005	25,222,149	2,449,730	26,256,714
2006	28,354,952	3,132,803	30,226,984
2007	29,374,373	1,019,421	31,887,192
2008	30,431,675	1,057,302	32,257,525
2009	28,944,573	(1,487,102)	31,266,329
2010	28,048,464	(896,109)	29,520,783
2011	27,917,642	(1,026,931)	27,954,670
2012	25,322,101	(2,726,363)	26,421,932

Source: Assessed valuation is determined by the City of Milwaukee, Assessor’s Office.
 Equalized valuation is determined by the State of Wisconsin Department of Revenue. Both the
 assessed valuation and the equalized valuation include Tax Incremental Financing Districts.

MILWAUKEE PUBLIC SCHOOLS

Property Tax Rates—Direct and Overlapping Government

Last Ten Years

Budget year	Milwaukee School Board (B)		City of Milwaukee (A)		Milwaukee Area District Board of Vocational, Technical, and Adult Education		County of Milwaukee		State of Wisconsin		Milwaukee Metropolitan Sewerage District		Total (C)		
TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL															
2003	\$ 8.55	31.4 %	\$ 9.51	34.9 %	\$ 2.05	7.5 %	\$ 5.20	19.1 %	\$ 0.20	0.7 %	\$ 1.74	6.4 %	\$ 27.25	100.0 %	
2004	8.12	31.0	9.22	35.2	2.04	7.8	4.94	18.9	0.21	0.8	1.64	6.3	26.17	100.0	
2005	8.84	34.2	8.52	32.9	2.00	7.7	4.70	18.2	0.21	0.8	1.59	6.2	25.86	100.0	
2006	8.35	34.1	8.08	33.0	1.96	8.0	4.43	18.1	0.20	0.8	1.48	6.0	24.50	100.0	
2007	7.48	33.4	7.28	32.5	1.89	8.4	4.18	18.7	0.19	0.8	1.39	6.2	22.41	100.0	
2008	7.96	34.4	7.46	32.2	1.92	8.3	4.22	18.3	0.19	0.8	1.39	6.0	23.14	100.0	
2009	8.75	36.3	7.59	31.6	1.94	8.1	4.20	17.5	0.18	0.8	1.37	5.7	24.03	100.0	
2010	9.41	36.2	8.42	32.4	2.06	8.0	4.48	17.2	0.18	0.7	1.43	5.5	25.98	100.0	
2011	9.49	35.7	8.67	32.6	2.02	7.6	4.69	17.7	0.18	0.7	1.52	5.7	26.57	100.0	
2012	9.69	36.0	8.86	32.9	1.95	7.3	4.72	17.6	0.17	0.6	1.51	5.6	26.90	100.0	

(A) State law prohibits the City from raising property taxes more than 2% plus 60% growth of new development.

(B) Overlapping rates are those of local and county governments that apply to property owners within the City of Milwaukee.

(C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

Source: City of Milwaukee

MILWAUKEE PUBLIC SCHOOLS

Tax Rates for School Purposes

Last Ten Years
(per \$1,000 of Assessed Value)

Budget Year	School Operations	Construction	Extension	Total(a)
2004	6.80	0.48	0.33	7.61
2005	7.72	0.51	0.33	8.20
2006	7.71	0.53	0.32	7.68
2007	6.07	0.43	0.27	6.77
2008	6.60	0.50	0.31	7.41
2009	7.44	0.49	0.32	8.25
2010	8.36	0.53	0.35	8.94
2011	8.18	0.28	0.31	9.05
2012	8.61	0.47	0.42	9.30
2013	9.47	0.30	0.59	10.35

104

Tax Levies for School Purposes

Last Ten Years

Budget Year	School Operations	Construction	Extension	Total
2004	163,554,998	11,640,984	8,002,455	183,198,437
2005	187,173,910	12,266,054	8,002,455	207,442,419
2006	192,488,713	13,237,640	8,077,455	213,803,808
2007	206,437,997	14,580,539	9,327,455	230,345,991
2008	223,761,147	16,975,373	10,340,610	251,077,130
2009	259,634,156	17,001,718	11,142,826	287,778,700
2010	276,532,087	9,074,793	10,226,234	295,833,114
2011	265,443,248	14,729,342	13,334,418	293,507,008
2012	275,843,911	5,127,012	16,815,871	297,786,794
2013	274,919,524	8,619,687	17,065,871	300,605,082

(a) Source: City Assessor's Office Tax Rates 1985 to Present Table.

**Milwaukee Public Schools
Principal Property Taxpayers
(Thousands of Dollars)**

Employer	City's Fiscal Year 2012			City's Fiscal Year 2003		
	Assessed Value	Percentage of Total Assessed	%	Assessed Value	Percentage of Total Assessed	%
U.S. Bank	\$ 245,344	0.97	%	\$ 214,255	1.02	%
Northwestern Mutual Life Insurance Company	184,426	0.73		166,927	0.79	
Mandel Group	95,892	0.38		—	—	
Marcus Corp./Mil. City Center/Pfister	95,761	0.38		73,879	0.35	
Metropolitan Associates	90,734	0.36		72,949	0.35	
NNN 411 E. Wisconsin LLC	90,149	0.36		—	—	
100 E. Wisconsin Ave. Joint Venture	77,728	0.31		56,347	0.27	
Towne Realty	77,247	0.31		91,282	0.43	
Riverbend Place	59,160	0.23		—	—	
Miller-Coors Brewing	57,246	0.23		71,369	0.34	
Teachers Insurance & Annuity Assoc.	—	—		106,282	0.51	
M&I Marshall & Ilsley Bank/Metavente Corp	—	—		78,295	0.37	
Great Lakes, REIT LP	—	—		64,633	0.31	
	<u>\$ 1,073,687</u>	<u>4.26</u>	<u>%</u>	<u>\$ 996,218</u>	<u>4.74</u>	<u>%</u>

