



MILWAUKEE PUBLIC SCHOOLS
Milwaukee, Wisconsin

2009

Comprehensive
Annual
Financial
Report

For the Year Ended June 30, 2009

150th Edition

150th 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, 2009

MICHAEL BONDS, President

WILLIAM G. ANDREKOPOULOS, Superintendent

Prepared by:

The Department of Finance

Chief Financial and Operations Officer

Michelle J. Nate, CPA

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MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2009

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Milwaukee Public Schools

December 11, 2009

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, 2009. 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, 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 602,000 based on 2007 U. S. Census Bureau Data. The District operates more than 160 sites, has over 83,000 students, and employs over 10,800 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 2009 Economic Trends, August's seasonally unadjusted unemployment rate of 9.3% is higher than the 5.3% rate posted one year ago. Currently, the metro Milwaukee area's jobless rate ranks higher than the state's 8.4% but lower than the 9.6% rates posted nationally.

The City continues to maintain high bond ratings from three of the major agencies. A rating of AA from Standard & Poor's Corporation, AA- from Fitch Ratings, and Aa2 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, core beliefs, and goals:

Vision Statement:

MPS 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.

Core Beliefs:

The Administration and the Milwaukee Board of School Directors developed the District's core beliefs collaboratively. They provide the District with greater focus in moving forward to support our students, their families, and the community. The District's core beliefs are the following:

- Children come first
- The classroom is the most important place in the district
- Leadership and accountability are keys to our success
- Central services supports student achievement
- Families are valuable partners
- Community partnerships add value

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 departments 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. One-page snapshots of each Functional Plan have been developed to provide a quick summary of the goals, objectives and strategies of the plan. 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, and Facilities Management Plan. Functional Plans are in the development stage for the following areas: Customer Service, Human Capital Management, and Financial Plan-districtwide and School-Based.

These implementation efforts over the last two 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/>

Performance Budgeting

Remaining fiscally responsible and good stewards 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 continues 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 MPS.

The FY08 and FY09 budgets included performance measures for central services departments and divisions as well as 46 school budgets. In FY10, performance measures were included in the budget for all schools. Full implementation of the performance budgeting model will track and report progress toward the goals of the strategic plan, provide a process for reviewing and updating goals and objectives, and link available resources to support attainment of the goals. Performance budgeting will result in higher levels of accountability for those charged with the responsibility of improving student achievement.

Monitoring Progress

The MPS 2009-10 School Improvement Plan (SIP) was completely redesigned to fully align with the measurable outcomes in the *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. In order to identify where one wants to go, one must have a good understanding of current status. The needs assessment is as much a process as it is a product.

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. Similar to the EdStat process for school-based progress monitoring, the District is also following a Functional PlanStat process to monitor implementation 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, MPS 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 January 2009, the District released the *MPS' 2008 Report to the Community*. The report featured summaries of progress in the key areas including improving mathematics achievement, integration of technology in the classrooms, increasing school safety and reducing school violence, school leadership, school health services, and early childhood education. The report also included a 2007-08 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 *2008 Community Report* at the bottom of the page and click on the live link.)

The following are some key indicators of progress attained during the 2008-09 school year:

Through implementation of the Milwaukee Mathematics Partnership plan, 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 2008-09, 47% were proficient/advanced. Improvements were noted in each tested grade in 2008-09, with the largest increase (10 percentage points) noted at grade 8.

Although the District's overall performance in reading remained steady at 58% proficient/advanced, improvements of 3 percentage points were observed at grades 7, 8, and 10. And in science, performance on the Wisconsin Knowledge and Concepts Examination has improved from 37% to 40% proficient/advanced since the WTAM baseline in 2005-06.

MPS has reduced the achievement gap (percent of students enrolled scoring at/above the proficient level) with the state in mathematics on the annual Wisconsin Knowledge and Concepts Examination (WKCE-CRT) in every grade assessed in 2008-09. The District's investment to improve math teaching and learning was supported by a National Science Foundation (NSF) grant. Along with the improvement in reading proficiency rates in grades 7, 8, and 10, the gap between the District and the state decreased 2-3 percentage points in 2008-09.

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 (DPI), an increase of 17 percentage points. Data for 2007-08 reveals that the rate decreased slightly to 68%. The DPI is expected to release the 2008-09 graduation rate during the winter of 2009-10 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.

Student Success Through Academic Achievement

- *Implement the Comprehensive Literacy Plan* – The Comprehensive Literacy Plan was developed in response to a state mandate to improve literacy in MPS. The plan was composed based on the *Wisconsin Model Early Learning Standards*, the *Wisconsin Model Academic Standards*, the *Framework for 21st Century Learning*, and feedback from external reviewers, including a representative of the state department of education and three literacy experts with history of engagement in literacy research.

The Comprehensive Literacy Plan is designed around four grade spans (PreK, K5-Gr. 3, Grades 4-8 and Grades 9-12). At each grade span, a structure for explicit reading and writing instruction is provided. Students participate in whole and small group instructional activities that include teacher modeling and guided and independent practice. Core and intervention reading programs support differentiated needs of students. Phonemic awareness, phonics, vocabulary, fluency, and comprehension are the core reading components that are addressed. The plan also incorporates technology, feedback, and reflection. In order to achieve the goal of having every student performing at or above grade level and engaging in 21st century learning, the Comprehensive Literacy Plan, focuses on five key areas: 1) Aligned Curriculum, 2) Data Analysis, 3) Extended Learning Time, 4) Differentiated Instruction, and 5) High Yield Instructional Strategies. These areas serve as the focal points for designing literacy professional development that enhances and supports classroom teachers, literacy leaders, and administrators.

- *Implement the Comprehensive Mathematics Framework* – The Comprehensive Mathematics Framework was developed as a vision for the PK-16 (grade level) teaching and learning of mathematics. The framework is represented by a cycle that revolves around the Wisconsin Academic Content Standards of numbers, algebra, statistics, probability, geometry, measurement, and their interconnections. The components of mathematical proficiency that drive classroom practice include: understanding, computing, reasoning, applying, and engaging. The mathematics framework provides tools to help teachers further shape mathematics-focused activities with the goal of every student performing at or above grade level. The *Milwaukee Mathematics Partnership* was supported through a five-year, \$20 million grant from the National Science Foundation. The Governor of Wisconsin allocated \$10 million dollars of the state budget to assist MPS in continuing the work of the *Milwaukee Mathematics Partnership*. The work is based on three goals: 1) Increasing Mathematics Achievement, 2) Increasing Leadership for High-Quality Mathematics Teaching and Assessment, and 3) Increasing Mathematical Knowledge for Teaching. The math partnership project targets student mathematics achievement in MPS and student transition to higher education. An Institutions of Higher Education Mathematics Network, consisting of two and four-year colleges and universities, focuses faculty on the mathematical preparation of teachers. Key courses in the preparation of teachers, both in mathematics and education, are being redesigned or created to strengthen the mathematics content knowledge of teachers.

A collaboration began in November 2004 to strengthen and motivate MPS students in grades K-12 in science, technology, engineering, mathematics, and related careers. Approximately 40 business corporations, community organizations, foundations, colleges, universities, and others are a part of the MPS STEM Partnership Team (STEM stands for Science, Technology, Engineering and Mathematics).

MPS will continue to grow national best practice models that integrate academic and career themed programs. Over FY 2010 and 2011, MPS will implement 8 new pre-engineering programs in K-8 or middle schools with Project Lead the Way. The District will also start up a rigorous Bio-Medical Science curriculum in seven high schools. Construction education programs will be re-built in four high schools and robotics will be introduced in at least 8 new high schools across the city. In many of these schools, the programs are infused into small learning communities with some using the National Academies Foundation model. Each of these areas uses curriculum designed along national standards and reflecting cutting edge technologies.

- *Align curriculum, assessment and instruction* – MPS will support instructional improvement across a complex and diverse system of differentiated schools. To provide consistency, a definition of an aligned K-12 curriculum was developed with Linda Darling-Hammond, a professor at Stanford University and co-principal investigator for a research partnership between MPS and Stanford University’s School Redesign Network (SRN). The following definition will be used as the District supports schools in differentiating classroom experiences to meet the needs of individual students and to minimize the academic costs associated with student mobility. A coherent, high-quality curriculum organizes what is taught, the instructional materials and strategies used, and the monitoring and assessing of learning so that all students have access to a well-designed, intellectually challenging, and culturally relevant education that is consistently high-quality from classroom to classroom, grade to grade, and school to school.
- *Engage students in the learning process* – Every School Identified for Improvement (SIFI), supported by their district-level Systems of Support (SOS) team, undertakes a comprehensive examination of the teaching practices, student-learning experiences, and teacher-student interactions incorporated in each school’s classrooms. Utilizing the District approved walkthrough tool and other pertinent learning walkthrough data, priority is given to looking at students’ active engagement and higher order thinking in the learning process, differentiated instruction, and high expectations to enhance the learning process.
- *Provide a vision for Information and Technology Literacy* – Technological literacy creates the foundation upon which communications, interaction, learning and innovation happen in today’s increasingly sophisticated world. Technology is an extension of human capability, which empowers the learner and the systems they interact with. MPS uses technology to enable students and staff to become self-directed and efficient learners, allowing them to engage comfortably and knowledgeably in a world built and dependent on technology.
- *Create new and more successful high school options* – The formal MPS High School Redesign Initiative has completed efforts to launch new, small high schools. New, small high schools are now firmly part of the high school options in MPS. Among the last to open was Transition High School, a school serving students returning to classrooms after a period of incarceration, truancy, or dropping out. Before the launch of Transition, only 14% of students who returned to an MPS school after a period of incarceration remained enrolled for 12 months. After the first full year of operation, 63% of Transition’s students who were incarcerated prior to enrollment remained in school for 12 months.

Efforts to create new and more successful high school options for all young people in Milwaukee continued through expansion of Small Learning Communities implementing the First Things First framework. Custer High School moved to year 1 implementation during the 2008-2009 school year. Vincent High School participated in the planning year and will move to year 1 implementation during the 2009-2010 school year. Bradley Tech, Pulaski and Madison High Schools continue with implementation.

