Milwaukee Public Schools

Milwaukee, Wisconsin

2010



For the Year Ended June 30, 2010

151st Edition

151st 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, 2010

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MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2010

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MILWAUKEE PUBLIC SCHOOLS

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December 10, 2010

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, 2010. 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 and account groups 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 vocational education, 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 of approximately 605,000 based on 2009 U. S. Census Bureau Data. The District operates more than 160 sites, has over 80,000 students, and employs over 10,600 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. Finance, insurance, entertainment, communication, health care, and other personal and business service activities account for over half of all employment within the City.

Based upon the Metropolitan Milwaukee Association of Commerce's August 2010 Economic Trends, August's seasonally unadjusted unemployment rate of 8.5% is lower than the 9.3% rate posted one year ago. Currently, the metro Milwaukee area's jobless rate ranks higher than the state's 7.7% but lower than the 9.5% rates posted nationally.

The City continues to maintain high bond ratings from three of the major agencies. AA from Standard & Poor's Corporation, AA+ from Fitch Ratings, and Aa1 from Moody's Investors Service, Inc. was received on recently issued general obligation bonds of the City.

MAJOR INITIATIVES

Working Together, Achieving More Strategic Plan (WTAM)

The MPS strategic plan – *Working Together, Achieving More* – Action Plan to Improve MPS, 2007-2012, and the corresponding District initiatives support the belief that ***all children can learn and will achieve***. The *Working Together, Achieving More* strategic plan was adopted by the Milwaukee Board of School Directors on July 26, 2007, and continues to serve as a blueprint for a system-wide effort to improve instruction and increase student achievement. Strategic efforts are focused on closing the achievement gap and improving outcomes for all children attending MPS. The strategic plan includes the following vision, mission, and goals:

***Vision Statement*:**

Milwaukee Public Schools will be among the highest-performing urban public school districts in the country, providing rigorous, high-quality learning opportunities for students. Schools will enable lifelong learning among students, families, educators and other staff focused on continuous improvement. Teaching will be child-centered, based on research-proven methods, and aligned to high academic standards; it will meet the learning needs of individual students. The District, its schools, and its employees will be accountable for measurable gains in student achievement.

Schools will be safe centers of community activity that are welcoming, well maintained, and accessible. Children will be provided maximum educational opportunities to become responsible citizens who make positive contributions to their communities. The District and its schools will strengthen partnerships with families and those in the community who influence and affect students and families.

Mission Statement:

MPS educates all students for success in higher education, careers and responsible citizenship so that MPS is the first choice for families.

Strategic Areas and Goals:

The goals of the MPS are:

1. Students meet and exceed Wisconsin academic standards and graduate prepared for higher education, careers and citizenship.
2. School communities work together for improvement in academic achievement.
3. Leaders and staff demonstrate continuous improvement through focused professional development.
4. School staff are accountable for high quality teaching and learning, measurable gains in student achievement and fiscal responsibility.
5. School staff are supportive and responsive to students and families.
6. The District is accountable for measurable results.
7. The District's central services offices support student learning.
8. The District builds partnerships to support student achievement.

Functional Plans

The district developed Functional Plans in key areas to guide implementation of the *Working Together, Achieving More* strategic plan. The Functional Plans are five-year plans and include goals, measurable objectives and strategies that are consistent with, but provide greater detail than the strategic plan. Two-page snapshots of each Functional Plan have been developed. The first page provides a quick summary of the goals, objectives and strategies of the plan, and the second page details past, current and future efforts towards achieving the plan goals. Functional Plans have been developed in the following areas: Instructional Improvement, Professional Development, Accountability and Evaluation, Academic Enhancement, Student Wellness, Student Management, School Safety, Parental Relationships, Community Recreation and Student Enrichment, Information and Technology, Transportation, District Communications, Human Capital Management, Facilities Management Plan and Customer Service.

These implementation efforts over the last three years support district accountability and a performance-based culture – an organization that collects and analyzes data on an ongoing basis to monitor progress, make mid-year adjustments to strategies, and measure success. The district provides information to the public on the progress of achieving the measurable objectives of the strategic plan as data becomes available throughout the school year. Information about the *Working Together, Achieving More* strategic plan is available at: http://wtam.milwaukee.k12.wi.us/

MPS Planning was developed in 2009-10 to be the main electronic tool for monitoring and reporting progress toward achieving the goals, objectives and strategies outlined in various district plans – strategic, functional and budget. Twice per year, functional plan leaders recorded progress and participated in MPS PlanStat sessions that were modeled after the MPS EdStat. Participants in PlanStat included the Superintendent and Chief Financial and Operations Officer and all of the central service functional plan leaders. PlanStat focused on objectives in functional plans and provided a mechanism for meaningful, collegial feedback that informed the budget process. Information about the *MPS Planning* and PlanStat presentations is available at: http://mpsplanning.milwaukee.k12.wi.us

Performance Budgeting

Fiscal responsibility and good stewardship of the taxpayers' resources is a priority, and efforts to align resources to the District's strategic plan continue. In order to achieve this, District administration continued to implement creative strategies to allow more dollars to flow directly to the classroom to provide students with the necessary academic support. Increased fiscal responsibility has resulted in more efficient and effective operations for Milwaukee Public Schools.

The FY09, FY10 and FY11 budgets included performance measures for all central service offices and divisions, as well as all schools. The performance budgeting model helps the District track and report progress toward the goals of the strategic plan, provides a process for reviewing and updating goals and objectives, and links available resources to support attainment of the goals. Performance budgeting has resulted in higher levels of accountability for those charged with the responsibility of improving student achievement.

Monitoring Progress

The MPS 2009-11 School Improvement Plan (SIP) was completely redesigned to fully align with the measurable outcomes in *Working Together, Achieving More* strategic plan and with instructional strategies. Involvement of the stakeholders in the development and ongoing review and adjustment of the SIP is a critical expectation set for each school. Each school designs an improvement plan that focuses on improved student outcomes for all students, including students with disabilities. Strategies for targeted subgroups of students are tied to a comprehensive, data driven needs assessment. The comprehensive needs assessment is a description of the current condition within each school and helps set the stage for improvement strategies.

An EdStat data based decision-making process is used to review school improvement plans and facilitate the school's on-going reflections and conversations about data. To support this process, each school must evaluate its progress on previous year's goals and effectiveness of strategies, gather current, relevant data, identify needs and trends and, finally, prioritize needs and select core strategies for inclusion in the school improvement plan. Schools use a continuous improvement-focused monitoring tool to assess needs in the area of special education compliance for students with disabilities. School Learning Teams meet monthly to discuss their progress towards the targets in the SIP. Similar to the EdStat process for school-based progress monitoring, the District used a Functional PlanStat process in 2009-10 to monitor implementation of strategies and progress toward districtwide outcomes.

In collaboration with the University of Wisconsin-Madison's Center for Education Research and with funding support from the U.S. Department of Education Institute for Education Sciences, Milwaukee Public Schools is developing an *Integrated Resource Information System (IRIS)* that will allow the District to determine in a systematic way "what works" in the Milwaukee education system. The goal of the system is to enable District leaders to know what resource allocations enable instructional leaders, board members, and teachers to: 1) Assess student, teacher, classroom, and school effects on value-added student learning gains; and 2) Connect resources at the school, classroom, and student levels to effectiveness in improving student learning. This goal can be achieved by collecting more meaningful data at all levels and using statistical modeling techniques to identify factors that have an impact on student learning gains, holding a variety of other factors constant at various levels of the education system. Another way to think about it is that IRIS is a vehicle for being able to provide evidence of many of the metrics currently in the functional plans, serving as a foundation for performance management throughout the District.

Performance Reporting

In early 2010, the District released the *Milwaukee Public Schools' 2009 Report to the Community*. The report featured summaries of progress in the key areas including improving mathematics achievement, arts education, and programs to improve climate and discipline in the schools. The report also included a 2008-09 progress report on the measurable objectives of the District's *Working Together, Achieving More* strategic plan. The report is available on the home page of the District's website: http://mpsportal.milwaukee.k12.wi.us/portal/server.pt (Scroll down to *2009 Community Report* in the center of the page and click on the live link.)

In addition to the *2009 Community Report*, the District also publishes an annual Report Card per requirements of No Child Left Behind (NCLB). Complementing grade by grade, student group by student group disaggregation of testing data, the Report Card also presents data on attendance, discipline, graduation, value-added analysis, grade point averages, promotions/retentions and climate surveys. The 2008-09 Report Card is available via the website listed above, and the update for 2009-10 will be published in early winter 2010.

Through implementation of the Milwaukee Mathematics Partnership plan, Milwaukee Public Schools (MPS) continues to improve its performance in mathematics achievement. In 2005-06, just 38% of students in grades 3-8 and 10 were proficient/advanced on the state's test (Wisconsin Knowledge and Concepts Examination-Criterion Referenced Test) in math; by 2009-10, 49% were proficient/advanced.

Unfortunately, the District's overall performance in reading declined slightly to 57% proficient/advanced, although improvements were observed at some grade levels. In science, performance on the Wisconsin Knowledge and Concepts Examination has improved from 37% to 42% proficient/advanced since the WTAM baseline in 2005-06.

In recent years, the MPS high school graduation rate has steadily risen from 52% in 1999-00 to 69% in 2006-07 (as reported by the Wisconsin Department of Public Instruction), an increase of 17 percentage points. Data for 2008-09 reveals that the rate decreased slightly to 67%. The DPI is expected to release the 2009-10 graduation rate during the winter of 2010-11 school year.

District School Improvement – District Initiatives

District leadership continues to build upon prior efforts to support implementation of the *Working Together, Achieving More* strategic plan, its core beliefs, goals, and measurable objectives. Along with its work on the state-mandated Corrective Action Plan, the District will continue to improve outcomes for students.

Under the provisions of the Elementary and Secondary Education Act, MPS has been identified as a District Identified for Improvement (DIFI) Level Four for having missed adequate yearly progress for six consecutive years. "Adequate yearly progress" is the measure of yearly progress of the state and of all public schools and school districts in the state toward enabling all public school students to meet the state's academic content and achievement standards. The measures used to determine adequate yearly progress include test participation standards, achievement targets both in mathematics and reading, as well as graduation or attendance standards. MPS' Level Four DIFI status is based on data from the 2008-09 school year.

When a District fails to reach the objectives mandated by the state, a corrective action plan must be put in place to address the areas of concern in the District. MPS' corrective action plan encompasses the following areas:

- *Increase student attendance through collaborative community-wide solutions.*
- *Ensure a system of quality and consistency in curriculum, instruction, and assessment using a system of early intervening services for all PK-12 students.*

- *Ensure a consistent, transparent and high quality system of accountability in Milwaukee Public Schools for school improvement, teacher quality, and financial and operational management.*

The following major District initiatives are aligned with the five-year strategic plan and the District's school improvement plan.

Parent Involvement

- MPS has allocated funds to improve parental involvement in 35 low achieving elementary schools. Since 2004, Milwaukee Public Schools (MPS) has been promoting the use of the six National Standards for Parent/Family Involvement. These standards include parenting, communicating, volunteering, student learning, decision making, and collaborating with the community. The National Standards for Parent/Family Involvement is the framework for the District's activities that support parental involvement. Quality indicators help to identify expectations for high performance in each standard area.
- MPS will continue to bridge the gap between school and home by providing ongoing opportunities for parental involvement at both the school and district level. Research has proven that a positive connection between school and home contributes to increased student achievement. Therefore, the District is interested in ensuring that all school parents continue to be involved in their child's education.

Student Success Through Academic Achievement
Early Childhood

Curriculum Materials Development Center (CMDC)

The CMDC has been relocated to Gwen T. Jackson Early Childhood and Elementary School. Hours have been extended, and clerical support has been replaced with trained staff. CMDC usage has increased from 1,631 in 2008-2009 to 7,406 visitors in 2009-2010. Another highlight for the year: CMDC held district-wide math and literacy "Make it, Take it" sessions for PreK-5th grade teachers.

Head Start Program

MPS Head Start was awarded the largest portion of Expansion funding in the state, $501,756, and was authorized to expand the number of students served-- adding three full day K3 programs and hiring four staff, as well as admitting three hundred students from the waitlist. The Region V administrative team complimented the MPS Head Start Program on the outstanding act of urgency displayed in making the Expansion a reality. The program was also awarded Cost of Living Allocation (COLA) funding totaling $382,000, enabling the addition of restrooms in at least two school buildings. The Program also offered courses for college credit in Culturally Responsive Teaching/Learning, Spanish, Mental Health (specifically social emotional development), early childhood, social work and computer use for staff. Additionally, the HighScope, Head Start and SAGE programs collaborated for alignment of early childhood goals and instructional strategies.

Early Childhood Expansion Program

Board action directed that early childhood opportunities for preschool children be expanded. The allocation of ARRA funds afforded the opportunity to open eight additional early childhood sites at Story, Brown Street Academy, Kluge, Forest Home, Garden Homes, Sherman, 35th Street and Maple Tree schools adding to those already open at Keefe Avenue and Gwen T. Jackson.

K4 Early Childhood Paraprofessionals

Board budget action directed that paraprofessionals be placed in K4 classrooms. Paraprofessionals were recruited, hired, trained and placed in K4 classrooms in 22 schools. These paraprofessionals are in addition to those that were placed at 34 schools the previous year.

Preschool To Grade 5 Program (P-5)

P-5 Program leadership monthly meetings were restructured. A survey to assess professional development needs was developed. Based on the survey results these meetings changed to bi-monthly and were aligned professional development to meet the needs of District and student population. Parent coordinator bi-monthly meetings were also restructured to begin to share best practices for parental involvement and provide professional development and resources to assist coordinators in best meeting the needs of families. A new teacher/new principal training on the P-5 portfolio assessment was implemented.

Sage Program

The SAGE Program Office began the monitoring process on the enrollment of SAGE classrooms within 77 schools throughout the District in order to prepare for the upcoming school year and remain in compliance with the new SAGE class size regulation of 18:1 or 30:2. The SAGE Office also provided professional development for SAGE teachers on team teaching and effective literacy stations for teachers and literacy coaches.

Reading Best Practices Models Site Grant

The Reading Best Practices Models Site Grant (formerly Reading First) named the three sites as model sites. Twenty-one MPS schools and three nonpublic schools in Milwaukee were named as participating sites. Over the course of the 2009-2010 school year the participating site teachers attended DPI sponsored workshops on the topics of Basic Elements of Reading Instruction, Assessments/Data-Driven Decision Making/Interventions, Word Walls and Vocabulary, Literacy Centers and Comprehension, and a model site visit. Teachers were also invited to attend three site-based professional development events at the model sites and four additional professional development sessions after school at the Curriculum Materials Development Center. Model site coordinators provided support to the participating sites based on need. In addition, several teachers received on-on-one support from the model site coordinators in the areas of room arrangement, classroom library organization, data analysis, and intervention planning.

Early Reading First Grant (ERF)

The District was granted a "no-cost extension" for a fourth and final year of the ERF grant. This extension allowed the District to extend some grant activities, including professional development on Developing Oral Language and Vocabulary skills; graduate classes for teachers; weekly literacy coach visitations using the Early Literacy Observation Measure (ELOM); Peabody Picture Vocabulary (PPVT) and Expressive Vocabulary Test (EVT) to monitor student vocabulary growth; Early Language and Literacy Classroom Observation (ELLCO) assessment in each classroom twice during the year; classroom professional libraries; classroom instructional materials; materials for family literacy; and co-sponsorship of MPS Early Childhood Literacy Conference.

Bilingual/Multicultural

Common Course Syllabi were developed and posted for all proficiency Levels of World Language Instruction, including Asian languages. ESL Learning Targets were revised. An ELL Subgroup focus was created to support the creation of the District Comprehensive Literacy Plan. ESL materials for grades K-8 were identified and adopted. The International Newcomer Center was created. The Newcomer Summer Center curriculum and assessment were developed. Benchmark Assessment Guidelines for ELLs were created. The First Nations Studies program (formerly W.E.I.N.D.I.A.N.S) provided services to students in18 focus schools with concentrations of Native American students, and established new partnerships as well as building upon existing partnerships. First Nations Studies Program highlights included: Reading Circle Book Club with local tribal offices; Headwaters Committee of Native American parents and community partners; the publication of a student-authored anthology, *Elimination of Racism and Discrimination—Healing Through the Eyes of Children* with Sharp Literacy; Language Revitalization project with Menominee Language and Culture Commission; and other partnerships with First Stage, Oneida Early Intervention Program, and the National Indian Education Association.

Reading

Front-loaded, school-based, and district-wide differentiated professional development related to the implementation of the Comprehensive Literacy Plan was conducted for teachers, other MPS staff, and other stakeholders. Two reading programs were piloted at two schools. Literacy Textbook/Instructional Materials process was completed for Tier 1 core reading program, and was adopted July 1, 2010. The PreK-Gr. 12 Comprehensive Literacy Plan was revised, and the revision was approved by the Wisconsin Department of Public Instruction.

English Language Arts (ELA)

ELA added two teaching Specialists in 2009-10. Saturday Academy trainings on MPS adopted resources, Mentor Text, Six Traits, Understanding by Design (UbD), Developmental Levels in Primary Writing, and Primary Six Traits were conducted. Other professional development was conducted on the following: High School Composition-based courses, SPS-Writing and Language Arts, Six Traits, Administering and Assessing Local Writing Assessments, UbD, Common Core State Standards, and the Comprehensive Literacy Plan. Other highlights for the year included increased training and participation in the use of My Access; the adoption of new resources for high school Composition courses; the creation of Common Course Plans for English 9, English 10, English 11, and English 12;

and ELA implemented an aligned, standards-based curriculum using District-adopted resources.

Math

The three goals of the *Milwaukee Mathematics Partnership* (MMP)--to increase the mathematics achievement of MPS students, strengthen leadership for effective mathematics teaching and assessment, and improve teachers' mathematical knowledge for instructional practice--remained the primary drivers of improving students' mathematics achievement in the Milwaukee Public Schools for 2009-2010. The MMP drove classroom practice, defined high-quality teaching of challenging mathematics, and framed teacher learning through continuing professional development. Common Course Plans were created for four high school math courses: Algebra I, Geometry, Algebra II/Trigonometry, and Pre-Calculus.

Science

A new K-8 Science Curriculum Guide, aligned with the Wisconsin Department of Public Instruction grade-level foundations in science, was written for implementation during the 2010-2011 school year. The 2009-2010 Annual District Science Fair goal to increase the number of schools participating in the fair by 25 was exceeded, increasing the number of schools by 61%. Sixty-eight Chemical Hygiene and Safety audits were conducted for K-8 schools. An Elementary Science Teaching Specialist was hired in December 2009 to support schools in science teaching and learning in early childhood through 5th grade. Common Course Plans were written for six high school science courses: Environmental Science, Earth Science, Physical Science, Biology, Chemistry and Physics.

Social Studies

In the area of social studies work was begun to help content area teachers support the Comprehensive Literacy Plan (CLP). The professional development designed will be implemented during the 2010-2011 school year. The year's efforts continued to seek out grant supports for social studies education; the first year of a new Teaching American History grant was started with 45 history teachers and the Center for Civic Education supported professional development in Civic Engagement. Saturday academies were a vehicle used to support professional development in all district wide social studies adoptions, as well as technology components. Common Course Plans were created for ten Social Studies courses.

Art

MPS was awarded a federal grant for Model Arts Development and Dissemination, which focuses on connecting the academic programs with arts programs in the K-8 school setting. Since 2006, The Partnership for the Arts program has funded over 65 different arts organizations that partnered with over 175 schools serving on average 22,000 children per year. The goals of these unique partnership programs include expanding arts and humanities-related experiences for City of Milwaukee youth, working with community partners, increasing resources and support for arts and humanities education, and increasing the number of activities that connect the arts and humanities to learning. Based on the success of this program, the Partnership for the Humanities was created and will be launched in the 2010-11 school year, requiring a dollar-for-dollar match from outside of the District. Both models partner MPS schools with community partners to provide services.

Music Education

The MPS Music Department continues to place special emphasis on adapting the music curriculum so as to make it a valuable contributor to the "Working Together, Achieving More" strategic plan. Elementary General Music Teachers worked to integrate and align their efforts with those of the classroom teachers, to support the development of basic skills and general knowledge. Other events and programs included assignment and coordination of Traveling Music Teacher services throughout the District; the Middle School/High School Drum Line Competition; 43rd Biennial Music Festival; Deck the Halls of Central Services (schools brought in to perform throughout the building for the holidays); "Music in Our Schools" band and orchestra performances in Central Services to promote District music programs; Wisconsin School Music Association Competition for solo & ensemble and Concert Instrumental (Band and Orchestra) and Concert Vocal (choir); Saturday Music Centers, which provide music lessons for students and adults in the Milwaukee area; professional development for teachers District-wide; provision of instruments to students through Instrument Scholarship program; and our partnership with Milwaukee Youth Symphony Orchestra to implement the "*Progressions"* program, which provided private lessons for low income students. Common course plans were created for fifteen Music courses.

Career/Technical Education (CTE)

In FY10, MPS continued to focus on research based best practices for integrating career and academic courses, expanding the number of schools using Project Lead The Way pre-engineering curriculum to 20. An evaluation study of that program shows middle school aged students participating in the program improving their WKCE test scores and high school students showing greater attendance, greater math taking rates and higher rates of WKCE 10th grade proficiency than their peers. Three schools started up the new Bio-medical Sciences curriculum, which will be moving into 5 additional schools in fall 2010. MPS also completed the 5-year Education for Employment Plan and broadened the implementation of the federal Programs of Study/Career Clusters model to all schools receiving funding for Career and Technical Programs through the Carl Perkins Act. Graduation rates for CTE completers (students having taken at least 1.5 credits of CTE courses) was 88.5%. Common Course Plans were created for fifteen CTE courses.

Prevention Intervention Programs

Futures First

The Futures First Initiative partnered with five high schools, mobilizing community-based organizations, local government agencies, and employment opportunities to build student capacity to turn away from gangs, violence and failure. Services included coordination and expansion of existing school-based safety and gang reduction services, creation of new programs to aid students in the transition process between schools, development of a new, small high school, and new, targeted services that provide meaningful employment and training and career development opportunities for students. The program served approximately 240 students.

Freshman Connection

Freshman Connection, a four-strategy initiative, provided incoming 9th graders with opportunities to preview the high school of their choice, attend a summer academy that prepared them with skills necessary to facilitate a strong start to the ninth grade, participate in a Freshman Seminar course that prepares them for high school for the next four years, and receive instruction in the use of the Naviance online college and career readiness tool. 100% of the 437 students that attended the summer academy are now enrolled in the Freshman Seminar.

GED Option #2 (GED O2)

Wisconsin school districts can now apply to DPI for permission to prepare students for the high school equivalency diploma (HSED) through alternative education programs, provided the student will be awarded the traditional high school diploma. The program served 402 students, and the 2009-2010 graduation rate for this program was 80%. This year, the District made the decision to expand seating options at the current GED O2 sites.

Project Direct Graduation

MPS also provided direct after school academic programming through Project Direct Graduation (Night School), a credit recovery program. The program served students at 22 schools this year.

ASAP

This year, through after school tutoring (ASAP), students in grades 5 and 8 were also enrolled in after-school skill development classes, leading to additional supports in grade 9. This year, ASAP served 300 students at 15 schools.