Source: City CAFR

MILWAUKEE PUBLIC SCHOOLS
Property Tax Levies and Collections
Last Ten Years
(Amounts expressed in thousands)

Budget Year	Taxes Levied for the Fiscal Year (Original Levy) (D)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy		Collections		Total Collections to Date	
				Levy Year (B)	Percent Original Levy Collected	Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
2003	\$ 234,485	\$ 21,935	\$ 256,420	\$ 228,345	97.38 %	\$ 12,918	\$ 15,068	\$ 256,331	99.96 %
2004	240,643	21,959	262,602	235,013	97.66	15,497	11,968	262,478	99.95
2005	248,267	22,302	270,569	242,587	97.71	14,992	12,823	270,402	99.94
2006	261,685	23,703	285,388	255,823	97.76	15,664	13,711	285,198	99.93
2007	265,319	29,314	294,633	257,347	97.00	18,577	17,843	293,767	99.71
2008	286,180	36,670	322,850	277,119	96.83	23,949	20,799	321,867	99.70
2009	276,186	33,543	309,729	265,691	96.20	18,027	23,810	307,528	99.29
2010	291,943	32,576	324,519	281,196	96.29	16,482	20,751	318,429	98.12
2011	295,967	34,388	330,355	284,690	96.12	16,049	15,736	316,475	95.80
2012	301,051	34,250	335,301	288,294	95.76	12,861	-	301,155	89.82

Milwaukee Public Schools		
Budget	Total	Percentage
Year	Tax Levy	of Levy
2004	183,198	100.00
2005	207,442	100.00
2006	213,804	100.00
2007	230,346	100.00
2008	251,077	100.00
2009	287,779	100.00
2010	295,833	100.00
2011	293,507	100.00
2012	297,787	100.00
2013	300,605	100.00

(A) This column includes adjustments. The City purchases delinquent taxes from the other units (Milwaukee County, Metropolitan Sewage District, State, Milwaukee Area Technical College and Milwaukee Public Schools.)

(B) Tax collections begin in December for the succeeding Budget Year.

(C) Collections of (A) in the year purchased.

(D) State law limits levy increases to 2% of economic development for general city purposes.

Source: City of Milwaukee and MPS

Milwaukee Public Schools
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years
(Thousand of Dollars)

Fiscal Year	Real Estate	Personal Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2003	\$20,162,296	\$ 847,221	\$ 21,009,517	\$ 21,730,754	\$ 10.15	96.7 %
2004	21,938,751	833,668	22,772,419	23,491,774	9.73	96.9
2005	24,386,499	835,650	25,222,149	26,256,714	9.19	96.1
2006	27,450,051	904,900	28,354,952	30,226,986	8.75	93.8
2007	28,430,813	943,560	29,374,373	31,887,192	7.99	92.1
2008	29,429,740	1,001,935	30,431,675	32,257,525	8.00	94.4
2009	27,961,413	983,160	28,944,573	31,266,329	8.09	92.6
2010	27,091,120	957,344	28,048,464	29,520,783	8.89	95.0
2011	27,007,839	909,804	27,917,643	27,954,670	9.12	99.9
2012	24,450,181	871,920	25,322,101	26,421,932	9.25	95.8

Source: City CAFR & 2012 City Assessor's Office

MILWAUKEE PUBLIC SCHOOLS
 Computation of Direct and Overlapping Debt—City of Milwaukee
 December 31, 2012
 (in thousands)

<u>Name of governmental unit</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City of Milwaukee (C)</u>	<u>City of Milwaukee's share of debt</u>
Debt Repaid with property taxes			
Direct debt:			
City of Milwaukee (A)	\$ 695,488	100.00 %	\$ 695,488
Overlapping debt:			
Milwaukee Area Technical College District Board	118,560	37.00	43,867
County of Milwaukee	745,865	45.75	340,860
Milwaukee Metropolitan Sewerage Area (B)	1,009,013	46.92	<u>472,420</u>
Total overlapping debt			<u>857,147</u>
Total district and overlapping debt			<u>\$ 1,552,635</u>

Sources: Estimated Actual (Equalized) Values used to estimate applicable percentages provided by the State Supervisor of Assessments. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City of Milwaukee. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt, of each overlapping government.

- (A) Excludes \$40,992 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.
- (B) Includes \$712,634 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.
- (C) The percentage of overlapping debt applicable is estimated using estimated actual (equalized) property values. Applicable percentages were estimated by determining the portion of the City's equalized value.