- *Implement high school readiness programming* – The District is developing and will implement an aligned high school readiness program, *Freshman Connection*, for all MPS high schools. The goal of *Freshman Connection* is to support successful transition from 8th grade to high school for new 9th grade students who are not yet proficient and are likely to struggle to complete at least 5 credits during the first full year of school.
- *Introduce study skills for 9th grade students* – Students who have difficulties in ninth grade are more likely to have attendance, discipline, and past academic problems, or even drop out. A ninth grade transition and support initiative for these students in the form of a *Freshman Seminar* that will target at-risk youth and focus on building study-skills, decision making, problem solving, community-service involvement, and service learning is proposed.
- *Provide more credit recovery opportunity and GEDO#2* – Credit recovery exists to offer students the opportunity to earn credits in courses that they have failed or in which they earned an incomplete, but must pass

to meet graduation requirements. Credit recovery programs provide alternative educational settings for those students “who are at risk of not graduating from high school.”

- *Develop a data tool for monitoring academic risk factors* – A school dashboard reporting tool to identify students who are at academic risk is being developed to facilitate early interventions. Reports that can be created include: a freshmen watch list to track incoming freshmen grades, attendance, and test scores; freshmen success reports to track freshmen progress; a twice-yearly credit recovery report to identify students who need to regain lost credits; and quarterly reports of postsecondary readiness to inform high schools of each 11th and 12th grade student’s postsecondary readiness.

High-performing Schools and Classrooms

- *Support parent involvement*– MPS is allocating funds to improve parental involvement in 35 low achieving elementary schools and in all Milwaukee public high schools. Since 2004, MPS has been promoting the use of the National Standards for Parent/Family Involvement Programs. Quality indicators help to identify expectations for high performance in each standard area.
- *Provide contracts for high school parent involvement* – MPS has continued 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 high school parents continue to be involved in their child’s education.
- *Leadership Accountability and Support* – Starting with the 2008-2009 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 participate 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 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 2008-09 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. The sessions focused primarily on the characteristics of the high performing urban classroom, Robert Marzano’s research on effective instructional strategies, and a District-designed “walkthrough” tool regarding levels of student engagement, levels of understanding, and application of the knowledge presented, assessment of understanding, and identification of effective instructional strategies.

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. Saturday Professional Development Academies are offered once per month October through May around needs identified through the District Improvement Plan and School Improvement Plans.

Beginning principals and initial educator administrators receive the support of 100 hours of mentoring services provided through the MPS/Alverno College Mentoring and Coaching Program. Approximately 100 principals and administrators participate in this supportive program. Experienced principals can voluntarily participate in the program and receive 50 hours each school year of coaching services which help the principals focus on strategies to move staff and students to higher levels of achievement.

Initial educator administrators working on the requirements for licensure under PI-34 receive monthly support through help sessions. Higher education representatives and trained Professional Development Plan (PDP)

administrators meet with initial educator administrators monthly to review and approve PDP goals, verify plans, and provide training on the PDP process.

- *Provide New Leader candidates with mentor opportunities* – Through a rigorous selection process, intensive training program, and ongoing support, New Leaders for New Schools provides a pathway for current and former educators to become outstanding principals of urban public schools. The New Leaders will receive professional development and training while working as assistant principals. The principals of the school with whom each is assigned will serve as the mentor principal.
- *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. Funding from the Governor of Wisconsin will release 100 mathematics teacher leaders from regular classroom duties in order to expand their leadership role in implementing effective mathematics teaching and assessment strategies. Math teacher leaders provide support for the implementation of the Comprehensive Mathematics Framework.
- *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 a 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.

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.

Seven mentors provided ongoing support to 77 classroom teachers (with less than five years experience) providing special education services to students with the most significant disabilities and severe needs. An additional eight full-time equivalent (FTE) psychologists and eight FTE social worker positions were added to provide support to 78 classrooms that serve students with significant emotional behavioral disabilities.

Training opportunities were widely offered to increase the capacity of staff and the 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. 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 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 in schools that 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 Reaching Engaging and Assisting Children and Families (REACH) program, which provides wrap around services for up to 300 MPS students and families.

The District supported the continued development of an MPS Social Emotional Learning Fundamentals (SELF) Program based on research-proven scientific methods. The SELF is a tool that is completed at the school level and provides an analysis of the school's needs in the area of social-emotional skills, education needs in the area of social-emotional fundamentals, and an inventory of the resources available within the school. This information is then used to develop an action plan to address prevention and intervention in the area of social and emotional skills as needed.

MPS implemented a research-based reading curriculum called Language! that 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. Training was provided for all special education teachers who are providing instruction in the Language! Program.

MPS also identified and piloted an alternate literacy curriculum called Unique, which will support 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. The District initiated the training of school-based staff in preparation for the full implementation of Unique in fall 2009.

Collaboration with the Division of Teaching and Learning focused on the development and implementation of mathematics accommodations and supports.

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 2008-09: 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.

Collaboration between the Department of Special Services and the Wisconsin Department of Public Instruction (DPI) during 2008-09 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.

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 work with both internal and external partners to standardize services, evaluate processes and outcomes, build capacity for health services, and align with the MPS mission, vision, core beliefs and strategic plan to reduce health-related barriers to learning.

Many of the health initiatives begun in the last few years have grown, while others have emerged to meet the growing health disparities that affect student achievement. The Milwaukee Student Health Initiative increased school nurse capacity to a total of 60 registered, FTE nurses and 37 licensed practical nurses. This increase moves the nurse-student ratio to 1:1,333. This is a significant improvement from 1:2,031 in 2007-08, and continued progress toward the goal of providing nursing services at a level comparable to the *Healthy People 2010* recommended ratio of 1:750. Significant successes include: improved immunization rates, an 83% return-to-class rate for students receiving nursing intervention for a health issue*, and the improvement of the overall MPS nurse-to-student ratio to 1:1,333 from 1:8,500 (2003).

(*The H1N1 novel influenza that emerged in spring, 2009 affected return to class rates. In the final 4-6 weeks of the 2008-09 school year, there were close to 10,000 school nurse visits. Many of these were H1N1 related, and required exclusion from school.)

MPS also received \$2 million from Governor Doyle's budget to increase the number of school nurses in MPS. It is anticipated that this recruitment will be completed by September 2009 resulting in an additional 24 school nurses.

A rigorous formal evaluation was completed to assess the Milwaukee Student Health Initiative nursing impact on attendance and achievement, as well as indicators for process improvement over the long term. Key findings from the evaluation include:

- Nurses return students to class after most health visits and support the academic mission of the schools
- School staff are very satisfied with the nurses in their schools
- School nurses increase teaching capacity by removing health related activities from teaching staff

In comparing schools (with school nurses) and match schools (without school nurses):

- Immunization rates are higher
- Health records are more complete
- Health promotion and screening is an important component of the school nurse services
- Overall attendance in the first years of the program was not significantly different, but trends indicate this should be assessed when there are more nurses in the schools

This expansion of nursing along with additional social work and psychology services creates interdisciplinary teams that effectively assess and meet complex student health needs, guided by the newly formed Core Health Services Team. This group of MPS district health leaders (Nursing, Social Work, Psychology, Guidance, Nutrition Services, Health and Physical Education, Safe Schools-Healthy Students) meets regularly to ensure programmatic alignment with funding, partnership opportunities, as well as MPS strategic plan goals.

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 Madre Angela 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. In addition, School Nutrition Services has supported 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.

Improving service and leveraging partnerships to impact student health has resulted in an expansion of the oral health prevention program to include restorative care provided to 76 uninsured/insurance ineligible students, completion of the Heartsafe Schools program that has all standard MPS locations equipped with an automatic external defibrillator (AED) and will have additional locations outfitted by the end of the 2009-2010 school year, as well as the implementation of an emergency anaphylaxis protocol that adds an extra dimension of safety for students with life threatening allergies.

In addition, MPS school nurses are working with the health education staff at ten 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 a five-year grant with 10 schools being added each year.

The coming year will see efforts aimed at green strategies for medication disposal, improved hand washing facilities, and standing order protocols for common school health problems.

Safe Schools/Healthy Students Initiative (SS/HS)

The mission of the Safe Schools/Healthy Students Initiative is to develop community-wide approaches to create safe, respectful, drug-free schools and to promote pro-social skills and healthy childhood development. Programs such as Restorative Practices, Classroom Organization and Management Program (COMP), Love and Logic, Center for Neighborhood Enterprise –Violence Free Zones, School Resource Officers, and Life Skills support improving the school climate and culture. Students will gain the skills necessary to solve their own problems, make responsible choices and set goals. The school climate will improve through relationships being developed with caring adults from the school and the community, and students will feel connected and will stay in school to complete their education.

During the 2008-09 school year, efforts to plan for successful implementation of Safe Schools/Healthy Students programming took place. The initial training of school staff and students in several of the selected programs began during the second semester. Over 100 staff and 1,000 students received training in Restorative Practices. Approximately 225 staff received Love and Logic training and 14 parent facilitators received intensive training to become facilitators for the Parenting with Love and Logic sessions, which began in the fall of 2008.

The Safe Schools/Healthy Students Initiative brings the community into the schools. Some examples include: a Restorative Justice Community Liaison, the Milwaukee Fire Department Project Staying Alive Program, a Behavioral Health Social Worker Liaison and Psych Fellow, School Resource Officers and Center for Neighborhood Enterprise-Violence Free Zones. There is a Restorative Justice Community Liaison who focuses on training school staff in developing restorative practices within their school community to solve problems. As an alternative to suspension, students in middle and high schools have an opportunity to ask their peers to determine how to repair damage that has been done to the school community. Students resolve their own problems and build the skills necessary to be successful in their future. Through the circle process, schools build a sense of caring, respect and community.

Project Staying Alive, developed collaboratively by the Milwaukee Fire Department, Project Ujima, MPS and Children's Hospital, teaches grade six students how to resolve conflicts and eliminate unintentional injuries.