Advanced Academic Programs

Advanced Placement (AP)

The second year of the MPS federal AP grant facilitated the expansion of AP courses at six schools through professional development for teachers, AP Coordinators, and District-level content-area specialists, as well as the piloting of supports for nontraditional AP students at six schools. Other AP highlights for the year included a District-wide AP kickoff, regional networking meeting for AP teachers and coordinators, Saturday Academy professional development on *Advanced Placement—Building Courses & Programs for All Students,* the securing of DPI AP Expansion grants for schools increasing AP courses, District reimbursement to schools for costs of AP exams for free/reduced lunch students, and the monitoring of course audit completion by AP teachers. 1, 229 students were enrolled in AP courses this year, and the percentage of AP-enrolled students completing AP exams increased to 73.1% from 59.5%, with 251 students' AP exams qualifying for college credit—an increase from 221 students in 2008-2009.

International Baccalaureate (IB)

Highlights for the year include the award of DPI AP Expansion grants for schools increasing IB HL courses; District reimbursement to schools for 50% of total costs for IB exams, the facilitation of communication between the International Baccalaureate program with the National Center for Education Statistics and the School Codes for the Exchange of Data; support of DPI in adjusting the IB HL Expansion program to reflect the IB HL sequence; and the creation of a plan to collect data on the IB Middle Years Programme. 1, 027 students were enrolled in IB Diploma Programme courses this year, an increase from 917 students in 2008-2009. Data from 2009-2010 IB exams will not be received from the International Baccalaureate Organization until late fall, 2010.

Gifted & Talented (G/T)

MPS was awarded a DPI Gifted & Talented grant and was a part of a DPI Collaborative Gifted & Talented Grant, with the Wisconsin Association for Talented & Gifted and CESA1, for 2009-2010. These grants supported a range of activities, including: support groups for parents of gifted children; co-sponsorship of a regional National Association for Gifted Children convention; an MPS-hosted, statewide summit on G/T education and social justice issues; planning and professional development to implement the USTARS PLUS TOPS program to identify and nurture high potential; five Saturday Academy sessions; and targeted G/T professional development presentations for School Psychologists, School Social Workers, RtI Specialists, and Bilingual Principals. These activities provided support for Gifted & Talented programs and increased the capacity of staff across the District to identify and serve gifted and high-potential learners. An updated model for Gifted & Talented services for the District was created, incorporating an RtI approach to identification and service delivery and including a recommendation for a common admissions process for all G/T programs.

Health Education

MPS Human Growth and Development Curriculum (HGD)

The MPS HGD curriculum has been updated annually since 2008 with input from the DPI, Children's Health Education Center, the Milwaukee Health Department, the United Way of Greater Milwaukee and MPS health teachers, parents, administrators, and nurses. The curriculum has been aligned with state and national health standards and current research defining common characteristics of effective teen pregnancy prevention programs. The goal of the MPS curriculum is to: focus on teen pregnancy prevention and HIV/STI prevention, improve goal setting, decision making, and refusal skills that can help students avoid high risk behaviors and situations, encourage the delay of sexual activity and proper contraceptive use when sexual activity does take place. By the end of the 2009-2010 school year 679 teachers had been trained in the MPS HGD curriculum and other evidence-based curriculum.

Project Health

In a joint project between MPS and the University of Wisconsin Milwaukee's (UW-M) School of Public Health, a new high school health curriculum has been developed. This curriculum uses project based learning to teach students about current health topics. The final project that the students produce is a video public service announcement. The curriculum focuses on health literacy skill building and the National Health Education standards. Four pilot high schools implemented the curriculum in 2009-2010 school year: Vincent, South Division, Riverside, and Hamilton. Each school received 5 laptop computers provided by UW-M. UW-M also provided video production service learning students who gave technical assistance to teachers and MPS students. UW-M has worked with the MPS Research and Assessment Office to research the effectiveness of the new curriculum. A second year of evaluation of the curriculum is underway in 2010-2011.

Physical Education - Support academics without sacrificing physical activity.

District-wide Initiative

In 2009-2010 MPS implemented the FITNESSGRAM physical fitness testing program in grades 4, 6, and 10. FITNESSGRAM is an evidence based fitness testing program with 27 years of research. The primary focus is to teach health related fitness to students and it provides an individualized report of their fitness levels and how to maintain or improve. FITNESSGRAM also provides a common assessment to all MPS schools. 131 MPS teachers out of 169 were trained in FITNESSGRAM in the first year.

Elementary/Middle School/K-8

Classroom teachers are required to teach physical education in some schools. Physical activity classroom guides were developed in 2006 and updated in 2009. "PE is Academic" is an online professional development class designed for classroom teachers and physical education specialists to interact and implement best practices. MPS completed a three-year Physical Education Program grant with 12 middle grade schools. This grant provided in-services on active classrooms as well as providing support to the physical education teachers.

High School

MPS high school physical education teachers helped complete a revision to the traditional high school classes: 9th grade – Comprehensive PE, 10th grade – Lifetime Sports, 11th/12th grade – Lifetime sports. Teachers were trained in the spring of 2010 in this new research based course that will start in 2010-2011. This course, *Fit for Life,* will replace the 10th grade *Lifetime Sports* class.

Summer School High School

The Summer School Office in collaboration with the Curriculum Specialists developed Summer Curriculum Pacing Guides for the following high school core content credit recovery courses: Algebra, Algebra II w/Trig Geometry, English 9 & 10, Biology, Chemistry, Physical Science, Citizenship and US History. A common exam was created and administered for the courses listed above. In addition, the Summer School Office scheduled the dates for final exams and distributed the exam the Monday of exam week.

Summer School Elementary/MS

The Literacy/Science curriculum was implemented at all Elementary Summer sites in 2010. All focus areas and resources utilized in 2009 were expanded to ensure:

- Common curriculum
- Consistent focus
- Uniform expectations/learning intentions
- Common resources

Included this year was site support with coaching and modeling by math, science and literacy personnel as well as mediasite presentations for review of goals and objectives and two minute trainings on a variety of topics.

The lessons were written to teach literacy skills through the content area of science in a 90-minute block format. The block was structured to provide whole group as well as differentiated small group instruction on a daily basis. These lessons incorporated the use of authentic literature along with non-fiction read and think-alouds, hands-on science experiments and demonstrations, leveled science readers, Marzano's Six Step Vocabulary Process, GRASPS, Reading A-Z, Science A-Z, RAZ-kids, Discovery Streaming Education, Project CRISS strategies, and Kidspiration. The lessons were aligned to the Wisconsin Academic Standards, the Milwaukee Public Schools' Learning Targets in the areas of English Language Arts, Reading and Science, the Characteristics of a High Performing Classroom, the Comprehensive Literacy Framework, and Bloom's Taxonomy. Literacy Specialists worked to incorporate Reading and English Language Arts connections, Special Education and English Language Learner modifications, daily formative assessment, technology, and other supplementary educational resources into each lesson.

All resources and materials needed to implement the Science/Literacy block were provided to the Pilot schools by the Summer School Office. The resources provided included a Teacher's Resource Guide, which included all lessons and extension activities, English Language Arts Writing Guides and GRASPS booklets, leveled Reading A-Z books, leveled science readers, authentic literature, materials for science experiments, and CDs with supporting video clips from Discovery Education. Bilingual classrooms received resources in both Spanish and English.

During the math sessions, Math Specialists provided information on the implementation of the 90-minute Math Block, information on the Math Curriculum Pacing Guides, and math assessments. The summer K-8 mathematics curriculum focuses on Learning Targets and State Descriptors that were identified as areas of weakness based on "winter" schools Benchmark data analysis. The summer school pacing guide includes activities/lessons from the winter school's board-adopted curriculum resources. An emphasis is placed on lessons/activities that help to develop conceptual understanding of concepts and skills embedded in the Learning Targets and State Descriptors identified. The lesson/activities actively engage students in meaningful mathematics that promotes communication and reasoning. To bridge the gaps, identified the alignment to the Learning Targets and State Descriptors are

provided for each lesson/activity. Formative assessments and math vocabulary words are also identified for each area of focus.

Grade 8 Promotion Program

Ninety-one point nine percent (91.9%) students enrolled in the Grade 8 Summer Promotional program were promoted to the ninth grade. One hundred ninety seven (197) out of two hundred ten (210) students or 93.8% of the students enrolled completed the program. Twelve (12) students were dropped from the program due to poor attendance and/or behavior issues. Four (4) students failed to meet the academic area requirements and were retained.

•*Provide support for Literacy and Math instruction* – Most schools have a literacy coach that coordinates the efforts of staff around the literacy model and engages teachers in job-embedded professional development, particularly newly hired teachers, to ensure success for all students. Literacy coaches work collaboratively with teachers and support them in implementing the Comprehensive Literacy Plan. They also work with the learning team to analyze literacy data and develop and monitor the literacy portion of the School Improvement Plan.

A total of 116 Math Teacher Leaders (MTL) will be released from their regular classroom responsibilities: 99 will be funded through a special funding request to DPI, 6 will be funded with MPS board funds and the remaining 11 positions will be supported through SIG funds. In addition, approximately 60 individuals will serve as non-released Math Teacher Leaders. The Math Teacher Leaders work with other teachers in their schools to promote understanding of students' mathematical needs and challenges based on assessment data and student work samples, and support job-embedded professional learning in instructional strategies that are modeled from their monthly professional development and leadership training.

- •*Increase learning team capacity* – Each school is expected to have a learning team composed of individuals from the school community who are prepared to collect and interpret data to inform the school's improvement plan, provide support to teachers, enable embedded professional development at the school site, and help create positive conditions for continuous teacher and student learning. Learning teams ensure that each school's improvement plan is data driven, that the curriculum is aligned with standards and assessments, that school-based decision making is a shared responsibility, that a climate exists to support a professional learning community, and that the school demonstrates fiscal responsibility.
- •*Provide all school staffs with PBIS training* – Positive Behavioral Interventions and Supports (PBIS) is a research-based, systematic approach for establishing the social, cultural, and behavioral supports needed for schools to be effective learning environments for all students. The goal of this initiative is to reduce classroom disruptions and student suspensions through school-wide systematic three-tiered response-to-intervention (RTI) approach. Data shows that schools that implement PBIS with fidelity see decreases in disruptions and suspensions and increases in student achievement.

Leadership Accountability and Support – During the 2009-10 school year, MPS schools were organized into geographical regions called System of Support (SOS) clusters. Each SOS cluster was led by a leadership team comprised of an administrative specialist, a special education leadership liaison, and a District Identified for Improvement (DIFI) supervisor. The SOS cluster model is designed to provide both the support and accountability processes and individuals to not only assist principals and school leaders but to also hold them accountable for school leadership and student learning.

All principals and school leaders participated in the District's monthly SOS Cluster Leadership Workshop. These half-day sessions provide meeting time for the SOS Leadership Team with principals and school leaders as well as provide two hours of seminar time called the MPS EdStat Workshop. Triads of principals work with the SOS Academic Team to look at school data around standardized tests, benchmark data, attendance, and suspension data in relation to the School Improvement Plan for each school. Social workers assigned to each SOS cluster provide additional support to schools around attendance and restorative justice practices.

The 2009-10 monthly professional development for principals focused on developing the instructional leadership skills and strategies of all school leaders while continuing to delve deeper into analyzing research-based instructional practices to actively engage students at higher levels of thinking.

Providing ongoing support through multiple avenues of professional development is an essential component of the MPS Support and Accountability System for principals and school leaders. Three days of orientation for new

principals included an overview of services provided by the central services, hands-on finance training, and training on staff evaluation, misconduct, and opening procedures. All principals and school leaders participate in the three-day MPS Superintendent's Fall Institute for School Leaders that focuses on the work of the principal as instructional leader. Beginning principals and initial educator administrators received 100 hours of mentoring services provided through the MPS/Alverno College Mentoring and Coaching Program.

For the 2010-2011 school year, all MPS schools have been organized into eight regions and a Regional System of Support created to provide and align support and accountability to schools and school leaders within our school system. Schools in five of the regions are organized geographically within the District. These regions include the Northwest Region, West Region, East Region, Central Region and South Region. One region, the Metro Region is composed of nine of the Tier I, II and III high schools. Two of the regions, the Partnership Region and Charter Region are comprised of schools that hold contracts for educational services in our District.

New for 2010-2011 is that each region is directed under the leadership of a Regional Executive Specialist. The Regional Executive Specialist advises, directs, monitors, supports, evaluates and holds school principals and school leaders accountable for a strong, safe, effective and efficient education program in the Milwaukee Public Schools. The Regional Executive Specialist also leads the members of the Regional System of Support teams in their service to schools and staff and also assures compliance with all legislative and legal requirements.

There are four teams aligned to the MPS Regional System of Support. School leaders in each region are further supported with a Regional Core Team, a Regional Academic Support Team, a Regional Home-School Support Team, and a Regional Technical Support Team with representatives from nearly every office at the Central Services. The Regional System of Support model is designed to provide both differentiated support and accountability processes for school leadership and student learning.

During the 2010-2011 school year, principals and school leaders will participate in the District's monthly RSOS Leadership Conference. These sessions will provide regional meeting time with principals and school leaders. The District also intends to provide leadership training to all principals through a contracted delivery of service model by the start of the second semester of this school year.

Consistent with the corrective action plan, social workers funded through School Improvement Grant funds will be assigned to each region and will provide additional support to schools around attendance and restorative justice issues. Additional opportunities for training will be provided by MPS Central Services offices with sessions focused on budget, finance, data, and special services for students.

Beginning principals also will participate in ongoing orientation sessions as a part of the MPS Principal Induction Program. Nine morning sessions, occurring in the schools of our beginning principals, will focus on effective practices in teaching, assessment, school climate and evaluation. All sessions are aligned to Wisconsin Standards for Administrators and the MPS evaluation process for all administrators.

District and Community Support

- *Report data for accountability* – The District annually publishes a Report Card detailing overall and school-by-school achievement, attendance, and demographic data. School Climate Survey data of students, parents, and staff is also published annually for each school along with grade-span value-added measures. Central Services evaluates school performance to ensure early intervention when appropriate. Special attention is paid to special education compliance and each school's adherence to regulations is monitored throughout the year and formally in the spring semester via the Continuous Improvement Focused Monitoring tool (CIFM). The District provides targeted support and prescriptive interventions in areas such as curriculum, budget, staffing, and administrative evaluation to *low-performing schools*, especially Schools Identified for Improvement by the State Superintendent. The evaluation system for various employee groups will be reviewed and modified over the next couple of years to ensure that the systems are well aligned with targeted outcomes in the *Working Together, Achieving More* strategic plan.
- *Community Partnerships* – The District and schools collaborate with businesses and community organizations to provide educational and recreational activities for students and families; to use schools as gathering places and activity centers for community groups; and to involve businesses and community organizations in teaching and learning activities during the school day. The District and schools work with community-based, non-

governmental, and law enforcement organizations to enhance and support the District's anti-violence, anti-drug, and cultural sensitivity programs for students, families, and school communities. MPS works with sponsoring and community agencies to provide support and resources for refugee and immigrant families. The District and schools collaborate with business partners to provide students with mentors, internships, and pathways to future employment. The MPS STEM Partnership Team supports career development through initiatives such as Project Lead the Way. Partnership efforts are focused on and aligned to District needs, including fostering positive relationships with the community. Community partnerships are integral to the development, implementation, and successful outcomes of the WTAM strategic plan.

The Milwaukee Partnership Academy (MPA) is an urban P-16 partnership initiated in 1999 to support the District's strategic initiatives to enhance the quality of teaching and learning in MPS. The broad initiative of the Milwaukee Partnership Academy is to ensure that every child in MPS is performing at or above grade level in reading and writing. In addition, the Milwaukee Partnership Academy priorities continue to support mathematics, literacy, and science. School-based learning teams, literacy coaches, and mathematics teacher leaders play a critical role in supporting identified approaches. Information about the Milwaukee Partnership Academy is available at: http://www.milwaukeepartnershipacademy.org

Special Services Programs and Supports

Each year, the Department of Special Services conducts districtwide professional development opportunities to increase the District's capacity to support the special learning needs of all students with disabilities in the general curriculum, as well as to support students identified as at-risk in academic skill development. During the 2008-09 school year, the department offered targeted professional development and ongoing support opportunities for teachers who support the individual needs of students with significant cognitive disabilities, severe emotional behavioral disabilities, other health impairments, autism spectrum disorders, and early childhood. Targeted support was also offered to teachers of bilingual students. The department supported professional development in reading intervention strategies for students with special needs who are participating in the general curriculum, as well as training and support relative to the Wisconsin Knowledge and Concepts Examination (WKCE) assessment and administration of the Wisconsin Alternate Assessment (WAA). District-wide training and support was offered for regular and special education teachers in the development of academic accommodations/modifications and supports for students with special needs, and in supporting the implementation of functional behavioral assessments and behavioral intervention planning for students with challenges in this area. Targeted training and support for paraprofessionals and handicapped children's assistants was focused on providing positive behavior support to students.

The most significant focus of professional development throughout the 2009-10 school year targeted toward improving literacy outcomes for student with disabilities. Training was offered throughout the year relative to ongoing the implementation of the Language! and Unique programs throughout the District.

Seven mentors provided ongoing support to 75 classroom teachers (with less than five years experience) providing special education services to students with the most significant disabilities and severe needs. Eight FTE psychologists and eight FTE social worker positions targeted their efforts to provide support to 78 classrooms that serve students with significant emotional behavioral disabilities. Five school psychologists and five school social workers provided direct support to the school health initiative the goal of which is to promote wellness and increase attendance and academic outcomes for students.

Training opportunities were widely offered to increase the capacity of staff and effectiveness of regular and special education classroom routines and social-emotional behavioral interventions to maximize student outcomes in all areas. School-wide support was offered in over 95 MPS schools through the Optimizing Support through Problem Solving (OSPS) program. The OSPS process was closely linked with the district wide implementation of the Ed Stat process which provided school administrators with tools and training to monitor their school data and make informed decisions for improvement and change. Specific targeted supports to building staff included training regarding processes for data collection and analysis of education issues (achievement, behavioral, etc.), development of plans for research and scientifically based interventions to address identified issues, and specific strategies for measuring and monitoring progress. Staff supported the suspension reduction and alternatives to suspension activities for students with disabilities.

The District continues to contract with Milwaukee County Wrap Around to support three MPS-dedicated Mobile Urgent Treatment Teams (MUTT), which support students who are having significant mental health crisis issues. MUTT services include face-to-face crisis intervention, telephone consultation and support, professional

development in the area of mental health intervention, and follow up crisis stabilization support. The partnership with Milwaukee County Wrap Around was extended by the implementation of the REACH program, which provides wrap around services for up to 300 MPS students and families.

The Department of Special Services supported the district wide implementation of the Positive Behavior Interventions and Supports (PBIS) model. This Tier I intervention supports the development of school wide routines to increase positive behaviors throughout the school and to identify students with specific and significant behavioral issues that need to be addressed though additional interventions.

MPS continued the implementation of Language! This research-based reading curriculum is designed to target special education students who are performing below proficient on statewide assessments who require a replacement curriculum to accelerate their achievement in reading. Initial training was provided for all special education teachers who are providing instruction in the Language! Program.

MPS also continued to implement an alternate literacy curriculum called Unique, which supports the learning need of students with significant cognitive disabilities, orthopedic impairments and autism. This program provides age appropriate materials to support the state endorsed extended grade band standards for students with significant disabilities. Initial training was provided for all special education teachers who are providing instruction in the Unique Program.

The Department of Special Services worked closely with the Department of Educational Services to develop the district-wide Comprehensive Literacy Plan (CLP) and select the Tier I district wide reading adoption, which will be implemented during the 2010-11 school year.

The Special Education Oversight Action Plan (SOAP) includes multiple requirements for effective monitoring strategies of the District's compliance to the requirements of the Individuals with Disabilities Education Act (IDEA-2004). The following activities were successfully implemented during 2009-10: Continuous Improvement Focused Monitoring (CIFM), IEP timeline oversight, school-based service delivery and staff caseload review, and the Parent Dispute Resolution System (PDRS), which incorporates training and accountability through a technology-based monitoring system. The PDRS supports the resolution of parent concerns and issues, with new reports developed to assist principals with follow through on parent concerns. The District compliance oversight efforts have resulted in the elimination of over 40 DPI required items for oversight.

Collaboration between the Department of Special Services and the Wisconsin Department of Public Instruction (DPI) during 2009-10 supported the mission of the District. Results continue to demonstrate significant increases in District-wide compliance to both state and federal requirements. DPI continues to work with MPS and other Districts across the state to modify the statewide assessments for students with disabilities and to include life skills as part of the extended alternate state standards for students with disabilities. In addition the Department worked closely with DPI to ensure that the literacy efforts included in the Comprehensive Literacy Plan (CLP) closely align with state and federal mandates for students with disabilities.

Student Healthcare Initiative

Students become healthy, life-long learners when they have access to health and wellness care that reduces health-related barriers to learning. Health Services continues to collaborate with both internal and external partners to ensure that student and family health needs are anticipated, assessed and met.

Many MPS health initiatives developed in the last few years have stabilized, while others have emerged to meet the growing health disparities that affect student achievement. *Healthy People 2010* and *2020* recommend a school nurse to student ratio of 1:750 for typically developing students, and lower ratios for student populations with significant health needs. In 2009-10, MPS school nurse staff increased to 63 school nurses (RN) and 31 school nurse associates (LPN), improving the nurse-student ratio to 1:1,308. An additional 10 school nurses were hired for the 2010-11 school year which will move the ratio to 1:1,129 marking continued progress toward the *Healthy People* recommended ratio. Significant nursing successes include: improved immunization rates, expanded oral health services, increased vision screening and follow-up and expanded school based health center partnerships. In addition, schools benefited from safe and healthy school environments created by the development and implementation of an emergency anaphylaxis response protocol resulting in 5 lives saved, and the continued expansion of Heart Safe Schools that trained over 1000 staff in CPR/AED, resulting in 2 lives saved last year.

The Core Health Services Team, composed of MPS District health leaders (Nursing, Health Services, Social Work, Psychology, Guidance, Nutrition Services, Health and Physical Education, School Safety, Head Start, Safe Schools-

Healthy Students) convenes regularly to ensure that health services support academic achievement and align with funding, partnership opportunities, and MPS strategic plan goals. The Core Health Services Team at the District level and the Coordinated School Health Teams at the school level work together to standardize health services, build capacity, and evaluate processes and outcomes with the aim of improving health equity and reducing health-related barriers to learning.

Community Partnerships continue to provide added value for direct health services with 4 nurse practitioner FTEs and 13.4 registered nurse FTEs providing service to MPS students. Partners include Aurora Health Care, Aurora Visiting Nurse Association, Children's Hospital and Health System, Columbia-St. Mary's St. Elizabeth Ann Seton Dental Clinic, Froedtert Memorial Lutheran Hospital, Medical College of Wisconsin, Milwaukee Health Department, and many other colleges, universities and community partners. School nursing services were provided in 137 schools in conjunction with partners, an overall increase of 30 additional schools. School Nutrition Services also supports student health with the Student Nutrition and Wellness policy, as well as universal free breakfast in the classroom, and evening meals at Community Learning Centers.