Source: City CAFR

**Milwaukee Public Schools
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	QZAB	Pension Debt		Wisconsin Retirement System (UAAL)	General Bonded Debt Subtotal	Bonded Debt as a Percentage of Equalized Property Value ¹	Bonded Debt Per Capita	Revenue Bonds	Capital Lease	TEACH Loans	Total Debt	Total Debt as a Percentage of Personal Income ²	Total Debt Per Capita
			Capital Appreciation Bonds	Variable Rate Debt										
2004	16,756,869	13,406,456	38,061,867	130,850,000	-	199,075,192	0.85	334	113,297,237	34,552,250	4,776,312	351,700,991	1.82	590
2005	17,040,498	11,356,780	39,845,213	130,850,000	-	199,092,491	0.76	334	113,197,353	31,154,750	10,236,484	353,681,078	1.76	594
2006	14,174,684	11,248,426	35,598,442	130,850,000	-	191,871,552	0.63	323	113,097,469	40,087,275	8,407,726	353,464,022	1.75	595
2007	11,996,044	9,897,583	37,852,753	130,850,000	-	190,596,380	0.60	322	108,180,831	36,759,825	6,511,465	342,048,501	1.62	580
2008	9,804,615	8,369,589	40,250,009	130,850,000	-	189,274,213	0.59	320	106,447,870	33,222,400	4,520,395	333,464,878	1.53	564
2009	12,165,969	7,042,189	42,799,284	130,850,000	-	192,857,442	0.62	330	103,527,948	29,460,000	2,429,771	328,275,161	1.52	562
2010	71,415,847	5,668,324	45,510,230	130,850,000	-	253,444,401	0.86	426	99,607,279	14,625,679	1,659,026	369,336,385	1.64	621
2011	67,042,677	4,560,243	48,393,112	130,850,000	-	250,846,032	N/A	N/A	95,480,699	10,929,713	849,744	358,106,188	N/A	N/A
2012	62,607,058	3,681,039	51,458,848	130,850,000	-	248,596,945	N/A	N/A	90,994,121	10,245,000	-	349,836,066	N/A	N/A
2013	63,000,610	2,769,721	54,719,050	130,850,000	-	251,339,380	N/A	N/A	85,933,361	4,950,000	-	342,222,741	N/A	N/A

(1) Equalized Value per the City of Milwaukee.

(2) The data measure for Personal Income changed for FY07 and is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Dept. of Commerce. It reports the income for Milwaukee County versus the City of Milwaukee because the City makes up a substantial portion of Milwaukee County.

**Milwaukee Public Schools
Pledged Revenue Coverage
Last Ten Fiscal Years**

Neighborhood Schools Initiative Bonds

Fiscal Year	Intradistrict Aid	Debt Service		Coverage
		Principal	Interest	
2004	\$ 35,659,069	\$ —	\$ 2,197,020	16.23
2005	35,362,376	—	4,897,374	7.22
2006	40,627,588	—	4,897,374	8.30
2007	42,212,564	—	4,897,374	8.62
2008	38,625,243	1,790,000	4,373,834	6.27
2009	37,965,736	2,980,000	4,308,219	5.21
2010	37,439,086	3,985,000	4,204,253	4.57
2011	36,130,070	4,195,000	4,071,676	4.37
2012	32,120,101	4,555,000	3,919,868	3.79
2013	31,449,026	4,960,000	3,745,504	3.61

**MILWAUKEE PUBLIC SCHOOLS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Year	<u>County of Milwaukee</u>					
	Population (A)	Personal Income (Thousands of Dollars) (B)	Per Capita Income (C)	Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
2003	595,245	29,889,120	31,813	30.6	103,769	8.7
2004	593,920	30,600,767	32,661	30.6	102,309	7.7
2005	592,765	31,393,023	33,664	30.6	100,262	7.2
2006	590,370	33,341,608	35,841	30.6	97,509	6.9
2007	590,190	34,198,399	36,715	30.6	87,360	6.9
2008	590,870	35,287,533	37,738	30.6	85,369	6.7
2009	584,000	34,932,447	37,057	30.6	82,444	11.4
2010	580,500	35,999,790	37,950	30.3	81,372	11.9
2011	595,525	37,035,130	38,881	30.3	80,098	10.9
2012	595,425	Not available	Not available	38.5	78,461	10.1

(A) *The December 31, 2003 through 2012 populations are estimated from the Wisconsin Department of Administration. (The population differs from the Census Bureau).*

(B) *Personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Personal income includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.*

(C) *Per capita personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce and includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.*

(D) *Median age of the population is determined only during a census. These figures represent the data collected by the 2000 and 2010 Regular Census.*

(E) *Annual School Census by Board of School Directors. Represents Milwaukee Public Schools only.*

(F) *Unemployment Rate is the annual average from the Wisconsin's Workforce, Wisconsin Worknet and Labor Market Information System.*

source: City of Milwaukee 2012 CAFR

**MILWAUKEE PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS**
Current Year and Nine Years Ago

<u>Employer</u>	<u>2012 Estimates (1)</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Aurora Health Care	31,000	1	7.36 %	11,365	1	2.64 %
Milwaukee Public Schools	11,766	2	2.79	11,329	2	2.63
U.S. Government (Includes Zablocki V.A. Medical Center)	10,500	3	2.49	8,875	3	2.06
Froedtert Memorial Lutheran Hospital and Community Health	8,900	4	2.11			
Wheaton Franciscan Healthcare	8,699	5	2.06			
Kohl's Corp.	8,400	6	1.99			
Roundy's Supermarkets	7,630	7	1.81			
Quad Graphics	6,900	8	1.64			
City of Milwaukee	6,400	9	1.52	7,150	4	1.66
Medical College of Wisconsin	5,492	10	1.30	3,760	10	0.87
Covenant Health Care				5,716	5	1.33
M&I Marshall & Ilsley				5,579	6	1.30
Milwaukee County				5,577	7	1.30
University of Wisconsin-Milwaukee				4,178	8	0.97
Northwestern Mutual Life	-		-	4,039	9	0.94
	<u>105,687</u>		<u>25.07 %</u>	<u>67,568</u>		<u>15.70 %</u>

(1) Reflects full-time equivalent employees.

Note: Data includes all of Milwaukee County.

Source: *The 2013 Business Journal Book of Lists*. City from internal records.

The 2003 data was from the Department of Administration January 2004 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".