The Center for Neighborhood Enterprise – Violence Free Zones youth advisors work at developing relationships with students, mentoring and encouraging them to focus on school. The youth advisors focus on working with the most disruptive students. The 2008-09 data shows that schools with Violence Free Zones have decreased suspensions, which means students are in school more to develop the skills and knowledge necessary for graduation.

The Behavioral Health Social Worker Liaison worked with school staff to support mental health services and behavioral needs. In 2008-09, 12 students participated in the REACH program (a non-court ordered wraparound support program) and 66 students received services from Behavioral Health as a result of the Social Worker Liaison. Members of the Mobile Urgent Treatment Team also worked with the schools and supported training for central services personnel who work with families and students.

The Milwaukee Police Department has increased collaboration with MPS. Members of the Milwaukee Police attend the monthly Core Management Team meetings to discuss safety and climate concerns and supports. Two school resource officers (SRO's) were trained to start providing service at Northwest Secondary School for the 2008-09 school year. The SRO's were involved in many intervention and prevention activities. The evaluation of this initiative, led by the University of Wisconsin-Milwaukee, has shown that the SRO's are a welcomed asset to the school.

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, 2009, 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, departments, 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, departments, divisions, programs, functions, and schools throughout the District. Reports are issued on an ongoing basis.

LONG TERM FINANCIAL PLANNING

The District 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 Student Achievement Guarantee in Education program (SAGE), 21st Century Community Learning Centers and 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, U.S. Treasury strips, and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. agency instruments with an implied triple-A credit rating.

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, 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, 2009 totaled \$403,920,961. Of this total, \$75,645,803 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 \$328,275,158 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, 2009, 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, 2008. 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 Department of Finance and the Office of Board Governance - Audit Services. We would like to express our appreciation to all members of these departments who assisted and contributed to its preparation.

Respectfully submitted,



WILLIAM G. ANDREKOPOULOS
SUPERINTENDENT OF SCHOOLS



MICHELLE J. NATE, CPA
CHIEF FINANCIAL AND OPERATIONS OFFICER

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. 50 th 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. 45 th 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 – William G. Andrekopoulos
 Director, Office of Board Governance/Board Clerk – Lynne A. Sobczak

STANDING COMMITTEES

INNOVATION/SCHOOL REFORM COMMITTEE

Directors Miller (Chair), Falk (Vice-chair), Thompson, Voeltner, Petersons

LEGISLATION, RULES AND POLICIES COMMITTEE

Directors Blewett (Chair), Thompson (Vice-chair), Falk, Bonds, Woodward

FINANCE/PERSONNEL COMMITTEE

Directors Bonds (Chair), Blewett (Vice-chair), Miller, Voeltner, Woodward

STRATEGIC PLANNING AND BUDGET COMMITTEE

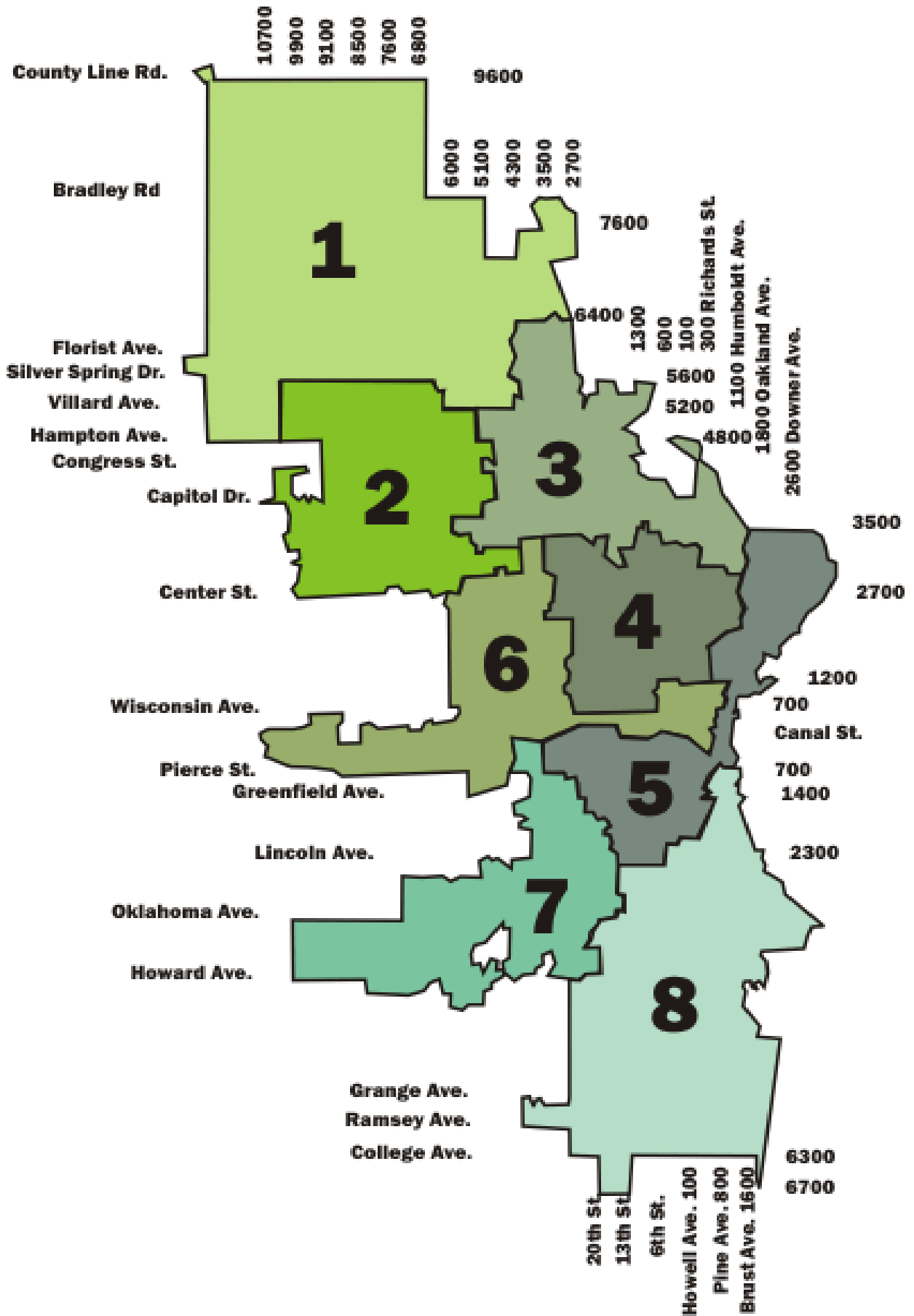
Directors Falk (Chair), Petersons (Vice-chair), Blewett, Bonds, Miller,
Spence, Thompson, Voeltner, Woodward

SPECIAL EDUCATION COMMITTEE

Directors Woodward (Chair), Spence (Vice-chair), Blewett, Miller, Petersons

SAFETY AND CLIMATE COMMITTEE

Directors Voeltner (Chair), Bonds (Vice-chair), Falk, Spence, Petersons



**MILWAUKEE PUBLIC SCHOOLS
ADMINISTRATIVE OFFICERS**

SUPERINTENDENT OF SCHOOLS

Executive Director, Human Resources

Chief Financial and Operations Officer

Director of Special Services

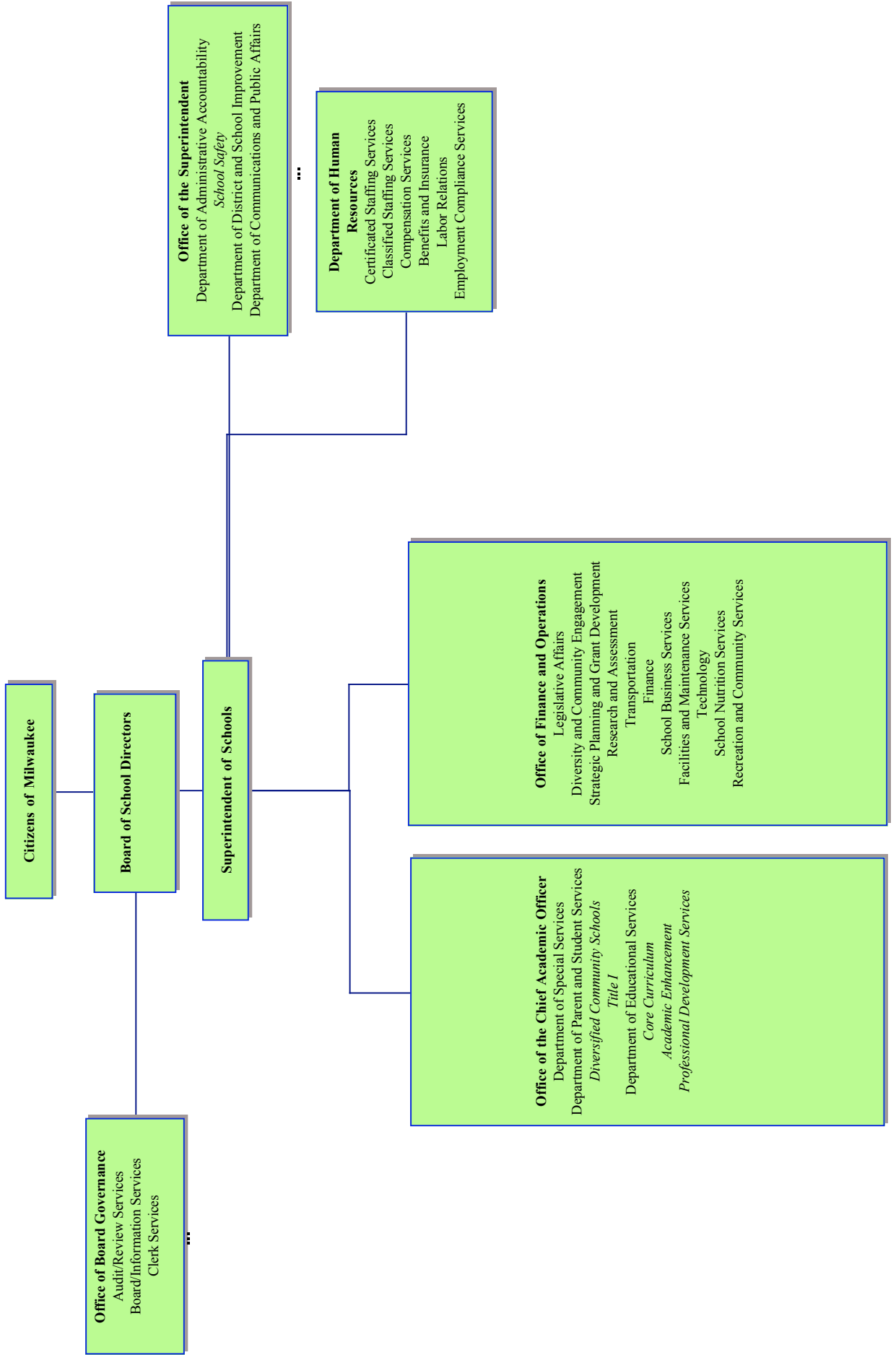
Mr. William G. Andrekopoulos

Ms. Deborah Ford

Ms. Michelle J. Nate

Ms. Patricia Yahle

Milwaukee Public Schools Organizational Chart



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, 2008.