In addition, MPS school nurses are working with the health education staff at 20 schools under a Center for Disease Control (CDC) grant, to reinforce students' understanding of asthma and its management. Each school nurse meets with students with a history of asthma at least twice, coordinating their care with parents and health care providers. In addition, school staff receive training by Fight Asthma Milwaukee. This is the second year of a five-year grant with 10 schools being added each year.

The coming year will see continued efforts aimed at green strategies for medication disposal and standing order protocols for common school health problems.

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 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 order. Encumbrances that remain at June 30, 2010, are recorded as reservations of fund balance.

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

As stated in the District Strategic Plan, the District's long-term financial target is to increase resources used to support instruction and instructional support to 65% by 2012. Additionally, the District will 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.

CASH MANAGEMENT

As provided by Wisconsin statutes, the City of Milwaukee acts as an agent for the Board of School Directors. Substantially all treasury function activities are managed by the City of Milwaukee. A major portion of the District's cash is held and controlled by the Treasurer of the City of Milwaukee. The City retains all investment income and absorbs all losses. All investments of the District are limited to those investments permitted by state statutes related to these deposits. Permitted investments are limited to:

- 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.
- 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.
- 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, and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. agency instruments with an A1+/P1 credit rating. All of the $15,854,887 invested in money market funds are triple-A rated.

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 or 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 insurance, 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 aggregate protection. The District is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance.

There were no significant changes in the insurance coverage from coverage provided in the prior year for any of the above-described risks. Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

DEBT ADMINISTRATION

The City school bonds, notes and capital lease obligations outstanding at June 30, 2010 totaled $435,708,373. Of this total, $66,371,988 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 $369,336,385 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 unqualified. 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, 2010, 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, 2009. 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 and the Office of Board Governance - Audit Services. 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

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BOARD OF SCHOOL DIRECTORS

DISTRICT	NAME	ADDRESS	TERM EXPIRES
1	Tim Petersons	12023 W. Rio Street (53225)	April, 2011
2	Jeff Spence	3180 N. Colonial Drive (53222)	April, 2011
3	Michael Bonds	3519 N. 50th Street (53216)	April, 2011
4	Annie Woodward	1920 W. McKinley Avenue (53205)	April, 2013
5	Larry Miller	2584 N. Farwell Avenue (53211)	April, 2013
6	Peter Blewett	2750 N. 45th Street (53210)	April, 2013
7	David Voeltner	5311 W. Jerelyn Place (53219)	April, 2013
8	Terrence Falk	2978 S. Wentworth Avenue (53207)	April, 2011
At-Large	Bruce Thompson	2837 N. Marietta Avenue (53211)	April, 2011

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

STANDING COMMITTEES

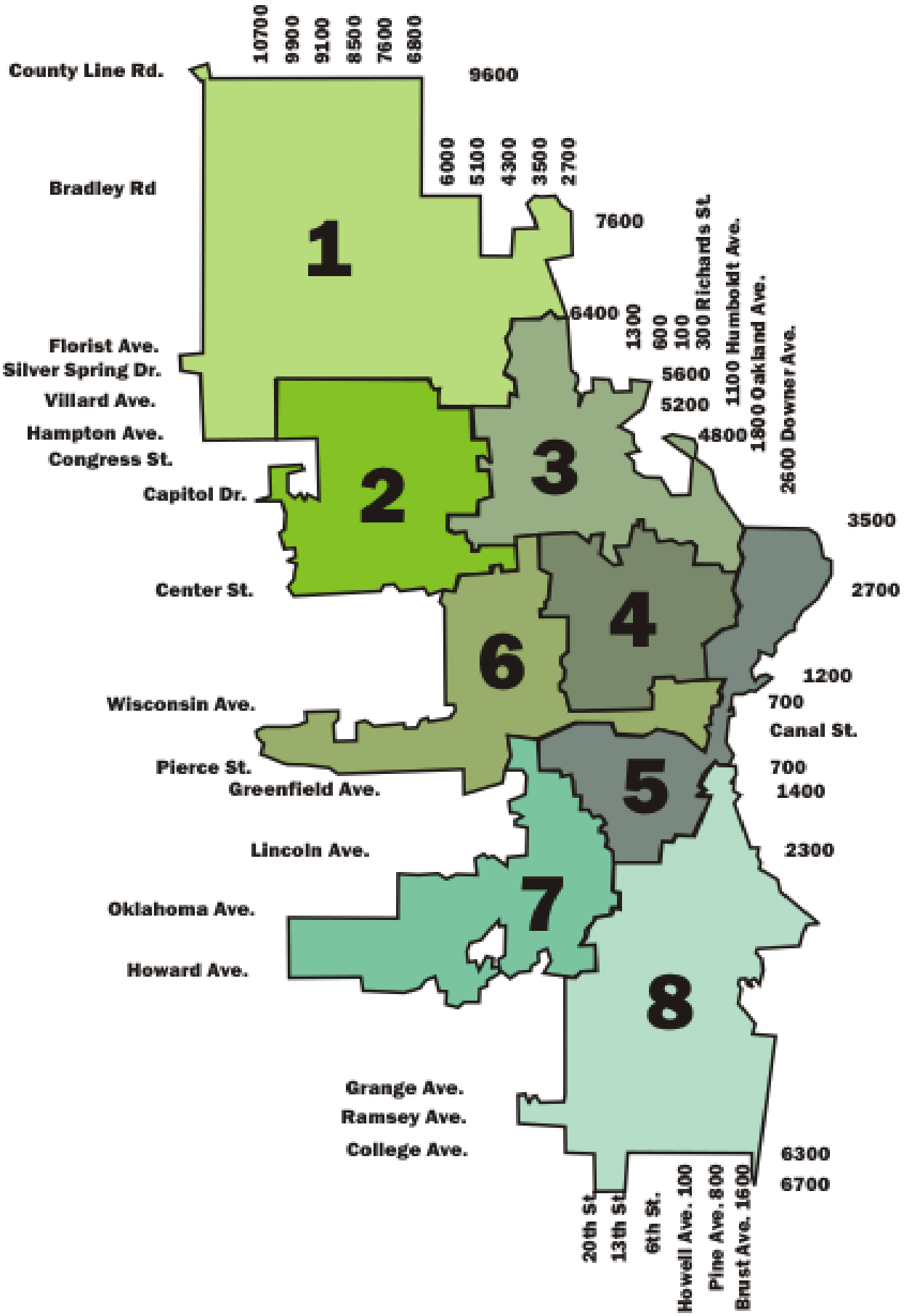
INNOVATION/SCHOOL REFORM COMMITTEE
Directors Miller (Chair), Falk (Vice-chair), Woodward,Voeltner, Petersons

LEGISLATION, RULES AND POLICIES COMMITTEE
Directors Blewett (Chair), Thompson (Vice-chair), Falk, Bonds, Spence

ACCOUNTABILITY/FINANCE AND PERSONNEL COMMITTEE
Directors Bonds (Chair), Voeltner (Vice-chair), Miller, Woodward, Blewett

STRATEGIC PLANNING AND BUDGET COMMITTEE
Directors Falk (Chair), Petersons (Vice-chair), Blewett, Bonds, Miller, Spence, Thompson, Voeltner, Woodward

PARENT AND COMMUNITY ENGAGEMENT COMMITTEE
Directors Woodward (Chair), Spence (Vice-chair), Thompson, Miller, Petersons

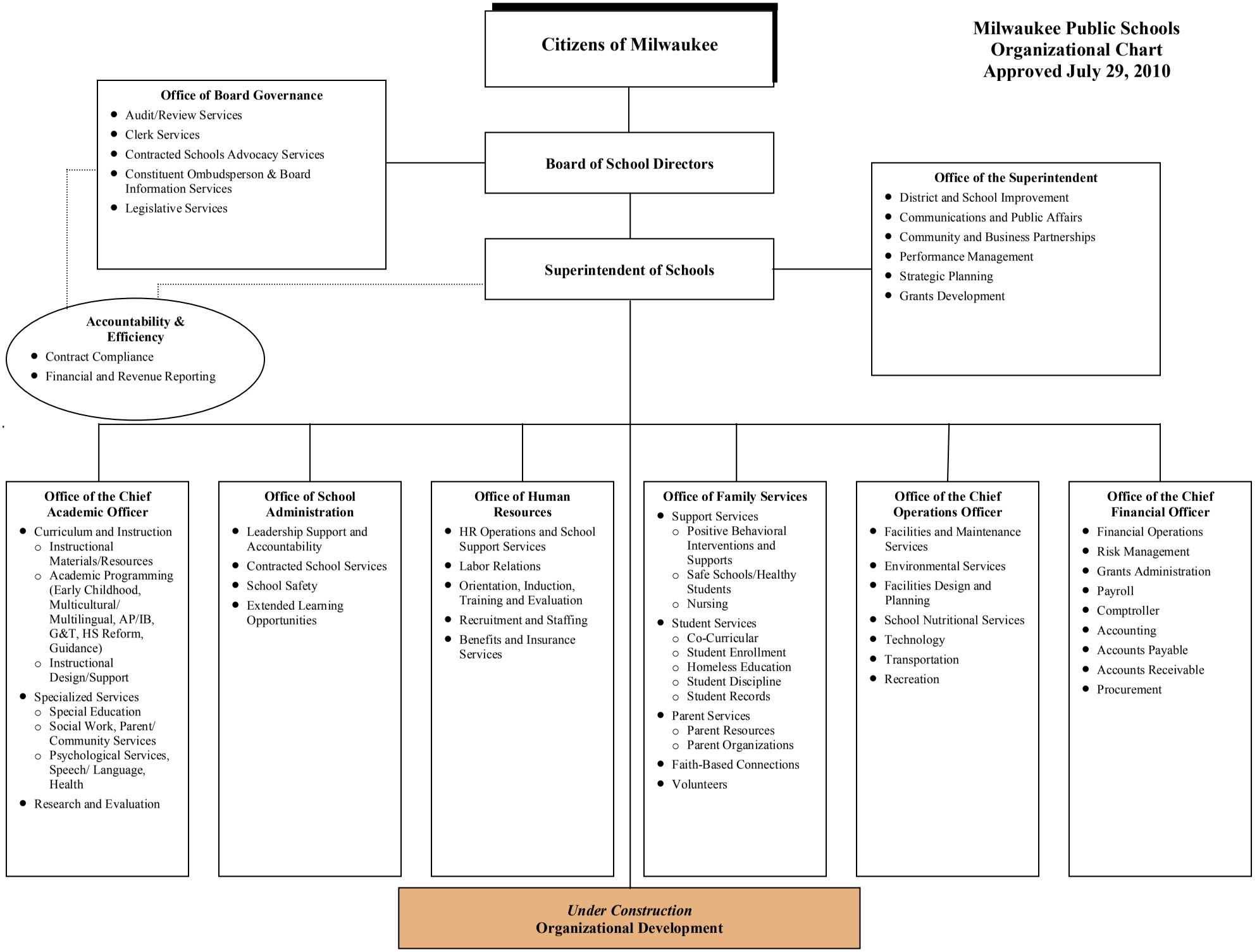

10700
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County Line Rd.
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2700
Bradley Rd
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6400
1300
600
100
300 Richards St.
1100 Humboldt Ave.
1800 Oakland Ave.
2600 Downer Ave.
Florist Ave.
Silver Spring Dr.
Villard Ave.
Hampton Ave.
Congress St.
5600
5200
4800
3
2
Capitol Dr.
3500
Center St.
2700
4
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1200
Wisconsin Ave.
700
Canal St.
Pierce St.
Greenfield Ave.
700
1400
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Lincoln Ave.
2300
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Oklahoma Ave.
Howard Ave.
8
Grange Ave.
Ramsey Ave.
College Ave.
6300
6700
20th St.
13th St.
6th St.
Howell Ave. 100
Pine Ave. 800
Brust Ave. 1600

MILWAUKEE PUBLIC SCHOOLS

ADMINISTRATIVE OFFICERS

SUPERINTENDENT OF SCHOOLS	Dr. Gregory E. Thornton
Chief of Staff	Ms. Naomi P. Gubernick
Chief Human Resources Officer	Dr. Karen R. Jackson
Chief Academic Officer	Dr. Heidi A. Ramirez
Chief Financial Officer	Mr. Gerald J. Pace
Chief Operations Officer	Ms. Michelle J. Nate
Director, Family Services	Ms. Jennie B. Dorsey
Director, School Administration	Ms. Anita M. Pietrykowski
Director, Communications & Public Affairs	Ms. Roseann St. Aubin
Coordinator to the Superintendent	Ms. Susan Saller

Milwaukee Public Schools
Organizational Chart
Approved July 29, 2010



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, 2009.

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.

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.





President



Executive Director

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FINANCIAL SECTION

Baker Tilly Virchow Krause, LLP
115 S 84th St, Ste 400
Milwaukee, WI 53214-1475
tel 414 777 5500
fax 414 777 5555
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public School ("District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 the *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective July 1, 2009.

an independent member of
BAKER TILLY
INTERNATIONAL

To the Board of Directors
Milwaukee Public Schools

In accordance with *Government Auditing Standards,* we have also issued a report dated December 10, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress and employer contributions as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial and statistical information listed in the accompanying table of contents under "Introductory Section and Statistical Section" is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
December 10, 2010

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, 2010. 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 assets of MPS decreased to ($20.9 million) at June 30, 2010, from $118.3 million at June 30, 2009, a decline of approximately $139.3 million, or 117.7%. Of this decrease, $127.2 million is attributable to the increase in the District's Other Post Employment Benefits (OPEB) liability at year-end.
- Total revenues increased to $1.267 billion in fiscal year 2010, up from $1.233 billion in fiscal year 2009, an increase of approximately 2.8%.
- Total expenses increased to $1.406 billion, up from $1.365 billion for the year ended June 30, 2009, an increase of 3.0 %. The increase is largely attributable to the cost of the District's OPEB obligation.

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

- Total fund balances of the District's governmental funds increased $36.6 million in fiscal year 2010. This increase included a $4.6 million decline in the General Fund, a $37.8 million increase in the Construction Fund, a $3.5 million decrease in the School Nutrition Fund deficit, and a $0.1 million decrease in the Nonmajor Governmental Funds.
- The decrease in the General fund balance is the result of a $1.6 million budgeted use of applied surplus and a $2.5 million transfer to the Construction Fund to finance debt service paid on outstanding bonds. The increase in the Construction fund balance is attributable to the issuance of $49.3 million of Qualified School Construction Bonds.
- The $3.5 million decrease in the School Nutrition fund balance deficit is attributable to increased federal food service aid resulting from an expanded school breakfast program and increased participation in the school lunch program.
- The decrease in the Nonmajor Governmental fund balance is due to a $0.5 million principal payment on an outstanding TEACH loan from the State of Wisconsin
- Total fund balances for all governmental funds at June 30, 2010 were $136.9 million. Of this amount, $26.3 million was reserved for encumbrances, $0.09 million was reserved for non-current receivables, $0.7 million was reserved for inventories, $5.2 million was reserved for self-insurance and prepaid expenditures, $2.2 million was reserved for the School Nutrition deficit, $10.0 million was reserved for debt service, and $92.5 million remains unreserved.

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 Assets
     - 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, 2010. 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 assets** 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 assets. 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 assets,* and to provide an explanation of material changes that occurred since the prior year. Net assets—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.

Table 1

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

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
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 assets - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balance	- Statement of fiduciary net assets - Statement of changes in fiduciary net assets
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 assets and a statement of changes in fiduciary net assets. 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

Total net assets decreased from the prior year by $139.3 million. This decrease is largely the result of a $127.2 million increase in the District's Other Post-Employment Benefit (OPEB) liability. The Government Accounting Standards Board Statement 45 requires MPS to report its OPEB liability beginning with the 2008 fiscal year. The District's OPEB obligation at June 30, 2010 was $389.2 million. This amount reflects the unfunded portion of the fiscal year 2010 cost of healthcare benefits owed to current and future MPS retirees. The District's total OPEB liability as actuarially determined at July 1, 2009 is $2.398 billion.

MPS ended its fiscal year with net assets of ($20.9 million), of which $494.5 million was invested in capital assets (net of related debt), $4.7 million was restricted for debt service, and ($520.2) million was an unrestricted deficit. The unrestricted deficit is the result of the OPEB liability noted above 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, 2010 the balance of the outstanding pension debt grew to $176.4 million due to the fact the pension financing includes capital appreciation securities which accrete over time.

MILWAUKEE PUBLIC SCHOOLS

Table 2

Condensed Statement of Net Assets

(in thousands)

	Government-wide Activities		
	2010	**2009**	**Difference**
Capital assets, net	$ 628,002	$ 639,389 *	$ (11,387)
Noncapital assets	276,860	182,228	94,632
Intangible assets	11,822	8,775	3,047
Total assets	916,684	830,392	86,292
Current liabilities	140,125	102,871	37,254
Noncurrent liabilities	797,495	609,190	188,305
Total liabilities	937,620	712,061	225,559
Net assets:			
Invested in capital assets, net of related debt	494,531	499,645	(5,114)
Restricted	4,700	8,351	(3,651)
Unrestricted (deficit)	(520,167)	(389,665)	(130,502)
Total net assets	$ (20,936)	$ 118,331	$ (139,267)

* The fiscal year 2009 number was reduced by $8.8 million to reflect the amount of intangible assets. The District implemented GASB 51 in fiscal year 2010 which requires intangible assets to be reported separately.

Capital Assets decreased by $11.4 million. The decrease is the net result of Construction in Progress growing by $6.4 million, Buildings declining by $3.4 million, and Accumulated Depreciation increasing by $14.4 million.

Notable changes in Noncapital Assets occurred in the areas of Accounts Receivable, Due from Other Governments, Prepaid Expenses, Deferred Cash Flow Hedges-Unrealized Loss on Derivatives, and Restricted Cash and Investments. Accounts Receivable increased $24.9 million primarily due to

unearned revenue recorded in anticipation of refunds due from Microsoft pursuant to a court-ordered settlement. Due From Other Governments rose $8.1 million as the result of the District being awarded Title I –ARRA stimulus funds. With respect to Prepaid Expenses, MPS prepays recurring expenses in fiscal years when schools do not spend their entire budgets. The prepayments allow the District to maximize state equalization aid in the following year. Because schools spent more of their budgets in fiscal year 2010, fewer prepayments were made at year-end.

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 assets. For the reporting period, all the District's derivatives meet the effectiveness test. The current asset component of the decrease in fair value is $11.6 million and the noncurrent asset component is $24.4 million.

Restricted Cash and Investments increased $37.2 million due to restrictions associated with increased debt. During fiscal year 2010 MPS issued $49.3 million of Qualified School Construction Bonds (QSCB) and $11.4 million of general obligation bonds used to refund existing debt.

Current liabilities grew $37.3 million in the current year due to an increase of $18.9 million in Unearned Revenue, a $5.8 million increase in the Current Portion of Long-Term Obligations, and the addition of $11.6 million in Deferred Cash Flow Hedges-Unrealized Loss on Derivatives. The rise in Unearned Revenue is attributable to anticipated Microsoft refunds due as a result of a court-ordered settlement. The Current Portion of Long-Term Obligations increase is primarily due to a $3 million increase in worker's compensation claims, $2.1 million additional capital leases and a $0.7 million increase in accrued compensated absences. The Deferred Cash Flow Hedges-Unrealized Loss on Derivatives recognizes the liability associated with the decrease in fair value of District hedges.

Noncurrent Liabilities jumped by $188.3 million primarily due to the $127.2 million increase in the OPEB liability, the issuance of $49.3 million of QSCB bonds and $11.4 million of General Obligation bonds, $11.5 million Microsoft leases, the recording of $24.4 million related to Derivative Instruments, and a decrease of $30.6 million in principal payments.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2010 with a decrease in net assets of $139.3 million, compared to a decrease of $132.0 in fiscal year 2009.

MILWAUKEE PUBLIC SCHOOLS

Table 3

Schedule of Revenues and Expenses

(in thousands)

	Government-wide Activities		
	2010	**2009**	**Difference**
Program revenues:			
Charges for services	$ 12,348	$ 13,690	$ (1,342)
Operating grants and contributions	355,599	379,772	(24,173)
Capital grants and contributions	11,118	1,699	9,419
Total program revenues	379,065	395,161	(16,096)
General revenues:			
Property taxes	295,833	287,779	8,054
Other taxes	59	49	10
Federal and state aid	590,404	548,265	42,139
Interest and investment earnings	759	1,159	(400)
Miscellaneous	1,076	1,045	31
Total general revenues	888,131	838,297	49,834
Total revenues	1,267,196	1,233,458	33,738
Expenses:			
Instruction	887,816	864,410	23,406
Community services	25,538	25,574	(36)
Pupil and staff services	143,518	138,220	5,298
General administration	132,145	118,454	13,691
Business services	159,725	161,740	(2,015)
School nutrition	40,555	40,892	(337)
Interest on long-term debt	17,166	16,181	985
Total expenses	1,406,463	1,365,471	40,992
Increase (decrease) in net assets	$ (139,267)	(132,013)	(7,254)

Total revenues increased $33.7 million, or 2.7% over the prior year. The greatest changes came in the areas of Grants and Federal and State Aid. Operating Grants declined by $24.2 million due to the District's American Recovery and Reinvestment Act (ARRA) federal stimulus funding decreasing in FY10 to $21 million versus $47 million in FY09. Capital Grants rose by $9.4 million due to Microsoft revenues received of $6.7 million and e-rate revenues of $3.7 million. Federal and State Aid increased by $42.1 million as a result of a $45 million increase in equalization aid. Property taxes rose $8.1 million to $295.8 million. The property taxes above excluding the extension property tax levy represents an increase of $9 million which was the maximum allowed under the state mandated revenue limit. The extension fund property tax levy represents a $0.9 million decrease to property taxes which is outside of the revenue limit.

Total expenses grew by $41.0 million, or 3.0%. This growth is primarily attributable to increases in Instruction ($23.4 million), and General Administration ($13.7 million). The large rise in instruction cost is due to $11 million of Microsoft lease cost and a $10 million reduction in Buildings for impaired assets. The increase in General and Administration increase is the result of $2.5 million distribution of pension cost, $2.5 million in benefit cost and $2 million in salaries.

Capital Assets

Table 4 shows that at June 30, 2010, MPS had $1.104 billion in capital assets including land, buildings, leasehold improvements, and furniture and equipment. This amount represents a net increase of $7.7 million from the previous year. The primary driver of this increase is Construction in Progress, which rose $6.3 million, partially offset by a $3.4 million decrease in the Buildings account. No new buildings or building additions were constructed in fiscal 2010.

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

Milwaukee Public Schools
Table 4
Change in Capital and Intangible Assets
(in thousands)

	Beginning balance		Increases	Decreases	Ending balance
Governmental activities:					
Capital and intangible assets:					
Land	$ 31,689		$ —	$ —	$ 31,689
Construction in progress	8,444		19,590	13,237	14,797
Buildings	964,194		13,237	16,604	960,827
Leasehold improvements	9,269		—	—	9,269
Furniture and equipment	48,070		900	908	48,062
Software	34,224	*	4,785	—	39,009
Total capital assets	1,095,890		38,512	30,749	1,103,653
Accumulated depreciation and amortization	(447,727)		(23,071)	(6,970)	(463,828)
Totals	$ 648,163		$ 15,441	$ 23,779	$ 639,825

* In fiscal year 2010 the District implemented GASB 51 which requires software to be reported separately as an intangible asset.