Total employment data (2003=430,573) (2012=411,325) from the State of Wisconsin Workforce Development.

source: City of Milwaukee CAFR

MILWAUKEE PUBLIC SCHOOLS

Comparative per Capita Cost Statistics

Last Ten Fiscal Years

	<u>Cost per pupil</u>
2003 – 2004	11,358
2004 – 2005	11,416 *
2005 – 2006	11,808
2006 – 2007	12,174
2007 – 2008	13,055
2008 – 2009	13,783 **
2009 – 2010	14,574 **
2010 – 2011	14,803 **
2011 – 2012	13,911 **
2012 – 2013	14,059 **

* Cost per pupil is restated from 11,542 published in 2006 CAFR.

**Cost per pupil is restated from published in 2012 CAFR.

MILWAUKEE PUBLIC SCHOOLS
 Comparative Statement of Annual School Census
 Children Between 4 and 19 Years of Age
 Residing in the City of Milwaukee

114

Fiscal year	Total number of children	Increase or (decrease) over prior year	Males	Increase or (decrease) over prior year	Females	Increase or (decrease) over prior year	Attending public schools	Attending private schools	Total attending schools	Percent attending schools
1978	148,378	(4,057)	75,519	(2,215)	72,859	(1,842)	100,859	26,275	127,134	85.7
1979	133,507	(14,871)	68,491	(7,028)	65,016	(7,843)	93,296	26,011	119,307	89.4
1980	133,639	132	68,245	(246)	65,394	378	91,069	25,436	116,505	87.2
1981	130,215	(3,424)	66,550	(1,695)	63,665	(1,729)	82,520	31,238	113,758	87.4
1982	131,748	1,533	67,085	535	64,663	998	80,683	29,623	110,306	83.7
1983	134,734	2,986	68,642	1,557	66,092	1,429	83,148	31,149	114,297	84.8
1984	140,729	5,995	71,689	3,047	69,040	2,948	87,243	31,601	118,844	84.4
1985	147,347	6,618	75,066	3,377	72,281	3,241	93,406	31,464	124,870	84.7
1986	148,768	1,421	75,391	325	73,377	1,096	96,520	30,961	127,481	85.7
1987	145,593	(3,175)	73,844	(1,547)	71,749	(1,628)	94,744	30,997	125,741	86.4
1988	148,416	2,823	75,196	1,352	73,220	1,471	98,438	31,140	129,578	87.3
1989	150,714	2,298	76,520	1,324	74,194	974	99,988	29,988	129,976	86.2
1990	150,723	9	76,382	(138)	74,341	147	99,079	29,346	128,425	85.2
1991	128,540	(22,183)	65,230	(11,152)	63,310	(11,031)	86,407	27,012	113,419	88.2
1992	144,452	15,912	73,180	7,950	71,272	7,962	100,017	28,346	128,363	88.9
1993	145,499	1,047	73,772	592	71,727	455	100,728	27,956	128,684	88.4
1994	149,545	4,046	75,893	2,121	73,652	1,925	103,452	28,196	131,648	88.0
1995	151,541	1,996	76,471	578	75,070	1,418	106,886	27,816	134,702	88.8
1996	151,710	169	76,778	307	74,932	(138)	106,910	27,931	134,841	88.9
1997	151,027	(683)	76,429	(349)	74,598	(334)	107,121	27,455	134,576	89.1
1998	153,227	2,200	77,533	1,104	75,694	1,096	108,786	27,723	136,509	89.1
1999	154,328	1,101	78,141	608	76,187	493	111,712	27,207	138,919	90.0
2000	154,977	649	78,599	458	76,378	191	110,397	28,342	138,739	89.5
2001	150,256	(4,721)	76,048	(2,551)	74,208	(2,170)	107,905	26,479	134,384	89.4
2002	149,992	(264)	76,142	94	73,850	(358)	109,852	25,066	134,918	90.0
2003	162,011	12,019	82,187	6,045	79,824	5,974	122,631	23,760	146,391	90.4
2004	164,641	2,630	83,399	1,212	81,242	1,418	128,862	21,829	150,691	91.5
2005	165,279	638	85,193	1,794	82,596	1,354	130,664	22,879	153,543	92.9
2006	159,414	(5,865)	81,024	(4,169)	78,390	(4,206)	111,685	27,171	138,856	87.1
2007	153,233	(6,181)	77,570	(3,454)	75,663	(2,727)	107,950	26,507	134,457	87.7
2008	152,244	(989)	75,897	(1,673)	76,347	684	102,648	27,847	130,495	85.7
2009	152,323	79	75,840	(57)	76,483	136	104,316	28,010	132,326	86.9
2010	151,232	(1,012)	74,710	(1,187)	76,522	175	102,707	28,398	131,105	86.7
2011	148,293	(2,939)	74,624	(86)	73,669	(2,853)	100,101	27,395	127,496	86.0
2012	146,741	(1,552)	74,476	(148)	72,265	(1,404)	97,900	27,065	124,965	85.2
2013	144,870	(1,871)	74,017	(459)	70,853	(1,412)	95,602	26,799	122,401	84.5

* Data collection method was not consistent with prior years and may not have produced accurate data.