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, 2008

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.



A stylized, handwritten signature in black ink, appearing to be "J.R. Emer".

President

A handwritten signature in black ink, clearly legible as "Jeffrey R. Emer".

Executive Director

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Milwaukee Public Schools



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, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2009, 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.

To the Board of Directors
Milwaukee Public Schools

The management's discussion and analysis and budgetary comparison information and schedules of funding progress and employer contributions as listed on 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 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 Vishow Krause, LLP

Milwaukee, Wisconsin
December 11, 2009

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

INTRODUCTION

This discussion and analysis of the financial performance of Milwaukee Public Schools (MPS or the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. 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 \$118.3 million at June 30, 2009, from \$250.3 million at June 30, 2008, a decline of approximately \$132.0 million, or 52.7%. Of this decrease, \$130.9 million is attributable to the District's Other Post Employment Benefits (OPEB) liability at year-end.
- Total revenues increased to \$1.233 billion in fiscal year 2009, up from \$1.192 billion in fiscal year 2008, an increase of approximately 3.4%.
- Total expenses increased to \$1.365 billion, up from \$1.329 billion for the year ended June 30, 2008, an increase of 2.7%. The increase is largely attributable to a \$23 million rise in medical insurance claims and a \$10 million Math Grant the District received and expended.

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

- Total fund balances of the District's governmental funds decreased \$5.7 million in fiscal year 2009. This decrease included a \$1.6 million decline in the General Fund, a \$4.2 million decrease in the Construction Fund, a \$1.1 million increase in the School Nutrition Fund, and a \$1.0 million decrease in the Nonmajor Governmental Funds.
- The decrease in the General fund balance is primarily the result of a budgeted use of fund balance reserved for textbook purchases. The decrease in the Construction fund balance is attributable to timing differences between when revenues are received and expenditures are incurred. In fiscal year 2009, the Construction Fund received debt proceeds from two Americans with Disabilities Act (ADA) loans totaling \$4.1 million, and a \$2.5 million operating transfer from the General Fund to finance debt service payments on Neighborhood School Initiative bonds.
- The \$1.1 million increase in the School Nutrition fund balance is attributable to increased federal food service aid resulting from increased participation in the District's breakfast, lunch, and summer school programs. In addition, labor costs decreased due to better utilization of MPS food service employees.
- The decrease in the Nonmajor Governmental fund balance is attributable to a \$1.0 million principal payment on an outstanding TEACH loan from the State of Wisconsin
- Total fund balances for all governmental funds at June 30, 2009 were \$100.3 million. Of this amount, \$22.3 million was reserved for encumbrances, \$0.6 million was reserved for non-current receivables, \$0.6 million was reserved for inventories, \$18.0 million was reserved for self-insurance and prepaid expenditures, \$5.7 million was reserved for the School Nutrition deficit, \$18.0 million was reserved for debt service, and \$35.1 million remains unreserved.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

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

3. Required Supplementary Information (RSI)

- Budget-to-Actual Comparison
- Employee Pension Plan Schedules of Funding Progress and Employers Contributions
- OPEB Schedules of Funding Progress and Employers Contributions

The **Management's Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2009. 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.

MILWAUKEE PUBLIC SCHOOLS

Management’s Discussion and Analysis

June 30, 2009

(Unaudited)

Table 1

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

	Government-Wide	Fund Statements	
	<u>Statements</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire MPS entity (not including fiduciary funds)	Activities that are not proprietary or fiduciary; e.g. school operations, capital projects, and debt service	Activities where MPS acts as trustee or agent for another; e.g. employee retirement plans
Required financial statements	- Statement of net 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. These schedules show the District’s funding progress and the employers contributions.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

Total net assets decreased from the prior year by \$132.0 million. This decrease is largely the result of a \$130.9 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, 2009 was \$261.9 million. This amount reflects the unfunded portion of the fiscal year 2009 cost of healthcare benefits owed to current and future MPS retirees. The District's total OPEB liability as actuarially determined at July 1, 2007 is \$2.223 billion.

MPS ended its fiscal year with net assets of \$118.3 million, of which \$499.6 million was invested in capital assets (net of related debt), \$8.4 million was restricted for debt service, and (\$389.7) 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, 2009 the balance of the outstanding pension debt grew to \$173.6 million due to the fact the pension financing includes capital appreciation securities which accrete over time.

Table 2
Condensed Statement of Net Assets
(in thousands)

	Government-wide Activities		
	2009	2008	Difference
Capital assets, net	\$ 648,164	\$ 643,539	\$ 4,625
Noncapital assets	182,228	195,294	(13,066)
Total assets	830,392	838,833	(8,441)
Current liabilities	102,871	104,713	(1,842)
Noncurrent liabilities	609,190	483,776	125,414
Total liabilities	712,061	588,489	123,572
Net assets:			
Invested in capital assets, net of related debt	499,645	483,878	15,767
Restricted	8,351	16,045	(7,694)
Unrestricted (deficit)	(389,665)	(249,579)	(140,086)
Total net assets	\$ 118,331	\$ 250,344	\$ (132,013)

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Capital Assets increased by \$4.6 million. Increases occurred in all categories including buildings, software, furniture and equipment, land, and leasehold improvements. Notable changes in Noncapital Assets occurred in the areas of Cash and Investments, Accounts Receivable, Due from other governments, Prepaid Expenses, and Restricted Cash and Investments. Cash and Investments were down \$4.3 million which is attributable to a \$7.3 million decrease in funds held in the Construction Fund at year-end. This decrease in year-end funds is due to timing differences between Construction Fund revenues and expenditures. The Due from other governments increased by \$9 million due to processing of more Title I claims in May and June. Prepaid Expenses decreased by \$4.2 million which is due to a smaller prepayment of supplemental retirement payments. The District prepays expenses in the current year to maximize state equalization aid in the following year. Because schools and departments expended a greater portion of their fiscal year 2009 budgets, fewer prepayments were required to reach the targeted level of state aid. Accounts Receivable decreased by \$4.3 million primarily due to writing off uncollectible Erate receivables. Restricted Cash and Investments declined \$9.0 million as a result of lower debt service payments.

Current liabilities decreased \$1.8 million in fiscal year 2009 due to reductions in the amounts due within one year to the City of Milwaukee for intergovernmental debt agreements (\$1.1 million), and for worker's compensation claims (\$1.0 million). Recording a \$130.9 million increase in the OPEB liability materially affected the noncurrent liabilities, which rose \$125.4 million.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2009 with a decrease in net assets of \$132.0 million, compared to a decrease of \$137.2 in fiscal year 2008. In both years, the decrease was attributed to the District's OPEB liability.

Table 3
Schedule of Revenues and Expenses
(in thousands)

	Government-wide Activities		
	2009	2008	Difference
Program revenues:			
Charges for services	\$ 13,690	\$ 16,989	\$ (3,299)
Operating grants and contributions	379,772	268,075	111,697
Capital grants and contributions	1,699	10,907	(9,208)
Total program revenues	395,161	295,971	99,190
General revenues:			
Property taxes	287,779	251,077	36,702
Other taxes	49	134	(85)
Federal and state aid	548,265	641,414	(93,149)
Interest and investment earnings	1,159	2,496	(1,337)
Miscellaneous	1,045	818	227
Total general revenues	838,297	895,939	(57,642)
Total revenues	1,233,458	1,191,910	41,548
Expenses:			
Instruction	864,410	826,043	38,367
Community services	25,574	19,658	5,916
Pupil and staff services	138,220	132,463	5,757
General administration	118,454	117,405	1,049
Business services	161,740	176,007	(14,267)
School nutrition	40,892	40,654	238
Interest on long-term debt	16,181	16,771	(590)
Other	-	108	(108)
Total expenses	1,365,471	1,329,109	36,362
Increase (decrease) in net assets	\$ (132,013)	(137,199)	5,186

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

- Total revenues increased \$41.5 million, or 3.5% over the prior year. The largest increase, \$111.7 million, came in the area of operating grants and contributions including increases in Federal Stimulus Aid, Math Teacher Grants, Title I revenues, handicapped aid and food service aid of \$76 million, \$10 million, \$16 million, \$5 million and \$2.1 million, respectively. The rise in property taxes of \$36.7 million partially offset a reduction in state equalization aid of \$100.9 million. However, the state subsidized all Districts' state equalization aid with the Federal Stimulus Aid of \$76 million. State equalization aid and local property tax levy are the two principal elements of the state-imposed revenue limit. As one decreases, the other must increase in order to maximize revenues. The capital grants and contributions decreased by \$9.2 million over prior year because in FY08 there were fire insurance proceeds and intergovernmental aid from the City of Milwaukee of \$2.9 million and \$6 million, respectively.
- Total expenses grew by \$36.4 million, or 2.7%. This growth in expenses is primarily attributable to a \$38.4 million increase in instruction costs. The large rise in instruction costs is attributable to \$10 million of Math Teacher Grant expenditures, \$4.2 million of Title I – School Improvement Grant expenditures, \$23 million of medical insurance claims, and \$5.4 million increase of interdistrict tuition cost.