Long-term Debt

Long-term debt at June 30, 2010 was $369.3 million. Debt retirements totaled $30.6 million, and $71.7 million of new debt was issued during fiscal year 2010.

Table 5

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

	July 1, 2009	Issuances	Retirements	June 30, 2010
Governmental activities:				
Americans with Disabilities Act loans	$ 12,166	$ —	$ 953	$ 11,213
TEACH loan	2,429	—	771	1,658
Neighborhood School Initiative bonds	103,528	—	3,922	99,606
Qualified School Construction Bonds	—	48,850	—	48,850
Qualified Zone Academy bonds	7,043	—	1,373	5,670
Pension refinancing debt	173,649	—	(2,711)	176,360
Capital leases	29,460	11,504	26,339	14,625
Other intergovernmental debt	—	11,354	—	11,354
Total debt	$ 328,275	$ 71,708	$ 30,647	$ 369,336

There were three debt issues in fiscal year 2010. General Obligation bonds of $11,020,000 with an interest rate in the 1.5 – 3.0% range were issued to refund the RACM Series 2003 bonds. Qualified School Construction Bonds (QSCBs) of $12,000,000 with a 1.2% interest rate and $37,300,000 with a 5.25% interest rate were issued under the federal government's American Recovery and Reinvestment Act. Of note, under current law, the interest on the $37.3 million of QSCBs is reimbursed to the District by the federal government.

The District reduced TEACH loans outstanding in the 2010 fiscal year by $771,745. The TEACH wiring loan program is sponsored by the state of Wisconsin and provides loans to schools and libraries for the purpose of installing the telecommunications wiring infrastructure necessary to provide local area networking and internet connections. This program offers a significant benefit to MPS in that one-half the amount borrowed is immediately forgiven by the state. MPS has entered into two TEACH loan agreements with the state totaling $15,144,033.

The 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 $4.0 million of NSI debt was retired in fiscal year 2010.

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 $1.4 million in fiscal year 2010.

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 2010 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 entered into capital leases for the purpose of making major modifications to five school facilities. The five include the Milwaukee Education Center (MEC), Grand Avenue School, Congress School, Craig Montessori School, and Fratney Street School. The financing vehicle for all capital leases is lease revenue bonds. In fiscal year 2010, MPS through an intergovernmental cooperation with the city of Milwaukee, 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. The Congress, Craig, and Fratney debt will be retired in 2026. The amount outstanding at year end 2010 was $11.3 million, down $18.2 million from the previous year**.**

Additionally, the District entered into a capital lease for computers relative to the Microsoft settlement of $11.0 million plus another $465,000 for other computers.

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 $4.6 million over the prior year-end. The decrease in the General fund balance is the result of a $1.6 million budgeted use of applied surplus and a $2.5 million transfer to the Construction Fund to finance debt service paid on outstanding bonds.
- The Construction fund balance increase of $37.8 million is attributable to the issuance of $49.3 million of Qualified School Construction Bonds.
- The District was able to reduce the School Nutrition fund balance deficit by $3.5 million in fiscal year 2010. This reduction is attributable to increased federal food service aid resulting from an expanded school breakfast program and increased participation in the school lunch program.

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.

In June 2009, the MPS Board of School Directors (the Board) adopted the District's fiscal 2010 budget (July 1, 2009 – June 30, 2010). The adopted budget by necessity used a *projection* of the fiscal 2010 student enrollment. In October 2009, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2009, 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 2009 the Board approved a revised fiscal year 2010 (FY10) General Fund expenditure budget in the amount of $1,248,652,175. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures came within 6% of the FY10 adopted budget.

Current Economic Facts and Next Year's Budget

The District adopted a long-range strategic plan in July 2007. The FY11 budget reflects the themes of the plan. The budget also relates performance measures, district objectives and the dollars that support them.

District enrollment declined .7% in fiscal year 2011 due to demographics and competition from both private and public schools. Student participation in the Milwaukee Parental Choice Program (estimated .49% increase in FY11 school vouchers) and Open Enrollment in suburban districts (11.3% actual increase in FY11 Open Enrollment) are major factors in declining enrollments.

In October 2010, the MPS Board approved a revised FY11 General Fund budget of $1,266,506,898. The FY11 budget includes prior year encumbrances and carryover appropriation authority and represents a .67% decrease over the revised 2010 general fund budget.

The state-imposed revenue limit for FY11 decreased to $879,391,418, a 0.5% decrease over FY10. State general aids decreased 0.09% to $593,813,317. The change in equalization and integration aids is attributed to state formula changes that reduced aids and declining enrollment that reduced aids.

For the first time in years, the District will be using a districtwide pre-school to grade eight reading curriculum. This means the same books and materials will be used in classrooms across the District, allowing for a consistent curriculum for the District's highly mobile student population. The reading program will be aligned to the comprehensive literacy plan, which is being implemented in FY11. The plan outlines recommendations for daily reading and writing instruction at each grade level. Its main purpose is to ensure that all students have access to well-designed, intellectually challenging, and culturally relevant literacy education that is consistently high-quality from classroom to classroom, grade to grade and school to school. A large portion of the Department of Educational Services' professional development budget will be devoted to implementation of the literacy plan.

The successful math initiative will continue in FY11. Its $13.4 million budget includes $9.7 million from a state grant; $1 million in federal school improvement money; and $2.7 million in District funds.

For the fifth consecutive year, the Milwaukee Board of School Directors has renewed its commitment to expanding arts education through the approval of $1.2 million for arts programming. Schools, community agencies and arts organizations can apply for funds from the *Partnership for the Arts* when a dollar-for-dollar match is received from outside MPS to support additional arts opportunities for children and youth. The program is designed to expand arts opportunities in the community while increasing resources and arts education.

MPS has expanded the early childhood programming to six more sites to serve an estimated 120 children. The $1.2 million budget will support a total of 12 sites. Investing in children early, during the preschool years, is crucial. Learning is cumulative, and children develop skills during their early years that improve their capacity to learn. This program also makes the District competitive by recruiting children early, retaining them and increasing overall enrollment for the District and individual schools.

About $2.7 million in stimulus funding is being targeted at increasing parent involvement during FY11. The District will continue building on the success of two projects -- one that targeted parents with preschool children and the other that focused on parent involvement in school-based activities -- by combining these services to provide a continuum of parent engagement throughout the early childhood years. This initiative is being implemented at 35 low-achieving elementary schools. Parental involvement is important in the higher grades as well, so parents or guardians of high school students will have multiple opportunities for engagement and family literacy training.

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 Assets

June 30, 2010

	Governmental activities
Assets	
Current assets:	
Cash and investments (note 2)	$ 65,195,575
Accounts receivable, net (note 3)	27,998,270
Due from other governments (note 3)	77,331,018
Inventory (note 1(g))	659,627
Prepaid expenses (note 1(g))	1,324,330
Deferred cash flow hedges-unrealized loss on derivatives (note 7)	11,641,630
Total current assets	184,150,450
Noncurrent assets:	
Restricted cash and investments (note 1(d))	61,283,806
Deposits for self-insurance (note 1(l))	3,880,257
Deferred charges—bond issuance costs (note 1(m))	3,108,741
Deferred cash flow hedges-unrealized loss on derivatives (note 7)	24,435,641
Capital assets not being depreciated (note 5)	46,485,890
Capital assets being depreciated, net (note 5)	581,517,253
Intangible assets being amortized, net (note 5A)	11,821,913
Total noncurrent assets	732,533,501
Total assets	916,683,951
Liabilities	
Current liabilities:	
Accounts payable and other current liabilities	76,631,866
Accrued interest payable on long-term liabilities	4,056,978
Unearned revenue (note 1(j))	21,620,208
Current portion of long-term obligations (note 7)	26,173,875
Derivative instruments liability (note 7)	11,641,630
Total current liabilities	140,124,557
Noncurrent liabilities:	
Noncurrent portion of long-term obligations (note 7)	773,060,221
Derivative instruments liability (note 7)	24,435,641
Total liabilities	937,620,419
Net Assets	
Invested in capital assets, net of related debt	494,531,410
Restricted for debt service	4,699,678
Unrestricted (Deficit)	(520,167,556)
Total net assets	$ (20,936,468)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2010

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expenses) revenues and changes in net assets
Governmental activities:					
Instruction	$ 887,815,447	4,668,475	288,369,454	11,118,264	(583,659,254)
Support services:					
Community services	25,538,287	2,022,823	7,218,268	—	(16,297,196)
Pupil and staff services	143,517,392	—	15,608,318	—	(127,909,074)
General, administration, and central services	132,145,392	—	—	—	(132,145,392)
Business services	159,725,009	1,755,862	6,631,649	—	(151,337,498)
School nutrition services	40,555,069	3,900,398	37,770,914	—	1,116,243
Interest on long-term debt	17,166,361	—	—	—	(17,166,361)
Total support services	518,647,510	7,679,083	67,229,149	—	(443,739,278)
Total school district	$ 1,406,462,957	12,347,558	355,598,603	11,118,264	(1,027,398,532)

General revenues:	
Taxes:	
Property taxes levied for general purposes	274,190,085
Property taxes levied for construction	9,074,793
Property taxes levied for debt service	2,342,002
Property taxes levied for community services	10,226,234
Other Taxes	59,021
Federal and state aid not restricted to a specific purpose:	
General (equalization aid)	514,990,790
Other	75,412,753
Miscellaneous	1,075,826
Interest and investment earnings	759,476
Total general revenues	888,130,980
Change in net assets	(139,267,552)
Net assets—Beginning of Year	118,331,084
Net assets—Ending of Year	$ (20,936,468)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2010

Assets		General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	$	54,359,115	10,836,460	—	—	65,195,575
Receivables, net:						
Accounts (note 3)		27,998,270	—	—	—	27,998,270
Due from other governmental units (note 3)		64,857,297	—	5,581,275	6,892,446	77,331,018
Due from other funds (note 4)		27,508,356	—	—	—	27,508,356
Total receivables		120,363,923	—	5,581,275	6,892,446	132,837,644
Restricted cash and investments (note 1(d))		8,908,216	52,375,590	—	—	61,283,806
Inventories (note 1(g))		659,627	—	—	—	659,627
Prepaid expenditures (notes 1(g))		1,324,328	—	—	—	1,324,328
Deposits for self-insurance (note 1(l))		3,880,257	—	—	—	3,880,257
Total assets	$	189,495,466	63,212,050	5,581,275	6,892,446	265,181,237
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$	9,770,499	432,194	1,029,542	62,764	11,294,999
Contracts payable		9,124,244	1,500,495	—	—	10,624,739
Accrued salaries and wages		11,575,096	—	—	—	11,575,096
Deferred revenue (note 1(j))		23,874,021	—	277,206	—	24,151,227
Accrued claims for self-insurance (note 9)		40,278,347	—	—	—	40,278,347
Accrued pension payable (note 10)		2,844,755	—	—	—	2,844,755
Other accrued expenditures		13,930	—	—	—	13,930
Due to other funds (note 4)		—	14,250,134	6,428,540	6,829,682	27,508,356
Total liabilities		97,480,892	16,182,823	7,735,288	6,892,446	128,291,449
Fund balances:						
Reserved for:						
Encumbrances		18,061,326	8,275,377	—	—	26,336,703
Non-current receivables		93,547	—	—	—	93,547
Inventories		659,627	—	—	—	659,627
Self-insurance deposits and prepaid expenditures		5,204,585	—	—	—	5,204,585
School Nutrition		2,154,013	—	—	—	2,154,013
Debt service		8,908,216	1,066,144	—	—	9,974,360
Unreserved:						
Designated by board for subsequent year's expenditures (note 8)		56,933,260	—	—	—	56,933,260
Capital projects fund-designated		—	37,687,706	—	—	37,687,706
Undesignated, reported in:						
Special revenues funds		—	—	(2,154,013)	—	(2,154,013)
Total fund balances		92,014,574	47,029,227	(2,154,013)	—	136,889,788
Total liabilities and fund balances	$	189,495,466	63,212,050	5,581,275	6,892,446	265,181,237

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

June 30, 2010

Total fund balances—governmental funds			$ 136,889,788
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			3,108,741
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmenta funds:			
Cost of capital assets	$	1,064,643,981	
Accumulated depreciation		(436,640,838)	
Net capital assets			628,003,143
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmenta funds:			
Cost of intangible assets	$	39,009,467	
Accumulated depreciation		(27,187,554)	
Net capital assets			11,821,913
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			2,531,019
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		(458,532,268)	
Bonds premium and discounts		1,431,794	
Discount on capital appreciation bonds		102,389,770	
Capital leases payable		(14,625,679)	
Accrued bond interest payable		(4,056,978)	
Compensated absences payable (vacation and sick leave)		(32,008,791)	
OPEB liability		(389,150,650)	
Workers' compensation claims payable		(5,579,945)	
Self-insurance claims payable		(932,810)	
Life insurance benefits and other long-term liabilities		(2,225,515)	
Total long-term debt liabilities			(803,291,072)
Total net assets—government activities			$ (20,936,468)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2010

	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property tax levy	$ 284,416,319	9,074,793	—	2,342,002	295,833,114
Other taxes	97,291	—	—	—	97,291
Lunchroom sales	—	—	3,853,462	—	3,853,462
Other local sources	9,530,384	711,181	46,928	—	10,288,493
Microsoft Settlement Refunds	6,796,310	—	—	—	6,796,310
State aid:					
Equalization aid	514,990,790	—	—	—	514,990,790
Special classes	46,323,816	—	—	—	46,323,816
Integration	40,804,682	—	—	—	40,804,682
Other state aid	72,041,083	—	1,034,322	385,372	73,460,777
Federal aid:					
Education Consolidation Improvement Act	121,231,450	—	—	—	121,231,450
School nutrition services	—	—	36,525,598	—	36,525,598
Erate refunds	1,920,868	—	—	—	1,920,868
Other federal aid	77,649,458	—	210,999	33,315,358	111,175,815
Intergovernmental aid from the City of Milwaukee	191,000	—	—	—	191,000
Miscellaneous	1,222,859	—	—	—	1,222,859
Interest and investment earnings	187,144	572,332	—	—	759,476
Total revenues	1,177,403,454	10,358,306	41,671,309	36,042,732	1,265,475,801
Expenditures:					
Current:					
Instructional services:					
Undifferentiated curriculum	419,013,141	—	—	—	419,013,141
Regular and other curriculum	162,055,281	—	—	—	162,055,281
Special curriculum	151,818,754	—	—	6,539,696	158,358,450
Total instructional services	732,887,176	—	—	6,539,696	739,426,872
Community services	23,184,162	—	—	—	23,184,162
Pupil and staff services	114,858,237	—	—	26,775,662	141,633,899
General and school building administration	128,618,542	—	—	—	128,618,542
Business services	160,335,051	—	—	—	160,335,051
School nutrition services	—	—	39,803,908	—	39,803,908
Capital Outlay	—	19,371,066	—	—	19,371,066
Debt service:					
Principal	12,226,343	—	—	6,702,931	18,929,274
Interest	1,086,685	—	—	12,174,806	13,261,491
Bond administrative fees	835,507	1,263,819	—	14,050	2,113,376
Total expenditures	1,174,031,703	20,634,885	39,803,908	52,207,145	1,286,677,641
Excess of revenues over (under) expenditures	3,371,751	(10,276,579)	1,867,401	(16,164,413)	(21,201,840)
Other financing sources (uses):					
Long-Term Debt Issued	—	49,300,000	—	—	49,300,000
Proceeds from sale of building	—	287,395	—	—	287,395
Transfers In (Out)	(19,506,580)	(1,533,953)	1,673,768	19,366,765	—
Insurance Proceeds from Fire	—	60,980	—	—	60,980
Refunding bond debt issued	—	—	—	11,020,000	11,020,000
Payment for refunded bond debt	—	—	—	(14,360,000)	(14,360,000)
Capital Leases Issued	11,504,297	—	—	—	11,504,297
Total other financing sources (uses), net	(8,002,283)	48,114,422	1,673,768	16,026,765	57,812,672
Net change in fund balances	(4,630,532)	37,837,843	3,541,169	(137,648)	36,610,832
Fund balances (deficit):					
Beginning of year	96,645,106	9,191,384	(5,695,182)	137,648	100,278,956
End of year	$ 92,014,574	47,029,227	(2,154,013)	—	136,889,788

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, 2010

Net change in fund balances—total governmental funds			$ 36,610,832
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	$ 25,275,285		
Depreciation and amortization expense reported in the statement of activities	(23,071,469)		
Amount by which capital outlays are greater than depreciation and amortization in the current period			2,203,816
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to increase net assets			(19,067)
Loss on write down of buildings to fair market value			(10,523,374)
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			1,255,292
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 assets, 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 assets.			
Debt issued:			
Bonds and notes		(49,300,000)	
Refunded debt		(11,020,000)	
Capital leases		(11,504,297)	
Repayments:			
Bonds and notes		18,929,274	
Refunded debt		14,360,000	
Net adjustment			(38,535,023)
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		177,893	
Accretion of interest on capital appreciation bonds		(2,710,946)	
Amortization of bond premium and discount		68,852	
Amortization of bond issuance costs		(281,726)	
Debt issuance costs		954,488	
Premium/discount on new debt		115,892	
Net increase in compensated absences payable (vacation and sick pay)		(305,936)	
Net increase in workers' compensation claims payable		(1,375,443)	
Net increase in OPEB liability		(127,204,450)	
Net increase in general insurance claims payable		25,372	
Net increase in life insurance benefits payable		275,976	
Net adjustment			(130,260,028)
Change in net assets of governmental activities			$ (139,267,552)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Assets

June 30, 2010

Assets		Pension trusts	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	$	—	1,064,237	5,754,010
Investments (note 2)		—	1,690,634	—
Money market accounts		1,806,505	—	—
Treasury and agency securities		3,310,654	—	—
Mortgage-backed securities		138,004	—	—
Nongovernment obligations		3,295,542	—	—
Municipal bonds		45,205	—	—
Investment in the State of Wisconsin		116,119,707	—	—
Receivables-interest and contributions		57,338	—	—
Total assets		124,772,955	2,754,871	5,754,010
Liabilities				
Accounts payable and accrued expenses		1,637,724	—	—
Due to student organizations		—	—	5,754,010
Total liabilities		1,637,724	—	5,754,010
Net Assets				
Held in trust for:				
Supplemental pension benefits		123,135,231	—	—
Endowments		—	2,754,871	—
Total net assets	$	123,135,231	2,754,871	—

See accompanying notes to the basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2010

		Pension trusts	Private purpose trust
Additions:			
Employer contributions	$	5,128,171	—
Private donations		—	266,370
Interest income		—	6,146
Investment income, net of expenses		16,314,485	—
Total additions		21,442,656	272,516
Deductions:			
Benefits paid to participant's or beneficiaries		17,938,473	—
Distribution of participant contribution accounts		136,160	—
Administrative expenses		176,830	—
Scholarships and awards		—	306,508
Total deductions		18,251,463	306,508
Changes in net assets		3,191,193	(33,992)
Net assets—beginning of year		119,944,038	2,788,863
Net assets—end of year	$	123,135,231	2,754,871

See accompanying notes to the basic financial statements.

(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. 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 assets and the statement of activities present financial information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. 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. Revenues that are not classified as program revenues, including all taxes, are presented as general 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.

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 are 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 financial resources to be used 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 for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

TEACH Wisconsin Programs

Categorically Aided Programs

Debt Service Fund: used to account for the accumulation of resources for, and 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.

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.

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 except for federal and state grant revenues which is at the most 180 days. 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 assets 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 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 assets.

(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 Assets.

(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, 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.

The reserve for inventories on the balance sheet of the governmental funds is equal to the amount of inventories to indicate that a portion of the fund balance is not available for future expenditure.

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.

(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) 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.

(l) Insurance Deposits

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a reserve of fund balance aggregating $3,880,257 at June 30, 2010 to provide for payment of future claims.

(m) 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.

(n) Net Assets

In the government-wide financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt—This consists of 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 assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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

(o) Fund Balance Reservations and Designations

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved and unreserved, with unreserved further split between designated and undesignated.

In the fund financial statements, the District classifies its fund balance as follows:

- Reserved—The portion of the fund balance that has been legally segregated for specific purposes.
- Unreserved-Designated—The portion of the fund balance for which the District has made tentative plans.
- Unreserved-Undesignated—The portion of the fund balance that is available for use in future periods.

(p) 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.

(q) New Accounting Pronouncements

In July 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement establishes accounting and financial reporting requirements for intangible assets including easements, waters rights, timber rights, patents, trademarks, and computer software. The District implemented Statement No. 51 for the year beginning July 1, 2009.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by the state and local governments. The District implemented this Statement for the year beginning July 1, 2009.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This

Statement provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. This Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The District will implement this Statement beginning with fiscal year ending June 30, 2011.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	$ 106,330,797	$ 106,330,797
Demand deposits	9,782,578	8,926,669
Repurchase Agreement	3,000,000	21,079,693
Money market funds	15,854,887	15,854,887
Certificate of Deposit	20,000	20,000
Total Cash and Investments	$ 134,988,262	$ 152,212,046

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	$ 65,195,575
Restricted cash and investments	61,283,806
Per statement of net assets – Fiduciary Funds	
Private purpose trust	2,754,871
Agency	5,754,010
Total Cash and Investments	$ 134,988,262

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.

- 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.
- 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, and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. Treasury, Government or agency instruments with an A1+/P1 (Standard & Poors and Moody's) credit rating. All of the $15,854,887 invested in money market funds are triple-A rated.

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, 2010 the District had the following investments, shown with their maturities.

		Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1-5	6-10
Repurchase Agreement	$21,079,693	$ 21,079,693	-	-
Money market funds	15,854,887	15,854,887	-	-
	$36,934,580	36,934,580	-	-

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 $30,006,362, of which $21,079,693 was invested in overnight repurchase agreements. Of the $30,006,362 bank balance, $7,331,612 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $22,674,750 was uninsured, with the bank posting securities at 125% 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. The District is taking steps to have the securities held in its name, thereby qualifying them as collateral.

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, 2010.

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 M&I Investment Management Corp. (M&I), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of: (1) assets invested as part of the 1989 bond dedication program; and (2) six months benefit payments, net of payments from the employee contribution account and payments from the 1989 bond dedication program, plus six months administrative expense; and (3) assets relating to employee contributions. On July 1, 2007, the 1989 bond dedication fund was unwound and the assets transferred to the non-dedicated fund. After the asset transfer, all benefits except payments from the employee contribution account were paid from the non-dedicated fund at M&I. The portfolio is rebalanced toward the Policy targets quarterly. For 2010, the SWIB Core Fund asset-mix targets were 28% to U.S. Stocks, 33% to Fixed Income, 25% to International Stocks, 6% to Real Estate, and 12% to Alternative Investments, and the SWIB Variable Fund asset-mix targets were 69% to U.S. Stocks, 30% to International Stocks, and 1% 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 of public market equities, 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 M&I. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. M&I 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 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, 2010.