MILWAUKEE PUBLIC SCHOOLS

Annual Enumeration of Children Residing
in the City of Milwaukee

As of June 30, 2013

Ages	Males	Females	Total	Attended public school	Attended parochial or private school	Did not attend school
1	5,778	5,839	11,617	0	0	11,617
2	5,553	5,350	10,903	0	0	10,903
3	5,740	5,582	11,322	191	0	11,131
Total 1 – 3	17,071	16,771	33,842	191	0	33,651
4	5,517	5,569	11,086	2,795	253	8,038
5	5,580	5,502	11,082	6,769	1,917	2,396
6	5,270	5,101	10,371	6,683	1,808	1,880
7	4,575	3,900	8,475	6,717	1,758	0
8	4,772	3,769	8,541	6,488	1,717	336
9	4,272	3,990	8,262	6,325	1,764	173
10	4,251	3,870	8,121	6,286	1,835	0
11	4,251	3,873	8,124	6,127	1,912	85
12	4,523	3,953	8,476	6,579	1,897	0
13	4,217	3,742	7,959	6,164	1,794	1
14	3,646	3,579	7,225	5,433	1,538	254
15	3,602	3,771	7,373	5,411	1,412	550
16	3,839	4,124	7,963	5,493	1,498	972
17	4,350	4,892	9,242	6,191	1,401	1,650
18	5,216	5,253	10,469	6,411	1,580	2,478
19	6,136	5,965	12,101	5,730	2,715	3,656
Total 4 – 19	74,017	70,853	144,870	95,602	26,799	22,469
Grand total	91,088	87,624	178,712	95,793	26,799	56,120

MILWAUKEE PUBLIC SCHOOLS
Government-wide Expenses by Function
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal year	Instruction	Community services	Pupil and staff services	General administrative and central services	Business services	School Nutrition Services	Interest on long-term debt	Loss on sale/disposal of buildings/software	Total
2004	\$ 645,881	18,155	105,549	116,816	140,825	31,249	6,250	-	1,064,725
2005	652,714	20,561	110,035	108,743	162,748	32,165	16,245	-	1,103,211
2006	664,810	23,271	117,139	112,658	155,889	32,793	20,176	-	1,126,736
2007	676,103	20,110	122,203	111,430	162,219	36,516	18,130	-	1,146,711
2008	826,151	19,658	132,463	117,405	176,007	40,654	16,771	-	1,329,109
2009	864,410	25,574	138,220	118,454	161,739	40,892	16,181	-	1,365,471
2010	887,815	25,538	143,517	132,145	159,725	40,555	17,166	-	1,406,463
2011	863,185	27,499	160,716	117,817	169,960	44,205	17,927	-	1,401,309
2012	685,590	26,042	135,649	113,952	154,702	44,527	17,790	4,028	1,182,280
2013	714,036	30,537	130,190	103,503	149,452	44,946	16,148	260	1,189,072

MILWAUKEE PUBLIC SCHOOLS

Government-wide Revenues

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal year	Charges for services	Operating grants and contributions	Capital grants and contributions	Property taxes	Federal and state aid not restricted to a specific purpose	Interest and investment earnings	Miscellaneous	Total
2004	\$ 10,719	183,944	17,706	183,198	698,644	762	89	1,095,062
2005	10,090	185,228	21,083	207,442	690,350	1,773	1,211	1,117,177
2006	16,327	247,538	9,760	213,868	655,825	2,823	-	1,146,141
2007	15,447	230,623	5,371	232,716	657,837	917	3,535	1,146,446
2008	16,989	268,075	10,907	251,211	641,415	2,496	818	1,191,911
2009	13,690	379,772	1,699	287,828	548,265	1,159	1,045	1,233,459
2010	12,348	355,599	11,118	295,892	590,404	759	1,076	1,267,195
2011	12,448	353,888	11,533	295,237	618,076	290	4,637	1,296,109
2012	12,383	298,422	3,245	298,320	560,070	224	3,286	1,175,950
2013	14,089	288,740	6,492	300,637	553,527	255	2,738	1,166,478

MILWAUKEE PUBLIC SCHOOLS
 Governmental Fund Expenditures by Function
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal year	Instruction	Community services	Pupil & staff services	General and school building administration	Business services	Capital outlay	School Nutrition Services	Debt service	Other	Total
2004	\$ 631,558	18,191	106,348	116,969	156,312	82,496	31,098	18,088	1,384	1,162,444
2005	631,518	20,591	109,425	108,423	153,790	66,941	32,006	24,840	1,162	1,148,696
2006	649,731	23,128	115,123	111,228	151,130	46,591	32,211	33,473	799	1,163,414
2007	660,326	20,022	120,056	109,868	160,818	27,701	35,782	29,984	—	1,164,557
2008	688,194	19,337	130,014	112,067	169,020	23,671	38,477	25,217	—	1,205,997
2009	720,170	23,483	136,274	118,520	161,984	21,845	39,548	25,290	—	1,247,114
2010	739,427	23,184	141,634	128,619	160,335	19,371	39,804	34,304	—	1,286,678
2011	731,709	23,468	158,034	118,430	170,710	21,848	43,248	28,387	—	1,295,834
2012	667,935	24,842	132,786	111,352	155,497	43,526	34,505	25,937	—	1,196,380
2013	682,039	29,146	127,419	101,013	161,470	43,939	21,949	82,702	—	1,249,677

MILWAUKEE PUBLIC SCHOOLS
 General Governmental Revenues by Source
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal year	Property tax levy	Lunchroom sales	Other local sources	State aid	Federal aid	Intergovernmental aid	Other federal aid	Miscellaneous	Interest and investment earnings	Total
2004	\$ 183,198	4,755	9,221	707,163	84,549	11,334	90,930	—	1,058	1,092,208
2005	207,442	4,747	13,551	704,624	98,166	14,265	78,326	—	1,798	1,122,919
2006	213,804	4,392	14,656	723,107	177,342	9,240	—	—	2,823	1,145,364
2007	230,346	3,876	12,020	722,482	171,358	—	—	917	3,536	1,144,535
2008	251,077	3,775	17,056	710,686	196,218	6,000	—	816	2,496	1,188,124
2009	287,779	4,180	12,779	635,413	295,033	—	—	932	1,159	1,237,275
2010	295,833	3,853	17,182	675,581	270,854	191	—	1,223	759	1,265,476
2011	293,507	3,227	18,652	706,449	266,201	—	—	4,533	290	1,292,859
2012	297,787	2,943	12,065	634,305	229,212	—	—	3,347	224	1,179,883
2013	300,605	2,925	19,601	631,567	205,347	—	—	3,190	219	1,163,454