Capital Assets

Table 4 shows that at June 30, 2009, MPS had \$1.096 billion in capital assets including land, buildings, leasehold improvements, furniture and equipment, and software. This amount represents a net increase of \$27.7 million from the previous year. Net increases occurred in all areas except construction in progress. The \$19.9 million rise in the value of the buildings account approximates the decrease in the construction in progress account. Construction work in progress included various construction and cyclical maintenance projects. No new buildings or building additions were constructed.

Software increases totaled \$4.7 million while there were no software decreases. The increases include the purchase and implementation of a new facilities management system (\$1.3 million) as well as upgrades to existing software systems. With respect to the furniture and equipment account, increases edged out decreases by only \$0.4 million, reflecting the fact most purchases were made for the purpose of replacing existing furniture and equipment. More detailed information can be found in Table 4 and in Note 5 to the District's financial statements.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Table 4

Change in Capital Assets
(in thousands)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets:				
Land	\$ 31,498	\$ 191	\$ —	\$ 31,689
Construction in progress	9,097	18,576	19,229	8,444
Buildings	944,327	19,867	—	964,194
Leasehold improvements	6,090	3,179	—	9,269
Furniture and equipment	47,710	1,722	1,361	48,071
Software	29,491	4,733	—	34,224
Total capital assets	<u>1,068,213</u>	<u>48,268</u>	<u>20,590</u>	<u>1,095,891</u>
Accumulated depreciation	<u>(424,674)</u>	<u>(24,386)</u>	<u>(1,333)</u>	<u>(447,727)</u>
Totals	<u>\$ 643,539</u>	<u>\$ 23,882</u>	<u>\$ 19,257</u>	<u>\$ 648,164</u>

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Long-term Debt

Long-term debt at June 30, 2009 was \$328.3 million. Debt retirements totaled \$9.2 million, while \$4.1 million of new debt was issued during fiscal year 2009.

Table 5
Change in Long-term Debt and Capital Lease Obligations
(in thousands)

	<u>July 1, 2008</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2009</u>
Governmental activities:				
Americans with Disabilities Act loans	\$ 8,739	\$ 4,050	\$ 623	\$ 12,166
TEACH loan	4,520	—	2,091	2,429
Neighborhood School Initiative bonds	106,448	—	2,920	103,528
Qualified Zone Academy bonds	8,370	—	1,327	7,043
Financial and Student Tracking note	1,065	—	1,065	—
Pension refinancing debt	171,100	—	(2,549)	173,649
Capital leases	33,170	—	3,710	29,460
Other intergovernmental debt	53	—	53	—
Total debt	<u>\$ 333,465</u>	<u>\$ 4,050</u>	<u>\$ 9,240</u>	<u>\$ 328,275</u>

Two new Americans with Disabilities Act (ADA) loans were issued in fiscal year 2009. The first issue was for \$2,700,000 with an interest rate in the 2.5 – 3.0% range. The second was for \$1,350,000 with a 5.0% interest rate. The proceeds from ADA loans are used to make modifications to MPS facilities to accommodate people with disabilities. These activities are ongoing and additional loans are anticipated.

The District reduced TEACH loans outstanding in the 2009 fiscal year by \$2.1 million. The TEACH wiring loan program was sponsored by the state of Wisconsin and provided loans to schools and libraries for the purpose of installing the telecommunications wiring infrastructure necessary to provide local area networking and internet connections. The program offered a significant benefit to MPS in that one-half the amount borrowed is immediately forgiven by the state. Since the programs inception, 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 \$2.9 million of NSI debt was retired in fiscal year 2009.

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

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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 \$1.3 million in fiscal year 2009.

The financial and student-tracking debt is being used to fund the purchase and implementation of two software applications acquired in fiscal year 2003, a financial management system, and a student tracking system for special education. This debt was paid in full at the end of fiscal year 2009.

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 2009 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. The MEC and Grand Avenue debt will be retired in 2014, while the Congress, Craig, and Fratney debt will be retired in 2026. The amount outstanding at year end 2009 was \$29.5 million, down \$3.7 million from the previous year.

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

FUND FINANCIAL STATEMENTS

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

- The year-end General fund balance decreased \$1.6 million over the prior year-end. The decrease is attributable to a budgeted use of fund balance reserved for textbook purchases. Revenues increased \$49.9 million over fiscal year 2008, while expenditures increased \$39.2 million.
- The Construction fund balance decreased \$4.2 million due to timing differences between when revenues are received and expenditures are incurred. In fiscal year 2009, the District received debt proceeds of \$4.1 million in the form of Americans with Disabilities Act loans, a \$2.5 million operating transfer from the General Fund to finance debt service payments on Neighborhood School Initiative bonds, and \$.08 million in insurance proceeds as reimbursement for costs associated with a fiscal year 2007 fire at Franklin School.
- The District was able to reduce the School Nutrition fund balance deficit by \$1.1 million in fiscal year 2009. Revenues increased 7.2% over the prior year due to greater participation in the District's breakfast, lunch, and summer school programs. Expenditures increased only 2.8% due in part to more efficient use of the MPS food service employees.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

(Unaudited)

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 May 2008, the MPS Board of School Directors (the Board) adopted the District's fiscal 2009 budget (July 1, 2008 – June 30, 2009). The adopted budget by necessity used a *projection* of the fiscal 2009 student enrollment. In October 2008, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2008, 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 2008 the Board approved a revised fiscal year 2009 (FY09) General Fund expenditure budget in the amount of \$1,195,120,425. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures came within 4.8% of the FY09 adopted budget.

Current Economic Facts and Next Year's Budget

The District adopted a long-range strategic plan in July 2007. The FY10 budget reflects the themes of the plan. The budget also relates performance measures, district objectives and the dollars that support them.

District enrollment declined 2.4% in fiscal year 2010 due to demographics and competition from both private and public schools. Student participation in the Milwaukee Parental Choice Program (4.7% increase in FY10 school vouchers) and Open Enrollment in suburban districts (18.9% increase in FY10 Open Enrollment) are major factors in declining enrollments. As a result of the enrollment decline and excess building capacity, the MPS Board of School Directors continues to close low-enrollment and low-performing schools.

In October 2009, the MPS Board approved a revised FY10 General Fund budget of \$1,274,994,241. The FY10 budget includes prior year encumbrances and carryover appropriation authority and represents a 6.7% increase over the revised 2009 general fund budget.

The state-imposed revenue limit for FY10 increased to \$883,804,202, a 0.7% rise over FY09. State general aids decreased 0.5% to \$594,320,090. The change in equalization and integration aids is attributed to state formula changes that reduced aids, declining enrollment that reduced aids, declining

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2009

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property values that increased aids, and a change to the district's voucher school tax formula that increased aids.

FY10 represents the first year that all traditional and instrumentality charter schools will have aligned their budgets to both the strategic plan and the schools individual school improvement plan. Schools performance measures will be used to help gauge progress in student achievement.

The FY10 budget included plans to redesign District operations in an effort to redirect funds to the classroom. For example, using technology to increase efficiencies, the Purchasing department was restructured resulting in saving of about \$400,000. Schools and departments now order many of their supplies via blanket contracts administered through a web-based service.

For the fourth 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.

The District's efforts to improve reading and math skills continues in FY10. The proposed budget fully implements a \$2.3 million comprehensive literacy curriculum designed specifically for special education students in grades 3 to 12 who are two or more grades behind in reading or scoring at minimal or basic on the state assessment. MPS in FY10 developed a comprehensive literacy plan laying the groundwork to provide a systematic district wide approach to teaching vital reading skills and monitoring students' progress toward proficiency in reading. The District is also continuing its math initiative in FY10. The state and federal government are providing \$9.65 million and \$0.25 million respectively to maintain 116 math teacher leader positions. Additionally, MPS is contributing \$2.1 million for related professional development, additional math teacher leader positions, and technical assistance to schools.

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, 2009

		<u>Governmental activities</u>
Assets		
Current assets:		
Cash and investments (note 2)	\$	64,769,924
Accounts receivable, net (note 3)		3,089,389
Due from other governments (note 3)		69,263,728
Inventory (note 1(g))		646,183
Prepaid expenses (note 1(g))		14,556,025
Total current assets		<u>152,325,249</u>
Noncurrent assets:		
Restricted cash and investments (note 1(d))		24,067,714
Deposits for self-insurance (note 1(l))		3,399,297
Deferred charges—bond issuance costs (note 1(m))		2,435,979
Capital assets not being depreciated (note 5)		40,132,926
Capital assets being depreciated, net (note 5)		608,030,700
Total noncurrent assets		<u>678,066,616</u>
Total assets		<u>830,391,865</u>
Liabilities		
Current liabilities:		
Accounts payable and other current liabilities		75,548,504
Accrued interest payable on long-term liabilities		4,234,816
Unearned revenue (note 1(i))		2,689,073
Current portion of long-term obligations (note 7)		20,398,366
Total current liabilities		<u>102,870,759</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		609,190,022
Total liabilities		<u>712,060,781</u>
Net Assets		
Invested in capital assets, net of related debt		499,644,800
Restricted for debt service		8,351,394
Unrestricted (Deficit)		(389,665,110)
Total net assets	\$	<u><u>118,331,084</u></u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2009