Investment	Duration (Years)	Fair Value
SWIB Core and Variable Funds	33% of the combined SWIB funds are invested in the fixed income by investment type with durations ranging from 0.0 to 8.0 years. Additional detail on the SWIB fixed income investments is included below.	$ 32,680,385
Money market accounts	0.1	$ 468,761
U.S. Treasuries, Agencies, and Government Bonds	6.2	$ 1,125,763
Municipal Bonds	3.4	$ 25,157
Mortgage-backed securities	26.9	$ 121,642
Non-government obligations	3.6	$ 1,586,261

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	3.3	$ 51 Million
Asset Backed Securities	N/A	$ 12 Million
Certificate of Deposit	0.1	$ 5 Million
Commerical Paper	0.2	$ 77 Million
Corporate Bonds and Private Placements	4.9	$ 4,921 Million
Corporate Bonds and Private Placements	N/A	$ 31 Million
Future Contracts	6.7	$ (545) Million
Future Contracts	N/A	$ 3 Million
Government Agency	2.9	$ 486 Million
Commercial Mortgages	2.2	$ 45 Million
Municipal Bonds	13.0	$ 47 Million
Pooled Investments	0.0 to 8.0	$15,211 Million
Repurchase Agreements	0.0	$ 50 Million
Sovereign Debt	7.1	$ 3,054 Million
United States Treasuries	7.3	$ 4,061 Million

Note: On June 30, 2010, SWIB's Core Fund and Variable Fund had $64.6 billion and $4.5 billion in assets, respectively. As of June 30, 2010, the Plan's assets were invested 77% in the SWIB Core Fund, 15% in the SWIB Variable Fund, and 8% in portfolios managed by M&I. 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 and employee contributions, 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 M&I Investment Management Corp on June 30, 2010. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations. Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without risk.

Ratings*	SWIB 2010	M&I 2010
P-1 or A-1	9%	14%
AAA	23%	38%
AA	8%	10%
A	9%	17%
BBB	5%	21%
BB	2%	0%
B	2%	0%
CCC	1%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Commingled or Pooled Funds	36%	N/A
Not-Rated	5%	0%

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

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.

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 M&I.

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. On June 30, 2010, SWIB had uninsured and uncollateralized deposits totaling $410.6 million that were held in foreign currencies or margin accounts in SWIB's custodian's nominee name. In addition, SWIB held a number of time deposits with foreign financial institutions with a fair value of $330.7 million, all of which were

uncollateralized and uninsured. In total, these deposits represented 1.1% of the combined assets of the SWIB Core and Variable Funds.

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. As of June 30, 2010, SWIB's Retirement Funds held 18 tri-party repurchase agreements totaling $0.79 billion. 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 1.1% of the combined assets of the SWIB Core and Variable Funds on June 30, 2010.

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, 2010, $12.8 billion of the SWIB Core and Variable Funds' $69.1 billion in currency exposure was denominated in foreign currency. For the M&I 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 M&I. The District does not have an investment policy that addresses foreign currency risk.

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 Assets. At June 30, 2010, the Plan's interest in the plan net assets of the Core Trust was approximately 0.042%, and the Plan's interest in the plan net assets of the Variable Trust was approximately 0.117%.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 value, 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 agree-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.

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at June 30, 2010 (in thousands):

	2010
Future contracts	$ 1,684,869
Foreign exchange forward and spot contracts – sold	3,995,059
Foreign exchange forward and spot contracts – purchased	(3,995,722)
Options – puts	(3,939)
Options - calls	36

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 M&I Investment Management Corp. (M&I), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of: (1) assets invested as part of the 1989 bond dedication program; and (2) six months benefit payments, net of payments from the 1989 bond dedication program, plus six months administrative expense. On July 1, 2007, the 1989 bond dedication fund was unwound and the assets transferred to the non-dedicated fund. After the asset transfer, all benefits were paid from the non-dedicated fund at M&I. The portfolio is rebalanced toward the Policy targets quarterly. For 2010, the SWIB Core Fund asset-mix targets were 28% to U.S. Stocks, 33% to Fixed Income, 25% to International Stocks, 6% to Real Estate, and 12% to Alternative Investments, and the SWIB Variable Fund asset-mix targets were 69% to U.S. Stocks, 30% to International Stocks, and 1% 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 M&I. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. M&I 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 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, 2010.

Investment	Duration (Years)	Fair Value
SWIB Core and Variable Funds	33% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 8.0 years. Additional detail on the SWIB fixed income investments is included below.	$ 83,439,322
Money market accounts	0.1	$ 1,337,744
U.S. Treasury notes, and agency securites	5.2	$ 2,184,891
Municipal Bonds	0.4	$ 20,048
Mortgage-backed securities	29.0	$ 16,362
Non-government obligations	3.4	$ 1,709,281

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	3.3	$ 51 Million
Asset Backed Securities	N/A	$ 12 Million
Certificate of Deposit	0.1	$ 5 Million
Commerical Paper	0.2	$ 77 Million
Corporate Bonds and Private Placements	4.9	$ 4,921 Million
Corporate Bonds and Private Placements	N/A	$ 31 Million
Future Contracts	6.7	$ (545) Million
Future Contracts	N/A	$ 3 Million
Government Agency	2.9	$ 486 Million
Commerical Mortgages	2.2	$ 45 Million
Municipal Bonds	13.0	$ 47 Million
Pooled Investments	0.0 to 8.0	$15,211 Million
Repurchase Agreements	0.0	$ 50 Million
Sovereign Debt	7.1	$ 3,054 Million
United States Treasuries	7.3	$ 4,061 Million

Note: On June 30, 2010, SWIB's Core Fund and Variable Fund had $64.6 billion and $4.5 billion in assets, respectively. As of June 30, 2010, the Plan's assets were invested 83.6% in the SWIB Core Fund, 11.8% in the SWIB Variable Fund, and 4.6% in portfolios managed by M&I Investment Management Corp. 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.

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 M&I Investment Management Corp on June 30, 2010. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations. Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without risk.

Ratings*	SWIB 2010	M&I 2010
P-1 or A-1	9%	24%
AAA	23%	47%
AA	8%	7%
A	9%	13%
BBB	5%	9%
BB	2%	0%
B	2%	0%
CCC	1%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Commingled or Pooled Funds	36%	N/A
Not-Rated	5%	0%

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

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 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 M&I.

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. On June 30, 2010, SWIB had uninsured and uncollateralized deposits totaling $410.6 million that was held in foreign currencies or margin accounts in SWIB's custodian's nominee name. In addition, SWIB held a number of time deposits with foreign financial institutions with a fair value of $330.7 million, all of which were uncollateralized and uninsured. In total, these deposits represented 1.1% of the combined assets of the SWIB Core and Variable Funds on June 30, 2010.

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 18 tri-party repurchase agreements totaling $0.79 billion. 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 1.1% of the combined assets of the SWIB Core and Variable Funds.

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, 2010, $12.8 billion of the SWIB Core and Variable Funds' $69.1 billion in currency exposure was denominated in foreign currency. For M&I 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 M&I Investment Management Corp. The District does not have an investment policy that addresses foreign currency risk.

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 Assets. At June 30, 2010, the Plan's interest in the plan net assets of the Core Trust was approximately 0.113%, and the Plan's interest in the plan net assets of the Variable Trust was approximately 0.228%. 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 value, 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 agree-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.

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at June 30, 2010 (in thousands):

	2010
Future contracts	$ 1,684,869
Foreign exchange forward and spot contracts – sold	3,995,059
Foreign exchange forward and spot contracts – purchased	(3,995,722)
Options – puts	(3,939)
Options - calls	36

(3) Receivables

Receivables as of June 30, 2010 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	School Nutrition Services Fund	Nonmajor Fund	Total
Receivables:				
Accounts	$ 28,525,286	—	—	28,525,286
Intergovernmental-federal	48,637,987	5,581,275	6,892,446	61,111,708
Intergovernmental-state	16,219,310	—	—	16,219,310
Gross receivables	93,382,583	5,581,275	6,892,446	105,856,304
Less allowance for uncollectibles	(527,016)	—	—	(527,016)
Total receivables, net	$ 92,855,567	5,581,275	6,892,446	105,329,288

Accounts Receivable includes $23.5 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 $18.8 million of this balance as deferred/unearned revenue pending the future expenditures for eligible costs.

(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, 2010 represent due to/from balances among all funds:

	Due from other funds			
	General Fund	Nonmajor Fund	Total	Due In More Than One Year
Due to other funds:				
Construction fund	$ 14,250,134	—	14,250,134	—
Nutrition fund	6,428,540	—	6,428,540	2,154,013
Nonmajor funds	6,829,682	—	6,829,682	—
Total	$ 27,508,356	—	27,508,356	2,154,013

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, 2010 represent transfer in/out balances among all funds:

Fund Transferred To	Fund Transferred From	Amount	Reason
Construction	General Fund	$ (1,533,953)	To fund current year expenses
Debt Service Fund	General Fund	19,366,765	To fund current year debt service
School Nutrition Services Fund	General Fund	1,673,768	To reduce fund deficit

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 31,688,681	—	—	31,688,681
Construction in progress	8,444,245	19,589,925	13,236,961	14,797,209
Total capital assets, not being depreciated	40,132,926	19,589,925	13,236,961	46,485,890
Capital assets, being depreciated:				
Buildings	964,194,259	13,236,961	16,604,634	960,826,586
Leasehold improvements	9,269,204	—	—	9,269,204
Furniture and equipment	48,070,388	899,876	907,963	48,062,301
Total capital assets, being depreciated	1,021,533,851	14,136,837	17,512,597	1,018,158,091
Less accumulated depreciation for:				
Buildings	(376,829,689)	(19,549,053)	(6,082,806)	(390,295,936)
Leasehold improvements	(2,013,800)	(393,442)	—	(2,407,242)
Furniture and equipment	(43,434,634)	(1,390,421)	(887,395)	(43,937,660)
Total accumulated depreciation	(422,278,123)	(21,332,916)	(6,970,201)	(436,640,838)
Total capital assets, being depreciated	599,255,728	(7,196,079)	10,542,396	581,517,253
Capital assets, net	$ 639,388,654	12,393,846	23,779,357	628,003,143

Prior year amounts have been reclassified to properly reflect internally generated software as an intangible asset. See Note 5(A).

Depreciation expense for governmental activities for the year ended June 30, 2010 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	13,720,468
Community services		386,079
Pupil and staff services		2,169,644
General, administration and central services		1,999,941
Business services		2,443,687
School nutrition		613,097
Total depreciation	$	21,332,916

Governmental Accounting Standards Board Statement No. 42 Accounting for Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries requires assets that have been determined to be impaired to be adjusted to the lower of fair market value or carrying value. The District had impaired assets for buildings in the amount of $16,604,634 with accumulated depreciation in the amount of $6,081,305, resulting in a net decrease in capital assets of $10,523,328. This decrease has been shown as additional instruction expense on the statement of activities.

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Intangible assets, being amortized:				
Software	$ 34,223,973	4,785,494	—	39,009,467
Total intangible assets, being amortization	34,223,973	4,785,494	—	39,009,467
Less accumulated amortization for:				
Software	(25,449,001)	(1,738,553)	—	(27,187,554)
Total accumulated amortization	(25,449,001)	(1,738,553)	—	(27,187,554)
Intangible assets, net	$ 8,774,972	3,046,941	—	11,821,913

Prior year amounts have been reclassified to properly reflect internally generated software as an internally generated software as an intangible asset.

Amortization expense for governmental activities for the year ended June 30, 2010 was charged to functions/programs as follows:

Governmental activities:	
Instruction	$ 1,118,167
Community services	31,464
Pupil and staff services	176,818
General, administration and central services	162,988
Business services	199,151
School nutrition	49,965
Total amortization	$ 1,738,553

(6) Short-term Borrowings

The City issued short-term revenue anticipation notes on behalf of the District in the amount of $228,000,000 in September, 2009. These notes were issued with interest rates of 2.0% and 2.5%, priced to yield 0.52% ($208 million) and 0.52% ($20 million). The notes mature June 2010. The debt was repaid in June, 2010 from the District's equalization aid allocations received from the state government.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2010 totaled $435,708,373. Of this total, $66,371,988 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 $369,336,385 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.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee:						
American with Disabilities Act loans:						
4.75% – 5.375%, due in annual installments to June 2014	$ 300,000	100,000	—	20,000	80,000	20,000
4.74% – 5.625%, due in annual installments to September 2015	2,000,000	933,120	—	133,304	799,816	133,304
3.59%, due in annual installments to September 2016	3,095,000	1,237,524	—	206,254	1,031,270	206,254
3.74%, due in annual installments to March 2017	1,205,000	240,850	—	80,446	160,404	80,205
4.0 – 5.0%, due in annual installments to September 2017	660,000	351,796	—	44,042	307,754	44,042
4.0 – 5.0%, due in annual installments to February 2019	335,000	335,000	—	—	335,000	—
4.0 – 5.0%, due in annual installments to February 2014	670,000	335,000	—	67,000	268,000	67,000
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,582,676	—	—	4,582,676	—
2.5 – 3.0%, due in annual installments to Februrary 2019	2,700,000	2,700,000	—	270,000	2,430,000	270,000
5.0%, due in installments to Februrary 2024	1,350,000	1,350,000	—	—	1,350,000	—
General Obligation Bonds:						
1.5 – 3.0%, due in May 2014	11,020,000	—	11,020,000	—	11,020,000	3,470,000
Plus: Premium on issuance	334,110	—	334,110	161,308	172,802	—
Qualified School Construction Bonds:						
1.18%, due in December 2025	12,000,000	—	12,000,000	—	12,000,000	—
Less: Discount on issuance	(450,000)	—	(450,000)	(28,125)	(421,875)	—
5.25%, due August 15th, 2014 to Februrary 2027	37,300,000	—	37,300,000	—	37,300,000	—
TEACH loan, 5.0%, due in annual installments to March 2012	15,144,033	2,429,771	—	770,745	1,659,026	809,282
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	104,775,000		3,985,000	100,790,000	4,195,000
Plus: Premium on issuance	1,357,121	387,055	—	63,059	323,996	—
Less: Discount on 2007A issuance	(338,503)	(274,423)	—	(21,393)	(253,030)	—
Less: Deferred amount of refunding	(1,677,174)	(1,359,684)	—	(105,997)	(1,253,687)	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	7,042,189	—	1,373,865	5,668,324	1,108,081
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	—
Less: Discount	(25,232,986)	(16,778,838)	—	(1,277,811)	(15,501,027)	—
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)	(88,321,878)	—	(1,433,135)	(86,888,743)	—
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	—	11,504,297	8,168,618	3,335,679	1,863,251
Capital lease—MEC/Grand Avenue & CCF	46,890,000	29,460,000	—	18,170,000	11,290,000	515,000
Total intergovernmental cooperation agreement debt		$ 328,275,158	71,708,407	30,647,180	369,336,385	12,781,419

	Balance at July 1, 2009	Additions	Reductions	Balance at June 30, 2010	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	$ 328,275,158	71,708,407	30,647,180	369,336,385	12,781,419
Accrued compensated absences	31,702,855	8,856,389	8,550,453	32,008,791	8,600,000
Accrued OPEB Obligation	261,946,200	187,867,651	60,663,201	389,150,650	—
Workers' compensation claims	4,204,502	5,710,079	4,334,636	5,579,945	4,300,000
General insurance claims	958,182	1,527,722	1,553,094	932,810	113,391
Life insurance benefits	2,216,440	—	275,976	1,940,464	379,065
Liability for other long-term benefits	285,051	—	—	285,051	—
Total long-term obligations	$ 629,588,388	275,670,248	106,024,540	799,234,096	26,173,875

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability 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 $978,414 as of June 30, 2010. Accordingly, the total liability for workers' compensation claims was approximately $6.6 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2010 are as follows:

	Principal	Interest	Total
Fiscal year ended June 30:			
2011	$ 10,403,168	13,682,780	24,085,948
2012	10,689,666	14,068,644	24,758,310
2013	10,252,932	13,765,320	24,018,252
2014	9,050,845	13,424,538	22,475,383
2015	10,180,841	13,153,463	23,334,304
2016 – 2020	61,913,755	60,720,299	122,634,054
2021 – 2025	67,941,071	50,193,519	118,134,590
2026 – 2030	95,040,001	33,435,800	128,475,801
2031 – 2035	66,990,000	20,612,075	87,602,075
2036 – 2040	90,145,001	11,865,150	102,010,151
2041 – 2044	25,925,000	3,058,385	28,983,385
Total	$ 458,532,280	247,979,973	706,512,253

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 0.34844% as of June 30, 2010.

The District leases land and buildings with a historical cost and accumulated amortization of $12,415,000 and $1,551,875. The historical cost and accumulated amortization decreased over prior

year because during fiscal year 2010, the District effectively retired the capital lease on certain properties by refunding with general obligation bonds the $14,360,000 of outstanding RACM Series 2003 Revenue Refunding Bonds. Additionally, the District has capital leases for computers with a historical cost of $11,504,297 and accumulated amortization of $8,168,618.

Future minimum lease payments under these capital leases at June 30, 2010 are as follows:

Fiscal year ended June 30:		
2011	$	2,869,607
2012		2,467,048
2013		986,028
2014		988,940
2015		985,243
2016 – 2020		4,922,206
2021 – 2025		4,922,036
2026		940,470
Total minimum lease payments		19,081,578
Less amount representing interest		(4,455,899)
Present value of minimum lease payments	$	14,625,679

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 2010 was $29,502,203,500 and the 5% debt limit was $1,475,110,175. No referendum-approved debt is outstanding at June 30, 2010.

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, 2010 is $135,048,841. Principal and interest paid for the year ended June 30, 2010 was $8,189,253 while the Intradistrict Aid revenues were $37,439,086.

Revenue debt payable at June 30, 2010 consists of the following:

Neighborhood Schools Initiative Bonds

Amounts Outstanding

	Principal	Interest	Total
Fiscal year ended:			
2011	4,195,000	4,071,676	8,266,676
2012	4,555,000	3,919,868	8,474,868
2013	4,960,000	3,745,504	8,705,504
2014	5,375,000	3,547,258	8,922,258
2015	5,820,000	3,324,649	9,144,649
2016	6,300,000	3,076,675	9,376,675
2017	6,805,000	2,801,995	9,606,995
2018	7,350,000	2,498,206	9,848,206
2019	7,930,000	2,164,129	10,094,129
2020	8,545,000	1,798,094	10,343,094
2021	8,705,000	1,421,549	10,126,549
2022	9,355,000	1,036,138	10,391,138
2023	10,015,000	635,500	10,650,500
2024	10,880,000	217,600	11,097,600
	$ 100,790,000	34,258,841	135,048,841

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, 2010, $29.3 million of bonds outstanding are considered defeased. The bonds are callable on August 1, 2013.

Debt

In fiscal year 2010, the District, under the federal government's American Recovery and Reinvestment Act (ARRA) stimulus program, issued low interest debt to fund $48,036,181 million of capital maintenance and curriculum enhancement projects. Two separate debt issuances comprised this borrowing.

On December 28, 2009 the District issued $12,000,000 of Qualified School Construction Bonds (QSCBs) with an average interest rate of 1.18%. After payment of $450,000 of original issue discount and $180,079 of costs of issuance, the District received net proceeds of $11,369,921 to be used for projects.

On June 15, 2010 the District issued $37,300,000 of Taxable General Obligation QSCB – Direct Payment Bonds with an average interest rate of 5.25%. Under current federal regulations, the interest on this debt is fully reimbursable to the District by the federal government up to the applicable tax credit rate. After payment of $633,740 of issuance costs, the District received Net Proceeds of $36,666,260 to be used for projects.

Also in fiscal year 2010, the District, through an intergovernmental cooperation agreement with the city of Milwaukee, issued $11,020,000 of General Obligation bonds with an average interest rate of 2.452% to refund $14,360,000 of its Series 2003 Redevelopment Authority of the City of Milwaukee (RACM) Development Revenue Refunding Bonds. To complete the $14,360,000 funding necessary to refund the bonds, the District used $3,340,000 cash received from liquidation of a Debt Service Reserve Fund (DSRF) associated with the refunded bonds. Finally, $140,669 was used for cost of issuance expenses, funded from receipt of $334,110 of bond premium on the $11,020,000 bond sale. The remainder of the premium was used as part of the funding for the arbitrage liability on the liquidated DSRF. Total proceeds necessary for the refunding were $14,500,669. The District refunded the RACM Series 2003 bonds to reduce its total debt service payments over the next four years by $705,226 for an economic gain (difference between the present values of the old and new debt service payments) of approximately $581,953.

Projected cash flow for debt before refunding	$3,921,952
Projected cash flow for debt after refunding	3,340,000
Projected net savings from refunding	$ 581,953

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.

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2010 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows(amounts in thousands; gains shown as positive amounts, losses as negative):

	2010 Change in Fair Value		Fair Value, End of 2010		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	($11,642)	Derivative	($36,077)	$130,850

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, 2010, along with the credit rating of the associated counterparty (amounts in thousands).

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$10,850	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	*
B	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.	*
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.	A2/A/A

*Counterparty declared bankruptcy in September 2008, and their credit ratings have been withdrawn. Efforts are underway to place the swap agreements of this counterparty with a replacement counterparty. In the meantime, the terms of the original swap agreements continue to be fulfilled by the District in order to avoid the creation of a District event of default.

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 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, 2010 the District was not exposed to credit risk because the swaps had negative fair value. There are two 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. The swap's currently have a cumulative negative fair value of $36.1 million.

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, 2010, 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 rate swaps, net	Total
	Principal	Interest		
Fiscal year ended June 30:				
2011	$ —	783,059	6,557,626	7,340,685
2012	—	783,059	6,557,626	7,340,685
2013	—	783,059	6,557,626	7,340,685
2014	—	783,059	6,557,626	7,340,685
2015	—	783,059	6,557,626	7,340,685
2016 – 2020	—	3,915,294	32,788,131	36,703,425
2021 – 2025	12,575,000	3,865,349	32,369,875	48,810,224
2026 – 2030	31,250,000	3,133,831	26,243,869	60,627,700
2031 – 2035	31,250,000	2,198,768	18,413,307	51,862,075
2036 – 2040	31,050,000	1,265,701	10,599,449	42,915,150
2041 – 2044	24,725,000	326,250	2,732,135	27,783,385
Totals	$ 130,850,000	18,620,488	155,934,896	305,405,384

(8) Fund Balance

Designated for Subsequent Year's Expenditures—The unreserved fund balance of the general fund is $56,933,260 at June 30, 2010. This unreserved balance is designated to partially fund school operating expenditures during the period July 1 through December 31, 2010.

Based on recent operating experience, management anticipates that approximately $480,012,000 will be required to fully cover the anticipated school operations operating expenditures during the period July 1 through December 31, 2010. In addition to the fund balance designated for subsequent year's expenditures, revenue anticipation notes and approximately $292,036,000 of state aids will be used to fund operating expenditures through December 31, 2010.

The Board has established a formula to identify the amount of unreserved fund balance required to fund the six months of the subsequent year's school operations property tax levy. The purpose of

this designation 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, 2010, is as follows:

General fund unreserved fund balance	$	56,933,260
Amount required to fund six months of the school operation's property tax levy:		
Subsequent year's school operations school levy ($265,443,248) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (75) to total calendar school year days (180)		110,601,353
General fund undesignated fund balance deficiency	$	(53,668,093)

(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.

There were no significant changes in the insurance coverage from coverage provided in the prior year for any of the above-described risks. Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

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.