MILWAUKEE PUBLIC SCHOOLS

School Accommodations

Last Thirty-six Years

	Instructional staff (a)	Number of school buildings (b)	Average school year daily membership	
1977 – 1978	5,974	156	96,618	(c)
1978 – 1979	5,836	151	91,929	(c)
1979 – 1980	5,679	150	87,679	(c)
1980 – 1981	5,313	150	84,379	(c)
1981 – 1982	5,167	150	82,632	(c)
1982 – 1983	5,019	150	82,353	(c)
1983 – 1984	5,026	144	82,667	
1984 – 1985	5,126	143	84,443	
1985 – 1986	5,380	145	86,836	
1986 – 1987	5,474	144	87,283	
1987 – 1988	5,581	145	87,949	
1988 – 1989	5,675	146	89,675	
1989 – 1990	5,791	146	90,595	
1990 – 1991	5,920	149	90,487	
1991 – 1992	6,872	154	91,071	
1992 – 1993	6,811	156	94,694	
1993 – 1994	6,817	155	96,496	
1994 – 1995	6,816	155	98,312	
1995 – 1996	6,682	154	99,278	
1996 – 1997	6,785	154	101,622	
1997 – 1998	7,005	157	102,914	
1998 – 1999	7,187	157	102,097	
1999 – 2000	7,114	157	100,682	
2000 – 2001	7,128	158	99,332	
2001 – 2002	7,154	164	99,302	
2002 – 2003	7,137	164	99,054	
2003 – 2004	7,266	168	98,323	
2004 – 2005	6,512	173	96,874	
2005 – 2006	6,420	177	94,973	
2006 – 2007	6,033	177	92,224	
2007 – 2008	6,010	178	89,110	
2008 – 2009	5,961	178	87,137	
2009 – 2010	5,853	177	85,239	
2010 – 2011	5,501	174	84,422	
2011 – 2012	5,267	173	82,982	
2012 – 2013	4,959	175	81,754	

(a) Including principals.

(b) Includes leased sites.

(c) Kindergarten 1/2 day membership converted to full day equivalents.

MILWAUKEE PUBLIC SCHOOLS
Number and Distribution of Instructional Staff
Last Ten Fiscal Years

<u>Classifications</u>	<u>2003 – 2004</u>	<u>2004 – 2005</u>	<u>2005 – 2006</u>	<u>2006 – 2007</u>	<u>2007 – 2008</u>	<u>2008 – 2009</u>	<u>2009 – 2010</u>	<u>2010 – 2011</u>	<u>2011 – 2012</u>	<u>2012 – 2013</u>
Senior high and middle schools:										
Principals	38	29	31	29	32	30	29	25	22	18
Assistant principals	108	100	82	99	74	71	76	61	52	52
Teachers	2,409	1,936	1,915	1,724	1,701	1,464	1,404	1,432	1,510	1,406
Total	<u>2,555</u>	<u>2,065</u>	<u>2,028</u>	<u>1,852</u>	<u>1,807</u>	<u>1,565</u>	<u>1,509</u>	<u>1,518</u>	<u>1,584</u>	<u>1,476</u>
Elementary schools:										
Principals	107	108	105	100	110	101	104	96	96	84
Assistant principals	71	68	66	54	59	68	61	55	34	34
Teachers	3,750	3,652	3,575	3,497	3,425	3,678	3,610	3,452	2,987	2,616
Total	<u>3,928</u>	<u>3,828</u>	<u>3,746</u>	<u>3,651</u>	<u>3,594</u>	<u>3,847</u>	<u>3,775</u>	<u>3,603</u>	<u>3,117</u>	<u>2,734</u>
Special schools and classes:										
Principals	2	2	4	2	3	3	4	2	5	10
Assistant principals	3	5	11	7	4	4	7	4	6	7
Teachers	778	612	631	521	602	542	558	374	555	323
Total	<u>783</u>	<u>619</u>	<u>646</u>	<u>530</u>	<u>609</u>	<u>549</u>	<u>569</u>	<u>380</u>	<u>566</u>	<u>340</u>
Summary:										
Principals	147	139	140	131	145	134	137	123	123	112
Assistant principals	182	173	159	160	137	143	144	120	92	93
Teachers	6,937	6,200	6,121	5,742	5,728	5,684	5,572	5,258	5,052	4,345
Total	<u>7,266</u>	<u>6,512</u>	<u>6,420</u>	<u>6,033</u>	<u>6,010</u>	<u>5,961</u>	<u>5,853</u>	<u>5,501</u>	<u>5,267</u>	<u>4,550</u>
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors	665	426	428	415	418	420	421	406	416	409
Grand total	<u><u>7,931</u></u>	<u><u>6,938</u></u>	<u><u>6,848</u></u>	<u><u>6,448</u></u>	<u><u>6,428</u></u>	<u><u>6,381</u></u>	<u><u>6,274</u></u>	<u><u>5,907</u></u>	<u><u>5,683</u></u>	<u><u>4,959</u></u>