Functions/programs	Expenses	Program revenues		Net (expenses) revenues and changes in net assets	
		Charges for services	Operating grants and contributions		
Governmental activities:					
Instruction	\$ 864,409,791	5,508,572	314,249,488	1,698,541	(542,953,190)
Support services:					
Community services	25,574,386	1,994,701	8,472,311	—	(15,107,374)
Pupil and staff services	138,220,288	—	15,106,248	—	(123,114,040)
General, administration, and central services	118,454,437	—	—	—	(118,454,437)
Business services	161,738,970	2,000,182	7,140,808	—	(152,597,980)
School nutrition services	40,891,942	4,186,989	34,803,122	—	(1,901,831)
Interest on long-term debt	16,181,174	—	—	—	(16,181,174)
Total support services	501,061,197	8,181,872	65,522,489	—	(427,356,836)
Total school district	\$ 1,365,470,988	13,690,444	379,771,977	1,698,541	(970,310,026)
General revenues:					
Taxes:					
Property taxes levied for general purposes					257,763,742
Property taxes levied for construction					17,001,718
Property taxes levied for debt service					1,870,414
Property taxes levied for community services					11,142,826
Other Taxes					49,468
Federal and state aid not restricted to a specific purpose:					
General (equalization aid)					469,912,641
Other					78,351,979
Miscellaneous					1,045,095
Interest and investment earnings					1,159,402
Total general revenues					838,297,285
Change in net assets					(132,012,741)
Net assets—Beginning of Year					250,343,825
Net assets—Ending of Year					\$ 118,331,084

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2009

Assets	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	\$ 46,651,350	18,118,574	—	—	64,769,924
Receivables, net:					
Accounts (note 3)	3,089,389	—	—	—	3,089,389
Due from other governmental units (note 3)	57,363,766	—	7,806,402	4,093,560	69,263,728
Due from other funds (note 4)	35,022,730	—	—	137,648	35,160,378
Total receivables	95,475,885	—	7,806,402	4,231,208	107,513,495
Restricted cash and investments (note 1(d))	12,762,576	11,305,138	—	—	24,067,714
Inventories (note 1(g))	646,183	—	—	—	646,183
Prepaid expenditures (notes 1(g))	14,556,025	—	—	—	14,556,025
Deposits for self-insurance (note 1(l))	3,399,297	—	—	—	3,399,297
Total assets	\$ 173,491,316	29,423,712	7,806,402	4,231,208	214,952,638
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 10,292,656	755,923	704,097	—	11,752,676
Contracts payable	8,271	1,207,074	—	—	1,215,345
Accrued salaries and wages	12,867,431	—	—	—	12,867,431
Deferred revenue (note 1(j))	3,964,800	—	—	—	3,964,800
Accrued claims for self-insurance (note 9)	42,066,569	—	—	—	42,066,569
Accrued pension payable (note 10)	7,634,327	—	—	—	7,634,327
Other accrued expenditures	12,156	—	—	—	12,156
Due to other funds (note 4)	—	18,269,331	12,797,487	4,093,560	35,160,378
Total liabilities	76,846,210	20,232,328	13,501,584	4,093,560	114,673,682
Fund balances:					
Reserved for:					
Encumbrances	18,362,972	3,923,813	—	—	22,286,785
Non-current receivables	612,493	—	—	—	612,493
Inventories	646,183	—	—	—	646,183
Self-insurance deposits and prepaid expenditures	17,955,322	—	—	—	17,955,322
School Nutrition	5,695,182	—	—	—	5,695,182
Debt service	12,762,576	5,267,571	—	—	18,030,147
Unreserved:					
Designated by board for subsequent year's expenditures (note 8)	40,610,378	—	—	—	40,610,378
Undesignated, reported in:					
Special revenues funds	—	—	(5,695,182)	137,648	(5,557,534)
Total fund balances	96,645,106	9,191,384	(5,695,182)	137,648	100,278,956
Total liabilities and fund balances	\$ 173,491,316	29,423,712	7,806,402	4,231,208	214,952,638

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, 2009

Total fund balances—governmental funds		\$	100,278,956
Amounts reported for governmental activities in the statement of net assets are different because:			
Bond costs of issuance are capitalized at the government-wide level and amortized over the life of the related bonds			2,435,979
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:			
Cost of capital assets	\$	1,095,890,750	
Accumulated depreciation		(447,727,124)	
Net capital assets		648,163,626	
Grant 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			1,275,727
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		(405,162,926)	
Bonds premium and discounts		1,247,052	
Discount on capital appreciation bonds		105,100,716	
Capital leases payable		(29,460,000)	
Accrued bond interest payable		(4,234,816)	
Compensated absences payable (vacation and sick leave)		(31,702,855)	
OPEB liability		(261,946,200)	
Workers' compensation claims payable		(4,204,502)	
Self-insurance claims payable		(958,182)	
Life insurance benefits and other long-term liabilities		(2,501,491)	
Total long-term debt liabilities		(633,823,204)	
Total net assets—government activities		\$	118,331,084

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, 2009

	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property tax levy	\$ 268,906,568	17,001,718	—	1,870,414	287,778,700
Other taxes	92,608	—	—	—	92,608
Lunchroom sales	—	—	4,180,102	—	4,180,102
Other local sources	12,081,561	597,987	6,871	—	12,686,419
State aid:					
Equalization aid	469,912,641	—	—	—	469,912,641
Special classes	47,564,912	—	—	—	47,564,912
Integration	41,276,129	—	—	—	41,276,129
Other state aid	74,510,985	2,623	1,099,847	1,045,312	76,658,767
Federal aid:					
Education Consolidation Improvement Act	102,207,198	—	—	—	102,207,198
School nutrition services	—	—	33,501,200	—	33,501,200
Erate refunds	1,751,957	—	—	—	1,751,957
Other federal aid	129,957,356	—	202,080	27,413,331	157,572,767
Miscellaneous	932,475	—	—	—	932,475
Interest and investment earnings	438,526	720,876	—	—	1,159,402
Total revenues	1,149,632,916	18,323,204	38,990,100	30,329,057	1,237,275,277
Expenditures:					
Current:					
Instructional services:					
Undifferentiated curriculum	426,468,415	—	—	—	426,468,415
Regular and other curriculum	152,019,378	—	—	—	152,019,378
Special curriculum	138,130,512	—	—	3,551,979	141,682,491
Total instructional services	716,618,305	—	—	3,551,979	720,170,284
Community services	23,482,483	—	—	—	23,482,483
Pupil and staff services	112,412,796	—	—	23,861,352	136,274,148
General and school building administration	118,520,404	—	—	—	118,520,404
Business services	161,983,843	—	—	—	161,983,843
School nutrition services	—	—	39,547,617	—	39,547,617
Capital Outlay	—	21,845,269	—	—	21,845,269
Debt service:					
Principal	3,762,400	2,980,000	—	5,106,670	11,849,070
Interest	1,304,377	4,308,219	—	7,794,577	13,407,173
Bond administrative fees	10,771	3,250	—	19,837	33,858
Total expenditures	1,138,095,379	29,136,738	39,547,617	40,334,415	1,247,114,149
Excess of revenues over (under) expenditures	11,537,537	(10,813,534)	(557,517)	(10,005,358)	(9,838,872)
Other financing sources (uses):					
Long-Term Debt Issued	—	4,050,000	—	—	4,050,000
Transfers In (Out)	(13,156,982)	2,523,168	1,673,768	8,960,046	—
Insurance Proceeds from Fire	—	79,005	—	—	79,005
Total other financing sources (uses), net	(13,156,982)	6,652,173	1,673,768	8,960,046	4,129,005
Net change in fund balances	(1,619,445)	(4,161,361)	1,116,251	(1,045,312)	(5,709,867)
Fund balances (deficit):					
Beginning of year	98,264,551	13,352,745	(6,811,433)	1,182,960	105,988,823
End of year	\$ 96,645,106	9,191,384	(5,695,182)	137,648	100,278,956

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, 2009

Net change in fund balances—total governmental funds		\$ (5,709,867)
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	\$ 29,040,523	
Depreciation expense reported in the statement of activities	<u>(24,386,362)</u>	
Amount by which capital outlays are greater than depreciation in the current period		4,654,161
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to increase net assets		(29,347)
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds		(3,255,153)
Some revenues will not be collected for several months after the District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds		(3,866,726)
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		(4,050,000)
Repayments:		
Bonds and notes		11,849,070
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	38,446	
Accretion of interest on capital appreciation bonds	(2,549,275)	
Amortization of bond premium and discount	(60,078)	
Amortization of bond issuance costs	(169,236)	
Net decrease in compensated absences payable (vacation and sick pay)	910,955	
Net decrease in workers' compensation claims payable	1,208,228	
Net increase in OPEB liability	(130,910,735)	
Net decrease in general insurance claims payable	195,593	
Net decrease in life insurance benefits payable	<u>(268,777)</u>	
Net adjustment		<u>(131,604,879)</u>
Change in net assets of governmental activities		<u>\$ (132,012,741)</u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Assets

June 30, 2009

Assets	Pension trusts	Private purpose trust	Agency
	<u> </u>	<u> </u>	<u> </u>
Deposits with City of Milwaukee and other cash (note 2)	\$ —	1,104,014	5,529,398
Investments (note 2)	—	1,684,849	—
Money market accounts	306,764	—	—
Treasury and agency securities	2,713,146	—	—
Mortgage-backed securities	240,586	—	—
Nongovernment obligations	2,531,278	—	—
Municipal bonds	55,861	—	—
Investment in the State of Wisconsin	115,651,012	—	—
Receivables-interest and contributions	58,475	—	—
Total assets	<u>121,557,122</u>	<u>2,788,863</u>	<u>5,529,398</u>
Liabilities			
Accounts payable and accrued expenses	1,613,084	—	—
Due to student organizations	—	—	5,529,398
Total liabilities	<u>1,613,084</u>	<u>—</u>	<u>5,529,398</u>
Net Assets			
Held in trust for:			
Supplemental pension benefits	119,944,038	—	—
Endowments	—	2,788,863	—
Total net assets	<u>\$ 119,944,038</u>	<u>2,788,863</u>	<u>—</u>

See accompanying notes to the basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2009

	Pension trusts	Private purpose trust
Additions:		
Employer contributions	\$ 14,080,878	—
Private donations	—	638,508
Interest income	—	70,151
Investment loss, net of expenses	(26,375,875)	—
Total additions	(12,294,997)	708,659
Deductions:		
Benefits paid to participant's or beneficiaries	16,891,410	—
Distribution of participant contribution accounts	314,687	—
Administrative expenses	198,850	—
Scholarships and awards	—	337,628
Total deductions	17,404,947	337,628
Changes in net assets	(29,699,944)	371,031
Net assets—beginning of year	149,643,982	2,417,832
Net assets—end of year	\$ 119,944,038	2,788,863

See accompanying notes to the basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

(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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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

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

The government-wide and fiduciary fund statements (excluding agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. For the pension trust funds, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year except for property taxes, which must be collected within 60 days after year-end. Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants, and charges for services. Other revenue is recorded when received. Expenditures are recorded when the fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences that are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical funds, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

(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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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

Capital assets are reported at actual cost or estimated costs. Donated assets are reported at the estimated fair market value at the time received. Capital assets are depreciated 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 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/software projects	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 that have not yet been earned.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

(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 \$3,399,297 at June 30, 2009 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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 will implement Statement No. 51 during the year ended June 30, 2010.