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

	Year ended June 30	
	2010	2009
Beginning of year liability	$ 44,925,890	43,454,694
Current year claims and changes in estimate	246,279,551	232,298,260
Claim payments	(247,191,531)	(230,827,064)
End of year liability	$ 44,013,910	44,925,890

The District has recognized the liability for health and dental benefits, which totaled $34,297,226 and $33,979,911 as of June 30, 2010 and 2009, respectively, in the general fund. The District has also recognized a liability of $978,414 and $3,281,804 as of June 30, 2010 and 2009, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $5.0 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 (certificated employees, principally teachers) participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit public employee retirement system (PERS). All permanent certificated employees expected to work over 440 hours a year (teachers) are eligible to participate in the WRS. Covered employees in the general/teacher category are required by statute to contribute 5.9% of their salaries to the plan for calendar year 2009. The District pays all employer and all employee contributions to the plan. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for the District's employees covered by the WRS for the year ended December 31, 2009 was approximately $421,984,000; the District's total payroll was $558,342,000. The total

required contribution for the year ended December 31, 2009 was approximately $43,886,000, which consisted of $18,989,000, or 4.5% of payroll, from the District and $24,897,000, or 5.9% of payroll, from the District on behalf of the employees. The District issued bonds in the amount of $168.051 million through the Redevelopment Authority of the City and the City to fund the pension-related debt to the WRS for the unfunded accrued liability for pension service, which reduced the WRS contribution rate effective January 1, 2004 by 2%. The amount contributed equaled the required contribution. Total contributions for years ending December 31, 2008 and 2007 were $43,822,000 and $42,594,000, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive retirement benefits. Employees may retire at age 55 and receive actuarially reduced benefits. For employees actively enrolled in WRS as of January 1, 2000 or after, retirement benefits are calculated as 1.765% of final average earnings for each year of creditable service prior to January 1, 2000 and 1.6% for creditable service after December 31, 1999. Final average earnings are the average of the employee's three highest years of earnings. Employees terminating covered employment before becoming eligible for retirement benefits 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 are immediately vested. The WRS also provides death and disability benefits for employees. Eligibility for, and the amount of all benefits, is determined under Chapter 40 and 50 of the Wisconsin State Statutes.

The WRS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The WRS uses the "frozen initial liability actuarial valuation method" in establishing employer contribution rates. Under this method, the unfunded actuarial accrued liability (pension-related debt) is affected only by the monthly amortization payments, compounded interest, the added liability created by new employer units, and any liabilities caused by changes in benefit provisions. All actuarial gains and losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. Employer's pension-related debt for prior service cost was being amortized over a 40-year period beginning January 1, 1990. As per WRS's annual financial report—GASB Statement No. 27 note disclosure for the year ended December 31, 2003, the District's pension-related debt to the WRS for the unfunded accrued actuarial liability for prior service has been paid in full. The payoff resulted from issuance of $168.051 million pension bonds by the District through the Redevelopment Authority of the City and the City.

Employees' Retirement System of the City of Milwaukee—All eligible District employees (classified employees, principally non-teachers) participate in the Employees' Retirement System of the City (the System), a cost-sharing, multiple-employer, defined benefit public employee retirement system (PERS). Part-time classified employees (defined by the System as 12-month employees who work less than 1,040 hours per year and 10-month employees who work less than

760 hours per year) who are eligible under adopted rules and regulations and who have evidenced their intent to join the System and all full-time classified employees (defined by the System as employees who work 2,080 hours a year for non-teachers and 1,520 hours for 10-month school year teachers) are eligible to participate in the System. Covered employees in the general employee category are required to contribute 5.5% of specified rates of compensation without overtime as agreed upon in past labor negotiations. The District pays all employer and substantially all of the employee required contributions to the System, as stipulated in Chapter 36 of the City charter. Due to the global pension settlement, employees eligible for enrollment on or after January 1, 2000 may consent to the global pension settlement and participate in the System combined fund. The consenting employees are required to pay 1.6% of their pensionable earnings for the first eight years from the enrollment date. Also, employees enrolled as of January 1, 2000 have the option to object to global pension settlement. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. The System uses the projected unit credit actuarial cost method to determine employer contribution rates. Based on actuarial valuation dated January 1, 2009, the District is not required to make any employer contributions on January 1, 2010.

The payroll for the District's employees covered by the System for the year ended December 31, 2009 was $115,315,000; the District's total payroll was $558,342,000. The total required contribution including retroactive adjustments for the year ended December 31, 2009 was $7,017,000, or 6.1% of covered payroll, from the District on behalf of the employees and equaled the required contribution. Total contributions for the years ending December 31, 2008 and 2007 were $6,509,000 and $6,390,000, respectively, equal to the required contributions for each year.

Employees who retire at or after age 60, or who retire at age 55 and have completed 30 years of creditable service, are entitled to receive a retirement benefit. The System provides a service retirement benefit equal to 2% of the member's final average salary times the total number of years of all creditable service, limited to 70% of final average salary. Benefits are fully vested upon completion of four years of service. All active employees as of January 1, 2000 shall receive a one-time 5% bonus payable in a single lump sum upon retirement or death to employee's beneficiary. Active employees enrolled between January 1, 2000 and June 27, 2000 and who consent to the global pension settlement or enrolled on or after June 28, 2000 shall make a biweekly employee contribution of 1.6% of their pensionable earnings to pay for their cost of living adjustment (COLA) improvement upon completion of the first eight years of employment. The COLA shall be 1.5% annually beginning after the 2nd, 3rd, and 4th anniversary after retirement and 2% after the 6th year of the employee's retirement or death. Upon completion of eight years of service, employees terminating covered employment may withdraw their funds and forfeit all rights to any subsequent benefit. The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 36 of the City charter.

The System issues a publicly available annual 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.

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

The plan, a single-employer pension trust fund, is a contributory, defined benefit pension plan established to provide benefits after early retirement that will supplement the pension benefits provided by the WRS and the System. The plan was originally established, effective January 1, 1978, pursuant to a collective bargaining agreement between the District and the Administrators and Supervisors Council, Inc. (ASC). Eligibility for, and the amount of all benefits, is determined under the provisions of the plan document. The plan is administered by an administrative committee under the direction of the Milwaukee Board of School Directors (MBSD).

In order to participate in the plan, an employee must be an administrative, supervisory, or professional staff employee of the District who is in the collective bargaining unit represented by the ASC, an exempt employee excluded by the ASC bargaining contract, an employee of the District who is appointed pursuant to Wisconsin State Statute Sec.119.32 (3), or any other employee who is identified as a covered participant by the District through an employment contract between such employee and the MBSD. Such employees 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 members represented by 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.

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

- Transfer the benefit formula under the teachers plan to the ASC 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 ASC plan.
- Close the ASC 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 ASC plan and replace it with a new provision that suspends benefits paid from the ASC plan if the retired annuitant is rehired as a covered employee and elects to participate as an active employee under the WRS.

The District received more than the required 95% of signed waivers and the board approved the agreement on June 24, 2004.

The amendments to the ASC 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 per year 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 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 post retirement 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.

Two separate portfolios of U.S. Government obligations were purchased at an average yield rate of 13% and 9.25% to be used to closely match and fund the expected vested benefit payments to certain retired participants receiving benefits as of July 1, 1984 and July 1, 1989, respectively. The 1984 and 1989 Dedicated funds were unwound on July 1, 2003 and July 1, 2007, respectively. All assets were transferred to the non-dedicated fund. All benefits payable under the 1984 and 1989 Dedicated funds shall be paid from the non-dedicated fund. As of June 30, 2008, all 1984 and 1989 Dedicated Fund assets were transferred to the Non-Dedicated Fund.

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 Board of School Directors Supplemental Early Retirement Plan for Teachers

The plan, a single-employer pension trust fund, is a defined benefit pension plan established to provide benefits after early retirement that will supplement the pension benefits provided by the WRS. The plan was originally established, effective July 1, 1982, pursuant to a collective bargaining agreement between the District and the Milwaukee Teachers' Education

Association (MTEA). Eligibility for, and the amount of all benefits, is determined under the provisions of the plan document. The plan is administered by the MBSD.

To be eligible for participation, an employee must be a teacher of the District who is in the collective bargaining unit represented by the 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).

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.

Two separate portfolios of U.S. Government obligations were purchased at an average yield rate of 13% and 9.25% to be used to closely match and fund the expected vested benefit payments to certain retired participants receiving benefits as of July 1, 1984 and July 1, 1989 group of participants reflects the 13% and 9.25% interest rate, respectively, and is matched to the assets dedicated to pay these future plan benefits.

The 1984 and 1989 Dedicated funds were unwound on July 1, 2003 and July 1, 2007, respectively. All assets were transferred to the non-dedicated fund. All benefits payable under the 1984 and 1989 Dedicated funds shall be paid from the non-dedicated fund. As of June 30, 2008, all 1984 and 1989 Dedicated Fund assets were transferred to the Non-Dedicated Fund.

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.

(b) Annual Pension Costs and Actuarial Assumptions Used

The District's annual pension costs for the year ended June 30, 2010 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
Contribution rates as a percentage of payroll:			
District		2.660%	1.248%
Plan participants		—	—
Annual required contribution	$	3,242,746	15,641,408
Interest on net pension obligation		14,144	(16,261)
Adjustment to annual required contribution		6,158	—
Annual pension cost		3,263,048	15,625,147
Contributions made including prior year prepayment		763,048	4,365,123
Increase (decrease) in net pension obligation		2,500,000	11,260,024
Net pension prepayment, beginning of year		(2,500,000)	(11,447,452)
Net pension prepayment, end of year	$	—	(187,428)

The funded status of the plans of July 1, 2009, 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
Actuarial accrued liability(AAL)	$	53,727,359	225,134,052
Actuarial value of plans assets		43,207,285	99,077,126
Unfunded Actuarial Accrued Liability	$	10,520,074	126,056,926
Funded ratio (actuarial value of plan assets/AAL)		80.42%	44.01%
Covered payroll (active plan members)	$	28,690,983	353,723,230
UAAL as a percentage of covered payroll		36.67%	35.64%

The net pension obligation prepayment is included in prepaid expenses on the Statement of Net Assets.

	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, 2009	July 1, 2009
Actuarial cost method	Projected unit credit	Entry age normal
Amortization method	5- year closed, 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 22.18 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	8.0%	8.0%

	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 3.0% per year with additional service-based increases of up to 3.5% per year.	Wage inflation of 3.0% per year plus additional service-based increases of up to 4.80%
Classified participants	4.0% per year	N/A
Cost of Living Increases	0.0% per year	0.0% per year
Mortality Table	1994 GAM, sex distinct	1994 GAM, sex distinct

(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

	Annual required contribution	% of annual pension cost contributed	Net pension prepayment
Fiscal year beginning July 1:			
2009	$ 3,242,746	24%	$ -
2008	2,482,200	108%	(2,500,000)
2007	2,576,104	92%	(2,319,239)

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	Annual required contribution	% of annual pension cost contributed	Net pension prepayment
Fiscal year beginning July 1:			
2009	$ 15,641,408	28%	$ (187,428)
2008	15,235,493	75%	(11,447,452)
2007	15,408,267	99%	(15,276,218)

(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 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 does not issue a publicly available financial report.

Employee and retiree contribution requirements are established through collective bargaining agreements and Board policy. 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.

An employee with 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.) Generally, 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 retirements, 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.

Currently there is no employee premium contribution for most active employees. Certain non-represented employees pay 5 percent of their health plan premium and Board members pay any premium difference between the health plan they selected and the lowest cost health plan. There is a conditional employee premium contribution of 2.5 percent for those enrolled in the PPO/Indemnity Health Plan if the premium for this plan increases greater than 17 percent and, to date, this conditional premium share has not been triggered. If the conditional premium share is triggered, future retired members that receive a Board-paid subsidy would receive a subsidy amount equal to the PPO/Indemnity Plan premium rate at the time of retirement less the 2.5 percent conditional employee premium share.

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 future retirees.

In general and in accordance with collective bargaining agreements and Board policy, 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 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.

For fiscal year ending June 30, 2010, the District contributed $56,974,949 to the Retiree Plan. For fiscal year ending June 30, 2010, total member contributions to the Retiree Plan were $12,119,875.

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, the amount actually contributed to plan, and changes in the district's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$186,702,017
Interest on Net OPEB Obligation	11,918,554
Adjustment to annual required contribution	(10,752,920)
Annual OPEB cost	187,867,651
Medicare Part D contributions	(3,688,252)
MPS Contributions made	(56,974,949)
Increase in Net OPEB Liability	127,204,450
Net OPEB obligation, beginning of year	261,946,200
Net OPEB obligation, end of year	$389,150,650

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, 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$187,867,651	30.3%	$389,150,650
6/30/09	$190,432,565	31.3%	$261,946,200
6/30/08	$175,418,900	25.3%	$131,035,465

The funded status of the plan as of July 1, 2009, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$2,398,129,600
Actuarial value of plan assets	—
Unfunded Actuarial Accrued Liability (UAAL)	$2,398,129,600
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	$ 507,339,100
UAAL as a percentage of covered payroll	472.7 %

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.

The District's OPEB financial disclosure information for fiscal year ending, June 30, 2010 was based on the assumptions and methods in the July 1, 2009 actuarial valuation. 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 9 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. The remaining amortization period at June 30, 2010 was 30 years.

(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, 2010, the District met its revenue limitation.

(13) School Nutrition Deficit

The School Nutrition Services Fund had a deficit of $2,154,013. The deficit is anticipated to be funded through future operations.

(14) Excess Expenditures Over Appropriations

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2010:

Fund	Excess Expenditures
General Fund:	
Middle Schools	$ 1,696,578
K-8 Schools	1,675,848
Elementary Schools	1,633,208
Milwaukee County Collaborative	70,734
S.E. Asian/Native American Program	15,984
Interscholastic Athletics/Academics	69,143
Instrumental Music	118,099
Social Work Services	21,280
Dept of Academic Excellence	410,008
Musical Festival	55,164
Mentor Teacher	2,646,537
Employee Benefits (undistributed)	1,803,608
School District Insurances	404,368
Debt Service	13,491,529
Division of Recreation and Community Services-Employee Benefits	1,166,033
CAMP	4,065,925
School Nutrition Services Fund	2,119,285
TEACH Wisconsin Program Fund	137,648
Debt Service	2,763,659

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, 2010 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.

(b) Operating Leases

The District leases certain computer equipment with a carrying value of approximately $1,185,182. For fiscal year 2010, total operating lease expense of the District was $1,336,039. The aggregate minimum legal commitments for the five fiscal years subsequent to June 30, 2010 and thereafter for the computers and property are as follows:

Fiscal years:	
2011	1,185,182
Total	$ 1,185,182

(c) Contractual Commitments

The District has $26.3 million of contractual commitments outstanding as of June 30, 2010.

(d) 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.

(e) Class Action Litigation – Special Education

The District has no reasonable measurable estimate of the cost to remedy the situation related to the Special Education lawsuit. A decision on the retrospective remedy was rendered by the District Court in June, 2009 which was subsequently appealed and stayed by the Seventh Circuit Court of Appeals pending the outcome of the appeal. Oral arguments were heard in front of the Seventh Circuit in September, 2010.

(f) ***Interest Rate Swap Agreement***

In December 2003, Milwaukee Public Schools (MPS), in cooperation with the City of Milwaukee (City) and the Redevelopment Authority of the City of Milwaukee (RACM), issued $168,051,135 of debt instruments to fully fund its previously unfunded actuarial accrued liability for employee pensions owed to the Wisconsin Retirement System. Of this amount, $130,850,000 was issued in the form of variable rate debt. To fix the interest rate relative to this variable rate debt, the City, acting as agent for MPS, entered into agreements with the firms of Lehman Brothers Special Financing, Inc. and Morgan Stanley in the amounts of $70,850,000 and $60,000,000 respectively. Each of the agreements expires October 1, 2043, when the last of the variable rate debt is retired.

On September 15, 2008, Lehman Brothers Holdings Inc., parent company of Lehman Brother Special Financing, declared bankruptcy. On the weekend of October 5, 2008, Lehman Brothers Special Financing declared bankruptcy. The declaration of bankruptcy by these organizations necessitates the replacement of the agreements between the City / MPS and Lehman Brothers Special Financing with similar agreements with another firm. Currently,

MPS and the City continue to work to resolve the matter. The City, on behalf of MPS, has been negotiating the replacement of the Lehman Swap. As of December 1, 2010, the City has completed negotiations on major issues with potential counterparties to replace Lehman. Once negotiations are fully completed with the potential counterparties, the potential counterparties will bid to replace Lehman, and MPS will offer a financial settlement to Lehman based upon those bids. MPS cannot provide any assurance that the offer will be acceptable to Lehman.

(g) 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 entered into a consortium with MATC and UWM to combine the district's channels to lease them to Clearwire in November 1991. It is a $42,000,000, 30-year contract which all consortium partners will receive a third of the revenues; MPS received $4,200,000 upfront in March 2008 and $55,000 a month during the contract period. In turn, Clearwire will build the WiMax for the consortium partners so that these partners can buy back WiMax broadband internet services from Clearwire.

(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 15, 2010, and $45,000,000 of commercial paper on October 7, 2010. The entire $95,000,000 of commercial paper was retired October 27, 2010 using proceeds received from $225,000,000 of Revenue Anticipation Notes (RANs), Series 2010 M8, issued October 27, 2010. $50,000,000 of the RANs mature December 29, 2010, with the remaining $175,000,000 maturing June 27, 2011. Interest is payable at maturity.

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REQUIRED SUPPLEMENTARY INFORMATION

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Func

Year ended June 30, 2010

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
REVENUES:				
Property Tax Levy	$ 279,136,854	$ 282,124,317	$ 284,513,610	$ 2,389,293
Equalization & Integration Aids	598,045,119	584,579,530	555,795,472	(28,784,058)
Other State Aids	70,182,509	83,463,625	71,135,105	(12,328,520)
Federal Aids	7,300,000	10,900,000	53,404,450	42,504,450
Other Local Revenues	7,730,822	6,872,966	7,410,889	537,923
Applied Surplus	3,944,413	2,580,000	-	(2,580,000)
SCHOOL OPERATIONS & EXTENSION	966,339,717	970,520,438	972,259,526	1,739,088
CAMP	-	-	3,841,449	3,841,449
GRANTS	252,410,340	260,802,038	201,302,479	(59,499,559)
Total Revenues	1,218,750,057	1,231,322,476	1,177,403,454	(53,919,022)
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	138,847,599	136,238,660	136,181,878	56,782
Middle Schools	49,634,555	41,884,687	43,581,265	(1,696,578)
K-8 Schools	210,034,993	212,173,121	213,848,969	(1,675,848)
Elementary Schools	133,346,650	131,619,135	133,252,343	(1,633,208)
Charter Schools	88,021,361	84,322,163	84,325,417	(3,254)
School to Work Transition	2,984,370	3,009,919	2,788,179	221,740
School Age Parents	2,060,884	2,090,278	2,010,102	80,176
Alternative Schools	7,802,663	5,013,437	4,341,214	672,223
Agency Programs	28,432,143	24,470,639	24,203,659	266,980
Home & Hospital Instruction	1,018,297	1,019,216	846,301	172,915
MATC Alternative Programs	0	615,275	(730,632)	1,345,907
Milwaukee County Collaborative	1,172,548	1,173,322	1,244,056	(70,734)
Contracted Kindergarten	1,929,854	1,796,091	1,709,497	86,594
Summer School	4,200,000	4,287,686	2,404,986	1,882,700
School Special Funds	47,947,556	68,431,471	65,865,607	2,565,864
S.E. Asian/Native American Program	292,728	292,728	308,622	(15,894)
Interscholastic Athletics/Academics	4,969,731	5,197,231	5,266,374	(69,143)
Driver Education	808,789	672,067	328,626	343,441
School Safety Operations	3,039,706	3,059,446	3,023,475	35,971
Instrumental Music	1,393,120	1,396,745	1,514,844	(118,099)
Schools Program Funds	1,719,190	1,716,940	1,018,547	698,393
MTEC/Compton	118,456	118,456	622	117,834
Peer Evaluation & Mentor Teachers	2,754,724	2,757,814	-	2,757,814
Social Work Services	292,830	292,930	314,210	(21,280)
EEN Itinerant Allied Services	6,045,629	6,461,990	5,441,760	1,020,230
Special Education Optional Services	213,107	223,984	212,625	11,359
Non-MPS Special Education Costs	3,262,594	3,278,213	2,960,739	317,474
TABS Program	744,798	744,624	717,941	26,683
TOTAL - PROGRAM ACCOUNTS	**$** 743,088,875	744,358,268	736,981,226	7,377,042

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, 2010

	Budgeted amounts		Actual (GAAP basis)	Variance with Revised Budget
	Adopted	Revised		
INDIRECT & SUPPORT SERVICES				
Board of School Directors	$ 433,441	$ 800,436	$ 471,750	$ 328,686
Office of Board Governance	2,590,222	3,760,803	2,489,720	1,271,083
Office of Superintendent	3,640,181	3,734,624	3,483,740	250,884
Dept. of Academic Excellence	3,511,497	3,323,045	3,733,053	(410,008)
Dept. of Parent & Student Services	3,690,745	3,697,263	3,458,938	238,325
Dept. of Special Services	5,033,537	4,154,850	4,049,542	105,308
Dept. of Finance & Operations	50,233,852	69,332,900	59,618,874	9,714,026
Dept. of Human Resources	5,311,734	6,304,681	5,405,729	898,952
TOTAL - INDIRECT & SUPPORT	74,445,209	95,108,602	82,711,346	12,397,256
OTHER ACCOUNTS				
Textbook Adoptions	6,379,750	9,364,366	6,036,132	3,328,234
Partnership Academy	54,348	54,348	43,480	10,868
Safety Supplement	2,299,800	2,949,826	2,228,125	721,701
Technology Licenses	3,487,748	3,487,039	3,268,330	218,709
Music Festival	200,000	201,400	256,564	(55,164)
Mentor Teacher	-	-	2,646,537	(2,646,537)
Transportation	58,965,440	57,117,568	56,791,565	326,003
Employee Benefits (undistributed)	3,925,154	27,604,656	29,408,264	(1,803,608)
School District Insurances	8,201,928	8,230,565	8,634,933	(404,368)
Debt Service (includes NSI)	16,204,850	657,006	14,148,535	(13,491,529)
Utilities & Leases	25,197,119	25,012,240	23,994,932	1,017,308
Special & Contingent Funds	9,480,131	13,001,814	3,073,126	9,928,688
TOTAL - OTHER ACCOUNTS	134,396,268	147,680,828	150,530,523	(2,849,695)
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	8,253,094	8,789,637	6,810,829	1,978,808
Earn to Learn	60,000	60,000	2,352	57,648
Summer School Wrap-around	2,772,277	3,808,402	1,430,733	2,377,669
Community Arts Program	949,961	1,888,990	1,038,813	850,177
District Insurances	298,822	298,822	156,800	142,022
Employee Benefits	20,000	42,031	1,208,064	(1,166,033)
Special & Contingent Fund	1,377,678	641,965	205,857	436,108
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	13,731,832	15,529,847	10,859,655	4,670,192
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES	(15,527,317)	(14,827,408)	(14,808,102)	(19,306)
SCHOOL OPERATIONS & EXT. FUND	950,134,867	987,850,137	966,274,648	21,575,489
CAMP	-	-	4,065,925	(4,065,925)
GRANTS	252,410,340	260,802,038	203,691,130	57,110,908
Total Expenditures	1,202,545,207	1,248,652,175	1,174,031,703	74,620,472
Excess of revenues over (under) expenditures	16,204,850	(17,329,699)	3,371,751	20,701,450
Transfer In (Out)	(16,204,850)	(13,263,106)	(19,506,580)	(6,243,474)
Capital Leases Issued	-	-	11,504,297	11,504,297
Change in Fund Balance	$ -	$ (30,592,805)	(4,630,532)	$ 25,962,273
Fund balance-beginning of year			96,645,106	
Fund balance-end of year			$ 92,014,574	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

Year ended June 30, 2010

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
Revenues:				
Lunchroom sales	$ 6,741,665	4,041,665	3,853,462	188,203
Other local sources	—	—	46,928	(46,928)
State aid:				
School nutrition aid	850,000	850,000	1,034,322	(184,322)
Federal aid:				
School nutrition aid	27,868,445	30,568,445	36,525,598	(5,957,153)
Other federal aid	475,444	2,675,444	210,999	2,464,445
Total revenues	35,935,554	38,135,554	41,671,309	(3,535,755)
Expenditures:				
Current operating:				
School Nutrition Services	—	37,684,623	39,803,908	(2,119,285)
Total expenditures	—	37,684,623	39,803,908	(2,119,285)
Excess of revenues over(under) expenditures	35,935,554	450,931	1,867,401	(1,416,470)
Transfer In	—	—	1,673,768	1,673,768
Net change in fund balances	$ —	—	3,541,169	3,541,169
Fund deficit—beginning of year			(5,695,182)	
Fund deficit—end of year			$ (2,154,013)	

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Year ended June 30, 2010

Schedules of Funding Progress

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

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/09	$ 43,207,285	$ 53,727,359	$ 10,520,074	80.42 %	$ 28,690,983	36.67 %
7/1/08	44,570,940	53,278,752	8,707,812	83.70 %	30,534,301	28.52
7/1/07	42,807,076	52,832,971	10,025,895	81.00	32,942,251	30.40

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/09	$ 99,077,126	$ 225,134,052	$ 126,056,926	44.01 %	$ 353,723,230	35.64 %
7/1/08	94,204,651	217,642,068	123,437,417	43.28	350,580,446	35.21
7/1/07	82,256,327	210,656,973	128,400,646	39.05	341,271,505	37.62

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

Fiscal year beginning	Annual Required Contribution	Percentage Contributed
7/1/2009	$ 3,242,746	24 %
7/1/2008	2,482,200	108
7/1/2007	2,576,104	92

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Fiscal year beginning	Annual Required Contribution	Percentage Contributed
7/1/2009	$ 15,641,408	28 %
7/1/2008	15,235,493	75
7/1/2007	15,408,267	99

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS
Required Supplementary Information
Year Ended June 30, 2010

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	-	$2,398,129,645	$ 0%		$507,339,126	472.7%
7/1/2008	n/a	n/a	n/a	n/a	n/a	n/a
7/1/2007	-	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

Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
7/1/2009	$ 186,702,017	32.7%
7/1/2008	189,880,613	31.3
7/1/2007	175,418,900	25.3

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 then the trend previously used, and a change in demographic assumptions, including less retirements and less new actives then expected.