MILWAUKEE PUBLIC SCHOOLS

Population and Pupils
Residing in the City of Milwaukee

Last Ten Fiscal Years

	<u>2003- 2004</u>	<u>2004- 2005</u>	<u>2005- 2006</u>	<u>2006- 2007</u>	<u>2007- 2008</u>	<u>2008- 2009</u>	<u>2009- 2010</u>	<u>2010- 2011</u>	<u>2011- 2012</u>	<u>2012- 2013</u>
Total number of school age children according to city-wide child census	164,641	165,279	159,414	153,233	152,244	152,323	151,232	148,293	146,741	144,870
Enrollment for state aid:*										
Third Friday	102,033	100,403	98,209	95,332	91,947	90,053	87,914	87,157	85,886	84,725
Summer school	333	247	322	329	428	430	374	382	115	107
Total	<u>102,366</u>	<u>100,650</u>	<u>98,531</u>	<u>95,661</u>	<u>92,375</u>	<u>90,483</u>	<u>88,288</u>	<u>87,539</u>	<u>86,001</u>	<u>84,832</u>
Average number enrolled:										
Senior high	28,003	27,642	27,438	28,966	28,466	27,839	27,308	26,660	25,337	24,769
Junior high/middle	23,432	21,554	21,048	20,698	19,233	18,204	17,469	17,492	17,649	17,201
Elementary	51,699	49,354	48,042	47,845	46,273	46,218	45,269	45,262	44,932	44,762
Total	<u>103,134</u>	<u>98,550</u>	<u>96,528</u>	<u>97,509</u>	<u>93,972</u>	<u>92,261</u>	<u>90,046</u>	<u>89,414</u>	<u>87,918</u>	<u>86,732</u>
Average number attending:										
Senior high	22,251	22,127	22,046	22,916	22,205	22,958	22,469	23,172	21,111	21,010
Junior high/middle	20,968	19,225	18,736	18,413	17,047	16,015	15,623	15,737	16,037	15,682
Elementary	48,078	45,745	44,311	44,087	42,465	42,363	41,793	41,737	41,254	41,076
Total	<u>91,297</u>	<u>87,097</u>	<u>85,093</u>	<u>85,416</u>	<u>81,717</u>	<u>81,336</u>	<u>79,885</u>	<u>80,646</u>	<u>78,402</u>	<u>77,768</u>

* Non-resident and choice students not included.

**Milwaukee Public Schools
Operating Statistics
Last Ten Years**

Fiscal Year	Enrollment For State Aid	Operating Expenses	Cost Per Pupil	Teaching Staff	Pupil/Teacher Ratio
2013	84,832	\$1,189,071,574	\$ 14,017	5,591	15.17:1
2012	86,001 (a)	1,182,279,602	13,747 (a)	5,505	15.62:1 (a)
2011	87,539 (a)	1,401,309,100	16,008 (a)	6,134	14.27:1 (a)
2010	88,288 (a)	1,406,462,957	15,930 (a)	6,602	13.37:1 (a)
2009	90,483 (a)	1,365,470,988	15,091 (a)	6,819	13.27:1 (a)
2008	92,375	1,329,109,069	14,388	6,944	13.30:1
2007	95,661	1,146,712,330	11,987	6,780	14.11:1
2006	98,531	1,126,736,506	11,435	6,974	14.13:1
2005	100,650	1,103,211,327	10,961	7,177	14.02:1
2004	102,366	1,064,725,561	10,401	7,541	13.57:1

(a) Corrections made to prior enrollment counts for state aid previously reported.

Milwaukee Public Schools
School District Employees - Full Time Staff & Part Time
Last Ten Years

Year Ending June 30,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Supervisory										
Officials, Admin., Mgrs.	93	91	79	52	56	54	94	66	49	54
Principals	114	124	122	137	134	142	139	136	136	142
Part time profess/Ins.	317	396	361	439	682	574	556	601	546	574
Total supervisory	<u>524</u>	<u>611</u>	<u>562</u>	<u>628</u>	<u>872</u>	<u>770</u>	<u>789</u>	<u>803</u>	<u>731</u>	<u>770</u>
Instruction										
Asst. Prin. - Teach	101	91	118	144	143	165	142	153	161	165
Elementary Clsrn. Teach	2,960	3,003	3,264	3,610	3,678	3,697	3,658	3,673	3,678	3,736
Secondary Clsrn. Teach	1,412	1,396	1,546	1,404	1,464	1,680	1,584	1,717	1,862	2,008
Other Clsrn. Teach	343	441	499	558	542	589	452	498	489	589
Other Prof. Staff	417	358	354	494	484	397	441	406	397	397
Teacher Aides	358	216	353	392	508	416	503	527	590	646
Total instruction	<u>5,591</u>	<u>5,505</u>	<u>6,134</u>	<u>6,602</u>	<u>6,819</u>	<u>6,944</u>	<u>6,780</u>	<u>6,974</u>	<u>7,177</u>	<u>7,541</u>
Student Services										
Guidance	88	76	70	56	48	49	48	51	50	49
Psychological	135	139	150	163	152	145	159	150	140	145
Librarian/Audiovisual	25	27	36	44	39	32	36	44	41	32
Consultants/Supervisors	61	97	95	96	96	80	94	86	87	80
Technicians	52	70	71	65	71	64	70	71	64	64
Total student services	<u>361</u>	<u>409</u>	<u>422</u>	<u>424</u>	<u>406</u>	<u>370</u>	<u>407</u>	<u>402</u>	<u>382</u>	<u>370</u>
Support and Administration										
Clerical/Secretarial	388	350	435	491	520	583	529	550	558	583
Service Workers	397	572	573	416	415	415	415	426	440	433
Craft Workers - Skilled	362	339	351	352	382	448	393	408	429	448
Laborers - Unskilled	13	52	55	67	80	95	77	88	88	95
All other Part-time	4,081	3,928	4,396	4,107	4,961	4,786	4,801	4,848	5,206	5,984
Total support and administration	<u>5,241</u>	<u>5,241</u>	<u>5,810</u>	<u>5,433</u>	<u>6,358</u>	<u>6,327</u>	<u>6,215</u>	<u>6,320</u>	<u>6,721</u>	<u>7,543</u>
Total	<u><u>11,717</u></u>	<u><u>11,766</u></u>	<u><u>12,928</u></u>	<u><u>13,087</u></u>	<u><u>14,455</u></u>	<u><u>14,411</u></u>	<u><u>14,191</u></u>	<u><u>14,499</u></u>	<u><u>15,011</u></u>	<u><u>16,224</u></u>