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 will implement this Statement beginning with the year ending June 30, 2010.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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	\$ 60,783,465	\$ 60,783,465
Demand deposits	9,413,720	8,585,407
Repurchase Agreement	3,000,000	19,165,300
Money market funds	19,978,446	19,978,446
U.S. Treasury Strips	3,960,268	3,960,268
Certificate of Deposit	20,000	20,000
Total Cash and Investments	\$ 97,155,899	\$ 112,492,886
Reconciliation to financial statements		
Per statement of net assets		
Unrestricted cash and investments	\$ 64,769,924	
Restricted cash and investments	24,067,714	
Per statement of net assets – Fiduciary Funds		
Private purpose trust	2,788,863	
Agency	5,529,398	
Total Cash and Investments	\$ 97,155,899	

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.

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- 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, U.S. Treasury strips and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. agency instruments with an implied triple-A credit rating. The District has \$19,978,446 invested in money market funds with a triple-A credit rating. The District's \$3,960,268 investment in U.S. Treasury strips is rated triple-A.

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, 2009 the District had the following investments, shown with their maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Repurchase Agreement	\$19,165,300	\$ 19,165,300	-	-
Money market funds	19,978,446	19,978,446	-	-
U.S. Treasury strips	3,960,268	235,785	3,724,483	-
	<u>\$43,104,014</u>	<u>39,379,531</u>	<u>3,724,483</u>	<u>-</u>

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

At year-end the District's demand deposit balance (exclusive of funds held and controlled by the treasurer of the City) was \$27,750,707, of which \$19,165,300 was invested in overnight repurchase agreements. Of the \$27,750,707 bank balance, \$7,003,337 was covered by the

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Notes to Basic Financial Statements

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Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and \$20,747,370 was uninsured and collateralized at 125% by the bank.

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, 2009.

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 2009, the SWIB Core Fund asset-mix targets were 29% to U.S. Stocks, 29% to Fixed Income, 26% to International Stocks, 6% to Real Estate, and 10% 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 10% 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.

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Notes to Basic Financial Statements

June 30, 2009

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, 2009.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	29% of the combined SWIB funds are invested in the fixed income by investment type with durations ranging from 0.0 to 8.3 years. Additional detail on the SWIB fixed income investments is included below.	\$ 32,434,642
Money market accounts	0.1	\$ 229,975
U.S. Treasuries, Agencies, and Government Bonds	4.2	\$ 960,818
Municipal Bonds	4.4	\$ 20,307
Mortgage-backed securities	1.0	\$ 215,642
Non-government obligations	3.1	\$ 1,438,459

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Notes to Basic Financial Statements

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<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	3.2	\$ 72 Million
Commerical Paper	0.2	\$ 44 Million
Corporate Bonds	4.7	\$ 3,333 Million
Corporate Bonds	N/A	\$ 11 Million
Government Agency	4.4	\$ 353 Million
Commercial Mortgages	2.7	\$ 52 Million
Municipal Bonds	8.3	\$ 4 Million
Pooled Investments	0.0 to 5.2	\$12,532 Million
Private Placements	4.9	\$ 438 Million
Private Placements	N/A	\$ 9 Million
Repurchase Agreements	N/A	\$ 36 Million
Sovereign Debt	6.8	\$ 2,880 Million
Sovereign Debt	N/A	\$ 2 Million
United States Treasuries	7.7	\$ 3,239 Million

Note: On June 30, 2009, SWIB's Core Fund and Variable Fund had \$59.2 billion and \$4.1 billion in assets, respectively. As of June 30, 2009, the Plan's assets were invested 72% in the SWIB Core Fund, 20% 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, 2009. 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.

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<u>Ratings*</u>	<u>SWIB</u>	<u>M&I</u>
	<u>2009</u>	<u>2009</u>
P-1	4%	9%
AAA	22%	46%
AA	8%	6%
A	9%	20%
BBB	4%	19%
BB	2%	0%
B	1%	0%
CCC	1%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Commingled or Pooled Funds	42%	N/A
Not-Rated	7%	0%

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

**And S&P1

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. 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. Non-Investment Grade securities may not exceed 5% 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. Corporate securities may not exceed 20% 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, 2009, SWIB had uninsured and uncollateralized deposits totaling \$242.3 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 \$26.0 million, all of which were

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Notes to Basic Financial Statements

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uncollateralized and uninsured. In total, these deposits represented 0.4% 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, 2009, SWIB's Retirement Funds held 12 tri-party repurchase agreements totaling \$1.25 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 2.0% of the combined assets of the SWIB Core and Variable Funds on June 30, 2009.

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, 2009, \$11.0 billion of the SWIB Core and Variable Funds' \$63.1 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.

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

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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 2009, the SWIB Core Fund asset-mix targets were 29% to U.S. Stocks, 29% to Fixed Income, 26% to International Stocks, 6% to Real Estate, and 10% 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 10% 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.

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The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2009.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	29% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 8.3 years. Additional detail on the SWIB fixed income investments is included below.	\$ 83,216,370
Money market accounts	0.1	\$ 76,789
U.S. Treasury notes, and agency securities	3.4	\$ 1,752,327
Municipal Bonds	4.1	\$ 35,554
Mortgage-backed securities	2.0	\$ 24,944
Non-government obligations	2.8	\$ 1,092,819

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	3.3	\$ 72 Million
Commerical Paper	0.2	\$ 44 Million
Corporate Bonds	4.7	\$ 3,333 Million
Corporate Bonds	N/A	\$ 11 Million
Government Agency	4.4	\$ 353 Million
Commerical Mortgages	2.7	\$ 52 Million
Municipal Bonds	8.3	\$ 4 Million
Pooled Investments	0.0 to 5.2	\$12,532 Million
Private Placements	4.9	\$ 438 Million
Private Placements	N/A	\$ 9 Million
Repurchase Agreements	N/A	\$ 36 Million
Sovereign Debt	6.8	\$ 2,880 Million
Sovereign Debt	N/A	\$ 2 Million
United States Treasuries	7.7	\$ 3,239 Million

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Notes to Basic Financial Statements

June 30, 2009

Note: On June 30, 2009, SWIB's Core Fund and Variable Fund had \$59.2 billion and \$4.1 billion in assets, respectively. As of June 30, 2009, the Plan's assets were invested 84% in the SWIB Core Fund, 14% in the SWIB Variable Fund, and 2% 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, 2009. 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.

<u>Ratings*</u>	<u>SWIB</u> <u>2009</u>	<u>M&I</u> <u>2009</u>
P-1**	4%	2%
AAA	22%	70%
AA	8%	3%
A	9%	17%
BBB	4%	8%
BB	2%	0%
B	1%	0%
CCC	1%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Commingled or Pooled Funds	42%	N/A
Not-Rated	7%	0%

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

**Or S&P1

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.

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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. Corporate securities may not exceed 20% 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, 2009, SWIB had uninsured and uncollateralized deposits totaling \$242.3 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 \$26.0 million, all of which were uncollateralized and uninsured. In total, these deposits represented 0.4% of the combined assets of the SWIB Core and Variable Funds on June 30, 2009.

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 12 tri-party repurchase agreements totaling \$1.25 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 2.0% 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.

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Notes to Basic Financial Statements

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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, 2009, \$11.0 billion of the SWIB Core and Variable Funds' \$63.1 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.

(3) Receivables

Receivables as of June 30, 2009 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>School Nutrition Services Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 3,230,298	—	—	3,230,298
Intergovernmental-federal	40,526,849	7,806,402	4,093,560	52,426,811
Intergovernmental-state	16,836,917	—	—	16,836,917
Gross receivables	<u>60,594,064</u>	<u>7,806,402</u>	<u>4,093,560</u>	<u>72,494,026</u>
Less allowance for uncollectibles	<u>(140,909)</u>	<u>—</u>	<u>—</u>	<u>(140,909)</u>
Total receivables, net	<u>\$ 60,453,155</u>	<u>7,806,402</u>	<u>4,093,560</u>	<u>72,353,117</u>

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Notes to Basic Financial Statements

June 30, 2009

(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, 2009 represent due to/from balances among all funds:

	Due from other funds			Due In More Than One Year
	General Fund	Nonmajor Fund	Total	
Due to other funds:				
Construction fund	\$ 18,269,331	—	18,269,331	—
Nutrition fund	12,659,839	137,648	12,797,487	5,695,182
Nonmajor funds	<u>4,093,560</u>	<u>—</u>	<u>4,093,560</u>	<u>—</u>
Total	\$ <u><u>35,022,730</u></u>	<u><u>137,648</u></u>	<u><u>35,160,378</u></u>	<u><u>5,695,182</u></u>

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, 2009 represent transfer in/out balances among all funds:

Fund Transferred To	Fund Transferred From	Amount	Reason
Construction	General Fund	\$ 2,523,168	To fund current year expenses
Debt Service Fund	General Fund	8,960,046	To fund current year debt service
School Nutrition Services Fund	General Fund	1,673,768	To reduce fund deficit

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Notes to Basic Financial Statements