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS

Notes to Required Supplementary Information

Year ended June 30, 2010

(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.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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MILWAUKEE PUBLIC SCHOOLS

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. These funds include the following:

TEACH Wisconsin Programs Fund—This fund is used to account for proceeds from state grants that provide funding for advanced and innovative telecommunications-based projects.

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 accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the governmental funds.

MILWAUKEE PUBLIC SCHOOLS

Combining Balance Sheet—Nonmajor Governmental Funds

June 30, 2010

Assets		Special Revenue: TEACH Wisconsin Programs	Special Revenue: Categorically Aided Programs	Debt Service	Total
Receivables due from other governmental units	$	—	6,892,446	—	6,892,446
Total assets	$	—	6,892,446	—	6,892,446
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$	—	62,764	—	62,764
Due to other funds		—	6,829,682	—	6,829,682
Total liabilities		—	6,892,446	—	6,892,446
Fund balances:					
Unreserved and undesignated		—	—	—	—
Total fund balances		—	—	—	—
Total liabilities and fund balances	$	—	6,892,446	—	6,892,446

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2010

	Special Revenue			
	TEACH Wisconsin Programs	**Categorically Aided Programs**	**Debt Service**	**Total**
Revenues:				
Property taxes	$ —	—	2,342,002	2,342,002
State aid—other	385,372	—	—	385,372
Federal aid:				
Other federal aid	—	33,315,358	—	33,315,358
Total revenues	385,372	33,315,358	2,342,002	36,042,732
Expenditures:				
Instructional services—special curriculum	—	6,539,696	—	6,539,696
Pupil and staff services	—	26,775,662	—	26,775,662
Debt service:				
Principal	523,020	—	6,179,911	6,702,931
Interest	—	—	12,174,806	12,174,806
Issuance Cost	—	—	14,050	14,050
Total expenditures	523,020	33,315,358	18,368,767	52,207,145
Excess of revenues over (under) expenditures	(137,648)	—	(16,026,765)	(16,164,413)
Other financing sources:				
Refunding bond issued debt	—	—	11,020,000	11,020,000
Payment for refunded bond debt	—	—	(14,360,000)	(14,360,000)
Transfers In	—	—	19,366,765	19,366,765
Total other financing sources (uses), net	—	—	16,026,765	16,026,765
Net changes in fund balances	(137,648)	—	—	(137,648)
Fund balances:				
Beginning of year	137,648	—	—	137,648
End of year	$ —	—	—	—

MILWAUKEE PUBLIC SCHOOLS

TEACH Wisconsin Programs Fund

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

Year ended June 30, 2010

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
State aid:			
Other state aid	$ —	—	385,372
Total revenues	—	—	385,372
Expenditures:			
Current operating:			
Debt service-Principal	385,372	385,372	523,020
Total expenditures	385,372	385,372	523,020
Net change in fund balance	$ (385,372)	(385,372)	(137,648)
Fund balance—beginning of year			137,648
Fund balance—end of year			$ —

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

Year ended June 30, 2010

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Other local sources	$ —	—	—
Federal aid:			
Other federal aid	40,578,339	40,578,339	33,315,358
Total revenues	40,578,339	40,578,339	33,315,358
Expenditures:			
Current operating:			
Special curriculum	13,892,716	13,892,878	6,539,696
Pupil and staff services	26,685,623	26,685,461	26,775,662
Total expenditures	40,578,339	40,578,339	33,315,358
Net change in fund balance	$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			$ —

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

Year ended June 30, 2010

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Property taxes	$ —	2,342,002	2,342,002
Total revenues	—	2,342,002	2,342,002
Expenditures:			
Current operating:			
Debt service	16,204,850	15,605,108	18,368,767
Total expenditures	16,204,850	15,605,108	18,368,767
Excess of revenues over (under) expenditures	(16,204,850)	(13,263,106)	(16,026,765)
Other financing sources (uses)			
Refunding bond issued debt	—	—	11,020,000
Payment for refunded bond debt	—	—	(14,360,000)
Transfers In (Out)	16,204,850	13,263,106	19,366,765
Total other financing sources (uses), net	16,204,850	13,263,106	16,026,765
Fund balance—beginning of year	—	—	—
Fund balance—end of year	$ —	—	—

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.

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 Net Assets—Pension Trust Funds

June 30, 2010

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
Assets			
Investments			
Money market accounts	$ 468,761	1,337,744	1,806,505
U.S. treasury and agency securities	1,125,763	2,184,891	3,310,654
Mortgage-backed securities	121,642	16,362	138,004
Nongovernment obligations	1,586,261	1,709,281	3,295,542
Municipal Bonds	25,157	20,048	45,205
Investment in the State of Wisconsin	32,680,385	83,439,322	116,119,707
Receivables-interest and contributions	27,261	30,077	57,338
Total assets	36,035,230	88,737,725	124,772,955
Liabilities			
Liabilities:			
Accounts payable and accrued expenses	403,625	1,234,099	1,637,724
Total liabilities	403,625	1,234,099	1,637,724
Net Assets			
Held in trust for supplemental pension benefits	$ 35,631,605	87,503,626	123,135,231

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Changes in Net Assets—Pension Trust Funds

Year ended June 30, 2010

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
Additions:				
Employer contributions	$	763,048	4,365,123	5,128,171
Investment income, net of expenses		4,704,281	11,610,204	16,314,485
Total additions		5,467,329	15,975,327	21,442,656
Deductions:				
Benefits paid to participant's or beneficiaries		4,558,211	13,380,262	17,938,473
Distribution of participant contribution accounts		136,160	—	136,160
Administrative expenses		54,615	122,215	176,830
Total deductions		4,748,986	13,502,477	18,251,463
Changes in net assets		718,343	2,472,850	3,191,193
Net assets—Beginning of Year		34,913,262	85,030,776	119,944,038
Net assets—Ending of Year	$	35,631,605	87,503,626	123,135,231

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Schedule of Changes in Assets and Liabilities

Year ended June 30, 2010

Assets		Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Cash and cash equivalents	$	5,529,398	14,643,620	(14,419,008)	5,754,010
Total assets		5,529,398	14,643,620	(14,419,008)	5,754,010
Liabilities					
Liabilities:					
Due to student organizations		5,529,398	14,643,620	(14,419,008)	5,754,010
Total liabilities	$	5,529,398	14,643,620	(14,419,008)	5,754,010

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
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 94-97

Revenue Capacity
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 98-103

Debt Capacity
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. 104-106

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 107-111

Operating Information
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. 112-122

MILWAUKEE PUBLIC SCHOOLS
Statement of Net Assets
Last Nine Fiscal Years

Governmental activities

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	$ 494,531,410	499,644,800	483,877,761	473,612,564	481,469,344	475,757,763	456,936,816	434,581,357	415,911,456
Restricted for debt service	4,699,678	8,351,394	16,045,169	14,472,771	1,796,177	13,502,378	9,518,692	3,089,752	-
Unrestricted (Deficit)	(520,167,556)	(389,665,110)	(249,579,105)	(102,111,255)	(97,025,340)	(122,424,347)	(113,587,990)	(115,140,875)	(56,959,502)
Total net assets	$ (20,936,468)	118,331,084	250,343,825	385,974,080	386,240,181	366,835,794	352,867,518	322,530,234	358,951,954

The District implemented GASB Statement No. 34 on June 30, 2002; accordingly, prior year data is not available.

MILWAUKEE PUBLIC SCHOOLS
Changes in Net Assets
Last Nine Fiscal Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:									
Instruction	$ 887,815,447	864,409,791	826,151,034	676,103,840	664,810,169	652,714,635	645,880,553	624,575,792	589,940,807
Support services:									
Community services	25,538,287	25,574,386	19,658,453	20,110,243	23,270,780	20,560,706	18,154,857	21,757,475	18,606,289
Pupil and staff services	143,517,392	138,220,288	132,463,255	122,202,632	117,138,777	110,034,688	105,549,340	128,557,769	106,353,611
General, administration, and central services	132,145,392	118,454,437	117,404,599	111,430,021	112,657,972	108,742,800	116,816,130	110,763,906	108,170,630
Business services	159,725,009	161,738,970	176,006,641	162,219,265	155,889,203	162,748,023	140,825,201	179,310,149	154,803,929
School nutrition services	40,555,069	40,891,942	40,654,079	36,515,840	32,793,305	32,165,131	31,249,035	29,348,112	28,672,131
Interest on long-term debt	17,166,361	16,181,174	16,771,008	18,130,489	20,176,300	16,245,344	6,250,445	3,920,507	1,373,719
Insurance	-	-	-	-	-	-	-	8,733,676	-
Total support services	$ 518,647,510	501,061,197	502,958,035	470,608,490	461,926,337	450,496,692	418,845,008	482,391,594	417,980,309
Total expenses	$ 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	1,106,967,386	1,007,921,116
Program revenues:									
Charges for services:									
Instruction	$ 4,668,475	5,508,572	9,168,741	8,224,655	9,925,797	3,130,444	2,309,821	1,486,516	992,481
Community services	2,022,823	1,994,701	2,333,636	2,934,878	1,906,234	1,930,856	3,246,347	2,876,220	3,634,145
Business services	1,755,862	2,000,182	1,571,882	296,678	103,409	281,329	111,642	143,894	153,322
Nutrition services	3,900,398	4,186,989	3,915,031	3,991,342	4,391,811	4,747,456	4,754,985	4,331,344	4,230,650
Interest on long-term debt					-	-	296,612	-	-
Operating grants and contributions:									
Instruction	288,369,454	314,249,488	211,544,865	187,252,284	204,453,803	105,071,902	106,964,376	103,818,468	82,443,894
Community services	7,218,268	8,472,311	6,389,186	6,031,898	9,864,927	7,318,142	7,629,273	10,009,747	11,562,944
Pupil and staff services	15,608,318	15,106,248	10,811,749	3,679,418	3,746,360	3,583,626	2,864,019	3,108,062	4,979,715
General, administration, and central services	-	-	-	-	-	-	-	-	714,331
Business services	6,631,649	7,140,808	6,867,633	2,779,926	3,511,831	44,078,275	41,609,807	41,786,993	41,114,899
Nutrition services	37,770,914	34,803,122	32,462,000	30,879,192	25,961,118	25,176,146	24,876,913	24,582,985	23,757,262
Capital grants and contributions:									
Instruction	11,118,264	1,698,541	10,906,976	5,371,128	9,759,824	20,355,818	11,334,558	13,918,003	33,847,928
General, administration, and central services	-	-	-	-	-	726,957	5,732,070	2,502,693	-
Business services	-	-	-	-	-	-	639,448	-	3,118,872
Total program revenues	$ 379,064,425	395,160,962	295,971,699	251,441,399	273,625,114	216,400,951	212,369,871	208,564,925	210,550,443
Net (expense)/revenue	$ (1,027,398,532)	(970,310,026)	(1,033,137,370)	(895,270,931)	(853,111,392)	(886,810,376)	(852,355,690)	(898,402,461)	(797,370,673)
General revenues and other changes in net assets:									
Taxes:									
Property taxes levied for general purposes	$ 274,190,085	257,763,742	223,761,147	192,891,583	183,710,164	180,704,104	168,470,699	168,452,670	166,503,260
Property taxes levied for construction	9,074,793	17,001,718	16,975,373	14,580,539	13,237,040	12,266,054	-	-	-
Property taxes levied for debt service	2,342,002	1,870,414	-	13,546,414	8,843,502	6,469,806	6,723,273	4,644,357	2,773,885
Property taxes levied for community services	10,226,234	11,142,826	10,340,610	9,327,455	8,077,455	8,002,455	8,004,465	8,004,465	5,797,660
Other taxes	59,021	49,468	133,509	2,369,741	-	-	-	-	-
Federal and state aid not restricted to a specific purpose:									
General (equalization aid)	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,749	575,069,738	556,169,239	542,432,938
Other	75,412,753	78,351,979	70,601,690	71,253,170	69,325,745	116,147,856	123,574,539	122,784,828	105,517,681
Interest and investment earnings	759,476	1,159,402	2,496,060	3,535,723	2,823,351	1,773,508	761,505	662,490	857,961
Gain on sales of property	-	-	817,921	-	-	10,200	-	1,262,537	-
Other	1,075,826	1,045,095	-	916,544	-	1,200,921	88,755	335	-
Total general revenues	$ 888,130,980	838,297,285	895,938,956	895,004,830	872,515,778	900,778,653	882,692,974	861,980,921	823,883,385
Change in net assets	$ (139,267,552)	(132,012,741)	(137,198,414)	(266,101)	19,404,386	13,968,277	30,337,284	(36,421,540)	26,512,712

The District implemented GASB Statement No. 34 on June 30, 2002; accordingly, prior year data is not available.

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund									
Reserved	$ 35,081,314	56,034,728	70,201,296	83,119,252	73,378,466	54,166,313	41,006,883	31,870,360	34,732,538
Unreserved	56,933,260	40,610,378	28,063,255	27,510,956	35,971,431	45,933,995	40,801,363	53,322,314	83,176,378
Total general fund	$ 92,014,574	96,645,106	98,264,551	110,630,208	109,349,897	100,100,308	81,808,246	85,192,674	117,908,916
Other Governmental Funds									
Reserved	$ 9,341,521	9,191,384	12,494,623	14,210,055	32,798,010	56,974,895	90,457,405	14,148,758	748,180
Unreserved									
Construction fund	37,687,706	-	858,122	(1,328,640)	(1,417,829)	(14,836,707)	(11,772,547)	8,172,565	42,331,044
Special revenue fund	(2,154,013)	(5,557,534)	(5,628,473)	(4,214,279)	(4,033,184)	(1,927,970)	(320,546)	2,120,932	3,316,059
Total all other governmental funds	$ 44,875,214	3,633,850	7,724,272	8,667,136	27,346,997	40,210,218	78,364,312	24,442,255	46,395,283

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:									
Property tax levy	$ 295,833,114	287,778,700	251,077,130	230,345,991	213,803,808	207,442,419	183,198,437	181,046,160	174,734,593
Other taxes	97,291	92,608	88,839	291,341	—	—	—	—	—
Lunchroom sales	3,853,462	4,180,102	3,774,957	3,875,772	4,391,811	4,747,456	4,754,985	4,331,344	4,230,650
Other local sources	10,288,493	12,686,419	16,967,736	11,729,344	14,656,297	13,550,964	9,221,099	10,531,728	10,009,451
Lawsuit Settlement Refunds	6,796,310	—	—	—	—	—	—	—	—
State aid:									
Equalization aid	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,739	575,069,738	556,169,239	542,432,938
Special classes	46,323,816	47,564,912	42,288,233	39,265,952	39,188,603	39,419,557	40,437,993	40,312,755	41,148,872
Integration	40,804,682	41,276,129	41,864,808	45,208,452	43,660,426	38,661,528	39,437,167	38,717,298	38,830,913
Other state aid	73,460,777	76,658,767	55,720,015	51,424,988	53,759,282	52,338,422	52,217,130	54,522,686	56,566,633
Federal aid:									
Education Consolidation Improvement Act	121,231,450	102,207,198	81,727,901	70,566,992	72,246,390	69,124,917	59,694,854	55,238,900	48,563,189
School nutrition services	36,525,598	33,501,200	31,387,925	30,114,964	25,961,118	24,531,108	24,215,335	23,925,082	23,096,314
Erate refunds	1,920,868	1,751,957	3,638,805	1,661,683	—	4,510,353	639,448	857,304	3,118,872
Other federal aid	111,175,815	157,572,767	79,462,513	69,013,674	79,134,117	78,325,787	90,929,422	85,519,496	68,201,403
Intergovernmental aid from the City of Milwaukee	191,000	—	6,000,000	—	9,240,442	14,265,000	11,334,558	8,660,000	23,500,000
Miscellaneous	1,222,859	932,475	816,009	916,544	—	—	—	—	—
Interest and investment earnings	759,476	1,159,402	2,496,060	3,535,721	2,823,350	1,798,305	1,058,117	662,490	—
Total revenues	$ 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	1,060,494,482	1,034,433,828
Expenditures:									
Instructional services:									
Undifferentiated curriculum	$ 419,013,141	426,468,415	420,350,045	420,196,158	430,564,038	418,322,709	426,491,163	394,787,592	355,934,282
Regular and other curriculum	162,055,281	152,019,378	139,085,524	113,231,381	105,796,528	99,908,858	103,609,583	113,717,969	111,412,319
Special curriculum	158,358,450	141,682,491	128,758,524	126,898,396	113,370,170	113,285,852	101,456,920	102,170,548	95,433,902
Total instructional services	739,426,872	720,170,284	688,194,093	660,325,935	649,730,736	631,517,419	631,557,666	610,676,109	562,780,503
Community services	23,184,162	23,482,483	19,337,638	20,022,461	23,127,716	20,591,303	18,191,494	21,442,778	18,312,322
Pupil and staff services	141,633,899	136,274,148	130,014,574	120,056,089	115,122,913	109,425,025	106,347,902	127,129,819	106,273,359
General and school building administration	128,618,542	118,520,404	112,066,634	109,867,741	111,227,914	108,422,951	116,968,619	115,847,360	82,821,806
Business services	160,335,051	161,983,843	154,214,637	160,817,367	151,129,644	153,790,477	156,312,056	164,931,353	150,643,630
School nutrition services	39,803,908	39,547,617	38,476,566	35,782,244	32,210,593	32,006,084	31,097,577	29,209,501	28,602,348
Capital Outlay	19,371,066	21,845,269	38,476,566	27,701,230	46,591,605	66,940,733	82,496,380	52,056,355	38,182,842
Debt service:									
Principal	18,929,274	11,849,070	11,037,918	14,931,291	18,826,401	10,884,355	10,592,638	4,787,763	3,134,930
Interest	13,261,491	13,407,173	13,698,240	14,426,612	14,646,900	13,955,810	4,212,525	2,878,039	992,858
Bond issuance cost	2,113,376	33,858	480,561	625,649	—	—	3,282,941	—	—
Other	—	—	—	—	799,375	1,162,108	1,383,820	1,485,527	53,253,456
Total expenditures	$ 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	1,130,444,604	1,044,998,054
Excess of revenues over (under) expenditures	$ (21,201,840)	(9,838,872)	(17,873,850)	(20,021,540)	(18,049,632)	(25,776,710)	(70,235,335)	(69,950,122)	(10,564,226)
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	7,060,000	5,900,000
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	4,979,000	8,590,000
Proceeds from Neighborhood Schools Initiative bonds	—	—	—	—	—	—	78,740,000	—	33,300,000
Premium on NSI bonds	—	—	—	—	—	—	1,357,121	—	—
Proceeds from Sale of Property	287,395	—	—	—	—	25,200	—	1,306,175	—
Proceeds from Teach Loan	—	—	—	—	—	—	—	1,935,677	3,034,883
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	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	$ 57,812,672	4,129,005	2,997,170	2,621,990	14,436,000	5,914,678	120,772,964	15,280,852	50,824,883
Net change in fund balance	$ 36,610,832	(5,709,867)	(14,876,680)	(17,399,550)	(3,613,632)	(19,862,032)	50,537,629	(54,669,270)	40,260,657
Debt service as a percentage of noncapital expenditures	2.8%	2.1%	2.2%	2.7%	3.1%	2.4%	1.7%	0.7%	0.4%

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.