**Milwaukee Public Schools
Nutrition Services - Facts and Figures
Last Ten Years**

Year Ending June 30,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Number of schools participating in:										
Lunch - regular schedule	164	158	164	171	175	170	173	185	191	187
Breakfast program	164	152	155	161	158	158	160	167	161	164
Snack program	83	65	82	85	100	99	68	78	76	55
Student lunches served:										
Free	7,784,596	8,005,894	7,876,717	7,686,178	7,246,531	7,176,603	7,288,629	7,327,709	7,310,144	7,475,361
Reduced	436,303	482,170	537,693	776,288	901,725	954,705	959,040	944,894	995,673	1,007,752
Fully paid	773,741	884,638	1,078,221	1,207,742	1,380,135	1,381,187	1,353,199	1,559,910	1,400,897	1,443,572
Total	8,994,640	9,372,702	9,492,631	9,670,208	9,528,391	9,512,495	9,600,868	9,832,513	9,706,714	9,926,685
Adult lunches served	152,376	175,783	187,634	194,135	213,691	227,208	275,091	264,314	277,116	318,878
Student breakfasts/snacks served:										
Free	5,220,603	4,636,128	4,680,041	4,436,904	3,981,425	3,864,927	4,185,851	2,887,277	2,508,130	2,433,390
Reduced	207,954	223,890	253,677	355,182	379,262	384,493	339,181	139,254	108,782	91,969
Fully paid	392,529	407,651	504,831	498,973	517,415	484,573	405,121	189,842	115,767	101,722
Total	5,821,086	5,267,669	5,438,549	5,291,059	4,878,102	4,733,993	4,930,153	3,216,373	2,732,679	2,627,081
Number of serving days:										
Regular schedule	213	225	234	250	262	225	221	204	199	195
Average daily participation:										
Student lunch	42,228	41,656	40,567	38,681	40,720	42,278	43,443	48,199	48,777	50,906
Adult lunch	715	781	802	777	913	1,010	1,245	1,296	1,393	1,635
Student breakfast	26,060	22,417	22,157	19,744	19,226	19,331	17,906	11,837	10,150	9,680
Student snacks	2,184	2,184	2,856	2,773	3,588	3,331	2,868	3,930	3,583	3,793
September 15 pupil count	84,725	85,886	87,157	87,914	90,053	87,392	90,825	93,516	95,600	97,359
Percentage of students daily eating school lunch	49.84%	48.50%	46.54%	44.00%	45.22%	48.38%	47.83%	51.54%	51.02%	52.29%

**Milwaukee Public Schools
Capital Asset Information
Last Ten Years**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Elementary Schools										
Number of Buildings	119	119	121	121	122	121	121	121	121	119
Square Footage	8,028,355	8,028,355	8,201,800	8,217,917	8,282,172	8,479,854	8,479,854	8,479,854	8,424,438	8,183,648
Capacity	65,751	65,751	66,923	67,095	67,316	66,416	66,416	66,416	66,036	64,083
Enrollment	48,011	48,305	49,689	50,007	50,457	50,275	51,389	52,211	52,226	52,788
Middle Schools										
Number of Buildings	7	7	8	13	10	14	14	16	16	16
Square Footage	1,343,877	1,343,877	1,462,631	2,362,648	1,753,494	2,403,230	2,403,230	2,782,081	2,782,081	2,782,081
Capacity	5,900	5,900	6,620	11,480	8,300	12,420	10,620	12,420	12,420	12,420
Enrollment	5,198	5,993	6,286	6,343	6,841	8,213	9,651	11,370	13,225	15,316
High Schools										
Number of Buildings	13	13	13	11	12	14	14	14	14	14
Square Footage	3,621,282	3,621,282	3,621,282	3,253,455	3,548,890	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365
Capacity	18,138	18,138	18,138	15,370	17,370	20,539	20,539	20,539	20,539	20,539
Enrollment	18,960	19,906	20,754	21,590	22,252	23,193	23,863	23,692	23,428	23,154
Other Schools										
Number of Buildings	22	22	22	16	17	12	11	9	9	9
Square Footage	3,833,312	3,833,312	3,833,312	3,419,216	3,668,680	2,373,065	2,297,767	1,918,916	1,918,916	1,918,916
Capacity	17,507	17,507	17,507	16,289	17,290	10,673	10,430	8,630	8,630	8,630
Enrollment	6,292	5,894	4,643	4,504	5,819	5,679	6,022	6,243	6,721	6,101
Administrative/Service										
Number of Buildings	56	56	56	58	58	55	55	55	55	55
Square Footage	833,650	833,650	832,871	838,839	838,839	705,268	705,268	705,268	705,268	705,268
Athletics										
Football Fields*	35	35	35	35	35	35	35	35	35	35
Soccer Fields**	21	21	21	21	21	21	21	21	21	21
Running Tracks	13	13	13	13	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72	72	72	72
Swimming Pools	22	22	22	22	13	13	13	13	13	13
Playgrounds	144	144	147	147	147	147	147	147	147	147

*22 Recreation+13 High School

**8 Recreation+13 High School

***All Recreation

Note: Excludes leased sites