Assessed Year		Assessed valuation	Assessed valuation increase (decrease) over prior years	Equalized valuation
1980	$	7,680,434	(109,012)	10,252,337
1981		7,459,893	(220,540)	10,404,727
1982		10,432,662	2,972,769	10,762,198
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

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 th
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								
2000	$8.95	31.9 %	$9.12	32.5 %	$2.16	7.7 %	$5.82	20.7 %	$0.21	0.8 %	$1.80	6.4 %	$28.06	100.0 %
2001	8.81	31.5	9.86	35.2	2.00	7.1	5.46	19.5	0.20	0.7	1.68	6.0	28.01	100.0
2002	9.11	30.8	10.22	34.6	2.23	7.6	5.91	20.0	0.22	0.7	1.87	6.3	29.56	100.0
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

(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)
2001	7.44	0.45	0.29	8.18
2002	7.68	0.50	0.28	8.46
2003	7.11	0.45	0.35	7.91
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	0.27	0.31	8.94

Tax Levies for School Purposes

Last Ten Years

Budget Year	School Operations	Construction	Extension	Total
2001	154,374,123	9,273,404	6,073,405	169,720,932
2002	158,610,459	10,328,700	5,795,434	174,734,593
2003	162,696,867	10,346,829	8,002,455	181,046,151
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

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

Milwaukee Public Schools
Principal Property Taxpayers
(Thousands of Dollars)

Employer	Fiscal Year 2009 Assessed Value	Fiscal Year 2009 Percentage of Total Assessed	Fiscal Year 2000 Assessed Value	Fiscal Year 2000 Percentage of Total Assessed
U.S. Bank	$ 244,987	0.85 %	$ 197,383	1.12 %
Northwestern Mutual Life Insurance Company	197,716	0.86	167,947	0.95
Marcus Corp./Mil. City Center/Pfister	111,561	0.39	66,632	0.38
Metropolitan Associates	103,509	0.36	64,308	0.37
NNN 411 E. Wisconsin LLC	90,287	0.31	—	—
Crichton-Hauck/Shoreline/Juneau	89,520	0.31	—	—
Towne Realty	86,010	0.30	88,920	0.51
M&I Marshall & Isley Bank/Metavante Corp.	82,041	0.28	—	—
100 E. Wisconsin Ave. Joint Venture	72,189	0.25	55,171	0.31
Renaissant LaFayette Apts	62,312	0.22	—	—
Teachers Insurance & Annuity Assoc.	—	—	103,438	0.59
Miller Brewing	—	—	69,844	0.4
Great Lakes, REIT LP	—	—	68,747	0.39
Allen Bradley Company	—	—	55,942	0.32
	$ 1,140,132	4.13 %	$ 938,332	5.34 %

Source: City CAFR

MILWAUKEE PUBLIC SCHOOLS
Property Tax Levies and Collections
Last Seven 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 Year (B) Current Tax Collections	Percent Original Levy Collected	Collections Purchased Delinquents Original Levy Year (C)	Collections Total Adjusted Levy in Subsequent Years	Total Collections to Date Amount	Total Collections to Date Percentage of Adjusted Levy
2003	$ 234,485	$ 20,742	$ 255,227	$ 228,345	97.38 %	$ 12,918	$ 13,433	$ 254,696	99.79 %
2004	240,643	22,459	263,102	235,012	97.66	15,497	11,936	262,445	99.79
2005	248,267	22,970	271,237	242,587	97.71	14,992	12,664	270,243	99.63
2006	261,685	24,819	286,504	255,823	97.76	15,664	13,574	285,061	99.50
2007	265,319	31,317	296,636	257,350	97.00	18,581	17,793	293,724	99.02
2008	286,180	39,562	325,742	277,119	96.83	23,952	15,713	316,784	97.25
2009	276,186	37,390	313,576	265,691	96.20	18,018	-	283,709	90.48

Milwaukee Public Schools Fiscal Year	Total Tax Levy	Percentage of Levy (E)
2003	$ 181,046	100.00 %
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

(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.

(E) City absorbs all tax delinquencies

Source: City of Milwaukee and MPS

Milwaukee Public Schools
Assessed Value and Estimated Actual Value of Taxable Property
Last Seven 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	$ 20,747,296	$	$ 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	94.3
2009	27,961,413	983,160	28,944,573	31,266,329	8.09	92.6

The District implemented GASB Statement No. 34 on June 30, 2002; accordingly, prior year data is not available.

Source: City CAFR & 2009 City Assessor's Office

MILWAUKEE PUBLIC SCHOOLS

Computation of Direct and Overlapping Debt—City of Milwaukee

December 31, 2009

(in thousands)

Name of governmental unit	Net debt outstanding	Percentage applicable to City of Milwaukee (C)	City of Milwaukee's share of debt
Debt Repaid with property taxes			
Direct debt:			
City of Milwaukee (A)	$ 657,575	100.00 %	$ 657,575
Overlapping debt:			
Milwaukee Area Technical College District Board	81,980	38.57	31,585
County of Milwaukee	730,822	48.50	350,795
Milwaukee Metropolitan Sewerage Area (B)	892,726	48.17	430,026
Total overlapping debt			812,406
Total district and overlapping debt			$ 1,469,981

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 $47,996 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.

(B) Includes $611,286 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: Capital Appreciation Bonds	Pension Debt: Variable Rate 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
2001	$ 11,231,524	$ -	$ -	$ -	$ 161,880,000	$ 173,111,524	0.89	$ 286	$ -	$ 6,348,549	$ 1,322,718	$ 180,782,791	1.08	$ 299
2002	15,016,036	8,590,000	-	-	166,728,766	190,334,802	0.94	320	33,300,000	1,948,775	4,091,684	229,675,261	1.25	386
2003	19,385,316	12,469,908	-	-	167,607,420	199,462,644	0.92	335	33,300,000	1,482,250	5,495,934	239,740,828	1.29	402
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	591
2005	17,040,498	11,356,780	39,845,213	130,850,000	-	199,092,491	0.76	335	113,197,353	31,154,750	10,236,484	353,681,078	1.76	596
2006	14,174,684	11,248,426	35,598,442	130,850,000	-	191,871,552	0.63	324	113,097,469	40,087,275	8,407,726	353,464,022	1.75	596
2007	11,996,044	9,897,583	37,852,753	130,850,000	-	190,596,380	0.60	323	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	N/A	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	N/A	562
2010	71,415,847	5,668,324	45,510,230	130,850,000	-	253,444,401	N/A	N/A	99,607,279	14,625,679	1,659,026	369,336,385	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 Seven Fiscal Years

	Neighborhood Schools Initiative Bonds			
Fiscal Year	**Intradistrict Aid**	**Debt Service Principal**	**Debt Service Interest**	**Coverage**
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

The Neighborhood Schools Initiative Bonds were issued in February 2002 but the first debt service payment did not occur until FY03.

The District implemented GASB Statement No. 34 on June 30, 2002; accordingly, prior year data is not available.

MILWAUKEE PUBLIC SCHOOLS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

		County of Milwaukee				
Year	Population (A)	Personal Income (Thousands of Dollars) (B)	Per Capita Income (C)	Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
2000	605,572	26,520,952	28,222	30.6	103,541	5.9
2001	595,508	28,125,424	29,802	30.6	103,397	7.4
2002	595,958	28,737,661	30,355	30.6	103,464	8.9
2003	595,245	29,139,237	30,698	30.6	103,769	7.9
2004	593,920	29,863,926	31,428	30.6	102,309	6.8
2005	592,765	30,715,138	32,537	30.6	100,262	6.5
2006	590,370	32,460,313	34,121	30.6	97,509	6.5
2007	590,190	34,107,037	35,852	30.6	87,360	6.5
2008	590,870	35,182,312	36,880	36.0	85,369	7.9
2009	584,000	Not available	Not available	36.0	82,444	11.0

(A) *The December 31, 2000 through 2009 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2008 and 2009 is from the Wisconsin Department of Administration estimates. (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 Regular Census.*

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

(F) *State of Wisconsin, Department of Workforce Development.*

source: City of Milwaukee 2009 CAFR

MILWAUKEE PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2009 Estimates (1)			2000		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Aurora Health Care	21,570	1	5.12 %	10,566	2	2.31 %
U.S. Government (Includes Zablocki V.A. Medical Center)	11,100	2	2.64	6,353	5	1.39
Milwaukee Public Schools	10,943	3	2.60	11,352	1	2.48
Wheaton Franciscan Healthcare	9,371	4	2.23			
Wal-Mart	7,682	5	1.82			
City of Milwaukee	7,307	6	1.74	7,700	3	1.68
Roundy's Supermarkets	6,800	7	1.62			
Quad Graphics	6,600	8	1.57			
GE Healthcare	6,000	9	1.43			
Kohl's Corp.	5,920	10	1.41			
Milwaukee County				7,310	4	1.60
Covenant Health Care				5,552	6	1.21
Wisconsin Electric Power Company				5,372	7	1.17
M&I Marshall & Ilsley				4,957	8	1.08
Allen-Bradley (now Rockwell)				4,200	9	0.92
Briggs and Stratton	-		-3,948	10		0.86
	92,213		%	67,310		14.69 %

(1) Reflects full-time equivalent employees.
Note: Data includes all of Milwaukee County.
Source: The 2010 Business Journal Book of Lists. City from internal records.

The 2000 data was from the Department of Administration January 2001 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".
Total employment data (2000=458,091) (2009=420,938) from the State of Wisconsin Workforce Development.
source: City of Milwaukee CAFR

MILWAUKEE PUBLIC SCHOOLS

Comparative per Capita Cost Statistics

Last Ten Fiscal Years

	Cost per pupil	
2000 – 2001	9,502	
2001 – 2002	10,228	
2002 – 2003	11,086	
2003 – 2004	11,358	
2004 – 2005	11,416	*
2005 – 2006	11,808	
2006 – 2007	12,174	
2007 – 2008	13,055	
2008 – 2009	13,517	
2009 – 2010	14,289	

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

MILWAUKEE PUBLIC SCHOOLS

Comparative Statement of Annual School Census

Children Between 4 and 19 Years of Age
Residing in the City of Milwaukee

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
1975		167,370	(4,888)	85,316	(2,397)	82,054	(2,491)	115,758	27,437	143,195	85.6 %
1976		161,099	(6,271)	81,963	(3,353)	79,136	(2,918)	113,336	26,475	139,811	86.8
1977		152,435	(8,664)	77,734	(4,229)	74,701	(4,435)	104,619	25,078	129,697	85.1
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	(1,091)	74,710	(1,130)	76,522	39	102,707	28,398	131,105	86.7

* 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, 2010

Ages		Males	Females	Total	Attended public school	Attended parochial or private school	Did not attend school
1		5,310	5,127	10,437	0	0	10,437
2		5,668	5,590	11,258	0	0	11,258
3		6,022	6,168	12,190	1,669	0	10,521
	Total 1 – 3	17,000	16,885	33,885	1,669	0	32,216
4		6,704	6,866	13,570	5,535	203	7,832
5		5,014	5,135	10,149	6,359	1,788	2,002
6		4,838	4,955	9,793	6,331	1,854	1,608
7		4,352	4,457	8,809	6,260	2,053	496
8		4,359	4,464	8,823	6,223	2,096	504
9		4,119	4,219	8,338	6,222	2,100	16
10		4,092	4,191	8,283	6,125	1,864	294
11		3,934	4,030	7,964	5,899	1,855	210
12		3,851	3,945	7,796	5,647	1,761	388
13		3,999	4,096	8,095	5,754	1,838	503
14		5,075	5,198	10,273	8,228	1,793	252
15		4,346	4,451	8,797	6,735	1,845	217
16		4,234	4,337	8,571	6,677	1,566	328
17		3,793	3,885	7,678	5,307	1,368	1,003
18		6,299	6,453	12,752	8,629	1,451	2,672
19		5,701	5,840	11,541	6,776	2,963	1,802
	Total 4 – 19	74,710	76,522	151,232	102,707	28,398	20,127
	Grand total	91,710	93,407	185,117	104,376	28,398	52,343

MILWAUKEE PUBLIC SCHOOLS

Government-wide Expenses by Function

Last Nine 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	Insurance	Total
2002	$ 589,940	18,606	106,354	103,023	154,804	28,672	1,374	5,148	1,007,921
2003	624,576	21,757	128,558	110,764	179,310	29,348	3,920	8,734	1,106,967
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

The District implemented GASB Statement No. 34 on June 30, 2002; accordingly, prior year data is not available.

MILWAUKEE PUBLIC SCHOOLS

Government-wide Revenues

Last Nine 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
2002	$ 9,011	164,573	36,967	175,075	647,950	858	-	1,034,434
2003	8,838	183,306	16,421	181,101	678,954	662	1,263	1,070,545
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

The District implemented GASB Statement No. 34 on June 30, 2002; accordingly, prior year data is not available.

MILWAUKEE PUBLIC SCHOOLS

Governmental Fund Expenditures by Function

Last Nine 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
2002	$ 562,781	18,312	106,273	82,822	150,644	38,183	28,602	4,128	53,253	1,044,998
2003	610,676	21,443	127,129	115,847	164,932	52,056	29,210	7,666	1,486	1,130,445
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

The District implemented GASB No. 34 on June 30, 2002; accordingly, prior year data is not available.

MILWAUKEE PUBLIC SCHOOLS

General Governmental Revenues by Source

Last Nine 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	Interest and investment earnings	Total
2002	$ 174,734	4,231	10,009	678,979	74,779	23,500	68,201	23,500	1,057,933
2003	181,046	4,331	10,531	689,721	80,021	8,660	85,519	662	1,060,491
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

The District implemented GASB No. 34 on June 30, 2002; accordingly, prior year data is not available.

MILWAUKEE PUBLIC SCHOOLS

School Accommodations

Last Thirty-six Years

	Instructional staff (a)	Number of school buildings (b)	Average school year daily membership	
1974 – 1975	5,915	164	113,291	(c)
1975 – 1976	6,182	163	108,300	(c)
1976 – 1977	6,083	161	105,581	(c)
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	

(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

Classifications	2000 – 2001	2001 – 2002	2002 – 2003	2003 – 2004	2004 – 2005	2005 – 2006	2006 – 2007	2007 – 2008	2008 – 2009	2009 – 2010
Senior high and middle schools:										
Principals	37	38	36	38	29	31	29	32	30	29
Assistant principals	116	113	111	108	100	82	99	74	71	76
Teachers	2,320	2,291	2,352	2,409	1,936	1,915	1,724	1,701	1,464	1,404
Total	2,473	2,442	2,499	2,555	2,065	2,028	1,852	1,807	1,565	1,509
Elementary schools:										
Principals	120	117	108	107	108	105	100	110	101	104
Assistant principals	86	84	70	71	68	66	54	59	68	61
Teachers	3,705	3,762	3,736	3,750	3,652	3,575	3,497	3,425	3,678	3,610
Total	3,911	3,963	3,914	3,928	3,828	3,746	3,651	3,594	3,847	3,775
Special schools and classes:										
Principals	1	1	1	2	2	4	2	3	3	4
Assistant principals	2	2	2	3	5	11	7	4	4	7
Teachers	741	746	721	778	612	631	521	602	542	558
Total	744	749	724	783	619	646	530	609	549	569
Summary:										
Principals	158	156	145	147	139	140	131	145	134	137
Assistant principals	204	199	183	182	173	159	160	137	143	144
Teachers	6,766	6,799	6,809	6,937	6,200	6,121	5,742	5,728	5,684	5,572
Total	7,128	7,154	7,137	7,266	6,512	6,420	6,033	6,010	5,961	5,853
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors	708	735	674	665	426	428	415	418	420	421
Grand total	7,836	7,889	7,811	7,931	6,938	6,848	6,448	6,428	6,381	6,274

MILWAUKEE PUBLIC SCHOOLS

Population and Pupils
Residing in the City of Milwaukee

Last Ten Fiscal Years

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Total number of school age children according to city-wide child census	149,992	162,011	162,011	164,641	180,706	191,368	153,233	152,244	152,323	151,232
Enrollment for state aid:*										
Third Friday	101,744	101,618	101,715	102,033	100,403	98,209	95,332	91,947	90,053	87,914
Summer school	1,585	1,113	964	333	247	322	329	428	430	374
Total	103,329	102,731	102,679	102,366	100,650	98,531	95,661	92,375	90,483	88,288
Average number enrolled:										
Senior high	25,157	25,389	26,766	28,003	27,642	27,438	28,966	28,466	27,839	27,308
Junior high/middle	22,841	23,974	23,670	23,432	21,554	21,048	20,698	19,233	18,204	17,469
Elementary	55,571	53,940	52,683	51,699	49,354	48,042	47,845	46,273	46,218	45,269
Total	103,569	103,303	103,119	103,134	98,550	96,528	97,509	93,972	92,261	90,046
Average number attending:										
Senior high	19,396	19,727	20,936	22,251	22,127	22,046	22,916	22,205	22,958	22,469
Junior high/middle	19,848	20,927	20,843	20,968	19,225	18,736	18,413	17,047	16,015	15,623
Elementary	51,846	50,240	48,858	48,078	45,745	44,311	44,087	42,465	42,363	41,793
Total	91,090	90,894	90,637	91,297	87,097	85,093	85,416	81,717	81,336	79,885

* Non-resident and choice students not included.

Milwaukee Public Schools
Operating Statistics
Last Nine Years

Fiscal Year	Enrollment For State Aid	Operating Expenses	Cost Per Pupil	Teaching Staff	Pupil/ Teacher Ratio
2010	90,046	$1,406,462,957	$ 15,619	6,602	13.64:1
2009	92,261	1,365,470,988	14,800	6,819	13.53:1
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
2003	102,679	1,106,967,386	10,781	7,917	12.97:1
2002	102,731	1,007,921,116	9,811	8,299	12.38:1

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

Year Ending June 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Supervisory									
Officials, Admin., Mgrs.	52	56	54	94	66	49	54	49	51
Principals	137	134	142	139	136	136	142	157	153
Part time profess/Ins.	439	682	574	556	601	546	574	781	966
Total supervisory	628	872	770	789	803	731	770	987	1,170
Instruction									
Asst. Prin. - Teach	144	143	165	142	153	161	165	167	186
Elementary Clsrm. Teach	3,610	3,678	3,697	3,658	3,673	3,678	3,736	3,877	4,025
Secondary Clsrm. Teach	1,404	1,464	1,680	1,584	1,717	1,862	2,008	2,171	2,270
Other Clsrm. Teach	558	542	589	452	498	489	589	599	591
Other Prof. Staff	494	484	397	441	406	397	397	401	377
Teacher Aides	392	508	416	503	527	590	646	702	850
Total instruction	6,602	6,819	6,944	6,780	6,974	7,177	7,541	7,917	8,299
Student Services									
Guidance	56	48	49	48	51	50	49	62	77
Psychological	163	152	145	159	150	140	145	148	144
Librarian/Audiovisual	44	39	32	36	44	41	32	45	67
Consultants/Supervisors	96	96	80	94	86	87	80	80	77
Technicians	65	71	64	70	71	64	64	67	57
Total student services	424	406	370	407	402	382	370	402	422
Support and Administration									
Clerical/Secretarial	491	520	583	529	550	558	583	612	612
Service Workers	416	415	415	415	426	440	433	432	440
Craft Workers - Skilled	352	382	448	393	408	429	448	454	467
Laborers - Unskilled	67	80	95	77	88	88	95	103	115
All other Part-time	4,107	4,961	4,786	4,801	4,848	5,206	5,984	5,283	4,736
Total support and administration	5,433	6,358	6,327	6,215	6,320	6,721	7,543	6,884	6,370
Total	13,087	14,455	14,411	14,191	14,499	15,011	16,224	16,190	16,261

Milwaukee Public Schools
Nutrition Services - Facts and Figures
Last Nine Years

Year Ending June 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Number of schools participating in:									
Lunch - regular schedule	171	175	170	173	185	191	187	198	185
Breakfast program	161	158	158	160	167	161	164	127	162
Snack program	85	100	99	68	78	76	55	53	39
Student lunches served:									
Free	7,686,178	7,246,531	7,176,603	7,288,629	7,327,709	7,310,144	7,475,361	7,538,727	7,419,564
Reduced	776,288	901,725	954,705	959,040	944,894	995,673	1,007,752	1,072,252	1,115,031
Fully paid	1,207,742	1,380,135	1,381,187	1,353,199	1,559,910	1,400,897	1,443,572	1,602,201	1,715,607
Total	9,670,208	9,528,391	9,512,495	9,600,868	9,832,513	9,706,714	9,926,685	10,213,180	10,250,202
Adult lunches served	194,135	213,691	227,208	275,091	264,314	277,116	318,878	350,769	355,662
Student breakfasts/snacks served:									
Free	4,436,904	3,981,425	3,864,927	4,185,851	2,887,277	2,508,130	2,433,390	2,134,116	2,165,639
Reduced	355,182	379,262	384,493	339,181	139,254	108,782	91,969	89,587	88,435
Fully paid	498,973	517,415	484,573	405,121	189,842	115,767	101,722	79,611	75,030
Total	5,291,059	4,878,102	4,733,993	4,930,153	3,216,373	2,732,679	2,627,081	2,303,314	2,329,104
Number of serving days:									
Regular schedule	250	262	225	221	204	199	195	198	176
Average daily participation:									
Student lunch	38,681	40,720	42,278	43,443	48,199	48,777	50,906	51,582	58,240
Adult lunch	777	913	1,010	1,245	1,296	1,393	1,635	1,772	2,021
Student breakfast	19,744	19,226	19,331	17,906	11,837	10,150	9,680	9,632	10,541
Student snacks	2,773	3,588	3,331	2,868	3,930	3,583	3,793	2,000	2,692
September 15 pupil count	87,914	90,053	87,392	90,825	93,516	95,600	97,359	97,293	97,749
Percentage of students daily eating school lunch	44.00%	45.22%	48.38%	47.83%	51.54%	51.02%	52.29%	52.98%	59.58%

Milwaukee Public Schools
Capital Asset Information
Last Nine Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary Schools									
Number of Buildings	121	122	121	121	121	121	119	119	118
Square Footage	8,217,917	8,282,172	8,479,854	8,479,854	8,479,854	8,424,438	8,183,648	8,107,618	7,911,920
Capacity	67,095	67,316	66,416	66,416	66,416	66,036	64,083	63,310	61,247
Enrollment	50,007	50,457	50,275	51,389	52,211	52,226	52,788	52,954	53,730
Middle Schools									
Number of Buildings	13	10	14	14	16	16	16	16	16
Square Footage	2,362,648	1,753,494	2,403,230	2,403,230	2,782,081	2,782,081	2,782,081	2,782,081	2,782,081
Capacity	11,480	8,300	12,420	10,620	12,420	12,420	12,420	12,420	12,420
Enrollment	6,343	6,841	8,213	9,651	11,370	13,225	15,316	17,026	16,805
High Schools									
Number of Buildings	11	12	14	14	14	14	14	14	14
Square Footage	3,253,455	3,548,890	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365
Capacity	15,370	17,370	20,539	20,539	20,539	20,539	20,539	20,539	20,539
Enrollment	21,590	22,252	23,193	23,863	23,692	23,428	23,154	21,840	22,375
Other Schools									
Number of Buildings	6	1 17	12	11	9	9	9	9	9
Square Footage	3,419,216	3,668,680	2,373,065	2,297,767	1,918,916	1,918,916	1,918,916	1,918,916	1,918,916
Capacity	16,289	17,290	10,673	10,430	8,630	8,630	8,630	8,630	8,630
Enrollment	4,504	5,819	5,679	6,022	6,243	6,721	6,101	5,473	4,839
Administrative/Service									
Number of Buildings	58	58	55	55	55	55	55	55	55
Square Footage	838,839	838,839	705,268	705,268	705,268	705,268	705,268	705,268	705,268
Athletics									
Football Fields*	35	35	35	35	35	35	35	35	35
Soccer Fields**	21	21	21	21	21	21	21	21	21
Running Tracks	13	13	13	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72	72	72
Swimming Pools	22	13	13	13	13	13	13	13	13
Playgrounds	147	147	147	147	147	147	147	147	147

*22 Recreation+13 High School
**8 Recreation+13 High School
***All Recreation

Note: Excludes leased sites