June 30, 2009

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,497,852	190,829	—	31,688,681
Construction in progress	<u>9,097,103</u>	<u>18,576,249</u>	<u>19,229,107</u>	<u>8,444,245</u>
Total capital assets, not being depreciated	<u>40,594,955</u>	<u>18,767,078</u>	<u>19,229,107</u>	<u>40,132,926</u>
Capital assets, being depreciated:				
Buildings	944,326,965	19,867,294	—	964,194,259
Leasehold improvements	6,090,332	3,178,872	—	9,269,204
Furniture and equipment	47,709,982	1,722,310	1,361,904	48,070,388
Software	<u>29,489,897</u>	<u>4,734,076</u>	<u>—</u>	<u>34,223,973</u>
Total capital assets, being depreciated	<u>1,027,617,176</u>	<u>29,502,552</u>	<u>1,361,904</u>	<u>1,055,757,824</u>
Less accumulated depreciation for:				
Buildings	(357,147,844)	(19,681,845)	—	(376,829,689)
Leasehold improvements	(1,245,991)	(767,809)	—	(2,013,800)
Furniture and equipment	(42,974,065)	(1,793,126)	(1,332,557)	(43,434,634)
Software	<u>(23,305,419)</u>	<u>(2,143,582)</u>	<u>-</u>	<u>(25,449,001)</u>
Total accumulated depreciation	<u>(424,673,319)</u>	<u>(24,386,362)</u>	<u>(1,332,557)</u>	<u>(447,727,124)</u>
Total capital assets, being depreciated	<u>602,943,857</u>	<u>5,116,190</u>	<u>29,347</u>	<u>608,030,700</u>
Capital assets, net	<u>\$ 643,538,812</u>	<u>23,883,268</u>	<u>19,258,454</u>	<u>648,163,626</u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

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Depreciation expense for governmental activities for the year ended June 30, 2009 was charged to functions/programs as follows:

Governmental activities:	
Instruction	\$ 15,808,846
Community services	411,380
Pupil and staff services	2,228,345
General, administration and central services	1,992,321
Business services	3,243,147
School nutrition	702,323
	<hr/>
Total depreciation	\$ 24,386,362
	<hr/>

(6) Short-term Borrowings

The City issued short-term revenue anticipation notes on behalf of the District in the amount of \$210,000,000 in September, 2008. These notes were issued with interest rates of 3.0%, priced to yield 1.61% (\$185 million) and 1.59% (\$25 million). The notes matures September 2009. The debt was repaid in June, 2009 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, 2009 totaled \$403,920,961. Of this total, \$75,645,803 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 \$328,275,158 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

Long-term obligations of the District are as follows:

	<u>Original amount</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee:						
American with Disabilities Act loans:						
3.5% – 4.25%, due in annual install- ments to December 2008	\$ 605,000	72,600	—	72,600	—	—
4.75% – 5.375%, due in annual install- ments to June 2009	300,000	120,000	—	20,000	100,000	—
4.74% – 5.625%, due in annual install- ments to September 2015	2,000,000	1,066,424	—	133,304	933,120	133,304
3.59%, due in annual installments to September 2016	3,095,000	1,443,778	—	206,254	1,237,524	226,254
3.74%, due in annual installments to March 2017	1,205,000	321,299	—	80,449	240,850	80,466
4.0 – 5.0%, due in annual installments to September 2017	660,000	395,838	—	44,042	351,796	44,042
4.0 – 5.0%, due in annual installments to February 2019	350,000	335,000	—	—	335,000	—
4.0 – 5.0%, due in annual installments to February 2014	670,000	402,000	—	67,000	335,000	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 February 2019	2,700,000	—	2,700,000	—	2,700,000	270,000
5.0%, due in annual installments to February 2024	1,350,000	—	1,350,000	—	1,350,000	—
TEACH loan, 5.0%, due in annual install- ments to March 2012	15,144,033	4,520,395	—	2,090,624	2,429,771	770,745
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	107,755,000		2,980,000	104,775,000	3,985,000
Plus: Premium on issuance	1,357,121	454,167	—	67,112	387,055	—
Less: Discount on 2007A issuance	(338,503)	(295,783)	—	(21,360)	(274,423)	—
Less: Deferred amount of refunding	(1,677,174)	(1,465,514)	—	(105,830)	(1,359,684)	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	8,369,589	—	1,327,400	7,042,189	1,373,865
Financial & Student Tracking Systems— 3.74% – 6.24% note, due in annual installments to September 2008	8,000,000	1,065,000	—	1,065,000	—	—
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)	(17,981,876)	—	(1,203,038)	(16,778,838)	—
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)	(89,668,115)	—	(1,346,237)	(88,321,878)	—
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	—
Other intergovernmental notes	4,437,000	52,400	—	52,400	—	—
Capital lease—MEC/Grand Avenue & CCF	46,890,000	33,170,000	—	3,710,000	29,460,000	3,810,000
Total intergovernmental cooperation agreement debt		<u>\$ 333,464,878</u>	<u>4,050,000</u>	<u>9,239,720</u>	<u>328,275,158</u>	<u>10,760,676</u>

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	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2009</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	\$ 333,464,878	4,050,000	9,239,720	328,275,158	10,760,676
Accrued compensated absences	32,613,810	6,995,720	7,906,675	31,702,855	7,900,000
Accrued OPEB Obligation	131,035,465	190,432,565	59,521,830	261,946,200	—
Workers' compensation claims	5,412,730	133,779	1,342,007	4,204,502	1,300,000
General insurance claims	1,153,775	645,082	840,675	958,182	94,425
Life insurance benefits	1,947,663	268,777	—	2,216,440	343,265
Liability for other long-term benefits	285,051	—	—	285,051	—
Total long-term obligations	\$ 505,913,372	202,525,923	78,850,907	629,588,388	20,398,366

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 \$3.3 million as of June 30, 2009. Accordingly, the total liability for workers' compensation claims was approximately \$7.5 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2010	\$ 6,950,676	12,172,606	19,123,282
2011	6,933,168	11,987,307	18,920,475
2012	7,104,636	11,778,144	18,882,780
2013	6,577,932	11,546,520	18,124,452
2014	8,760,845	11,315,988	20,076,833
2015 – 2019	57,850,801	52,015,109	109,865,910
2020 – 2024	75,859,866	42,022,901	117,882,767
2025 – 2029	41,590,000	31,134,331	72,724,331
2030 – 2034	62,140,000	22,365,200	84,505,200
2035 – 2039	85,420,001	13,609,393	99,029,394
2040 – 2044	45,975,001	4,735,308	50,710,309
Total	\$ 405,162,926	224,682,807	629,845,733

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 0.30875% as of June 30, 2009.

The District leases land and buildings with a historical cost and accumulated amortization of \$48,472,061 and \$6,601,084 respectively, under capital lease arrangements.

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Notes to Basic Financial Statements

June 30, 2009

Future minimum lease payments under these capital leases at June 30, 2009 are as follows:

Fiscal year ended June 30:		
2010	\$	4,896,685
2011		4,899,676
2012		4,894,744
2013		4,894,503
2014		4,899,838
2015 – 2019		4,924,283
2020 – 2024		4,918,681
2025 – 2026		1,926,991
		<hr/>
Total minimum lease payments		36,255,401
Less amount representing interest		<hr/> (6,795,401) <hr/>
Present value of minimum lease payments	\$	<hr/> <u>29,460,000</u> <hr/>

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 2009 was \$31,248,305,600 and the 5% debt limit was \$1,562,415,280. No referendum-approved debt is outstanding at June 30, 2009.

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, 2009 is \$143,238,093. Principal and interest paid for the year ended June 30, 2009 was \$7,288,219 while the Intradistrict Aid revenues were \$37,965,736.

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Notes to Basic Financial Statements

June 30, 2009

Revenue debt payable at June 30, 2009 consists of the following:

Neighborhood Schools Initiative Bonds

Amounts Outstanding

	Principal	Interest	Total
Fiscal year ended:			
2010	\$ 3,985,000	4,204,253	8,189,253
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
	<u>\$ 104,775,000</u>	<u>38,463,093</u>	<u>143,238,093</u>

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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, 2009, \$29.3 million of bonds outstanding are considered defeased. The bonds are callable on August 1, 2013.

Interest Rate Swap Agreement

Objective of the interest rate swap. 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-rate 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 maintains the swap agreements, but with a resultant synthetic 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 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%).

	<u>Terms</u>	<u>Rates</u>
Interest rate swap (as of 6/30/2009):		
Fixed payment to counterparty	Fixed	5.56%
Variable payment from counterparty	LIBOR + 20 bps	<u>(0.51)%</u>
Net interest rate swap payments		5.05%
Index-linked bond coupon payments	LIBOR + 25 bps	<u>0.56%</u>
Synthetic interest rate on bonds		<u>5.61%</u>

Fair value. As of June 30, 2009, the swaps had an aggregate negative fair value of \$25,936,966 because interest rates have decreased since execution of the swaps. The swap's negative fair value may be countered by decreases in total interest payments required on the

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

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index-linked bonds. Because the coupons on the index-linked bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was 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 for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2009, 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. One swap counterparty, with whom the district has one swap agreement with notional value of \$60,000,000, is rated A2/A/A by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively. To mitigate the potential for credit risk, if the credit quality is below Aa3 by Moody's Investor 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.

The second counterparty, with whom the District has two swap agreements with total notional value of \$70,850,000, declared bankruptcy September 15, 2008. 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 in order to avoid the creation of an event of default.

Basis Risk. As a result of the conversion to index-linked bonds from auction rate securities, the basis risk exposure from the swaps was eliminated. Previously, the auction rate securities exposed the District to basis risk should the relationship between LIBOR and the auction rate diverge.

Termination Risk. The District or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. A swap may be terminated by the District if the counterparty's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" as issued by Moody's Investors Service. If a swap is terminated, the variable-rate bonds will no longer carry a synthetic interest rate. 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.

Swap payments and associated debt. Using rates as of June 30, 2009, 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):

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	Variable-rate bonds		Interest rate swaps, net	Total
	Principal	Interest		
Fiscal year ended June 30:				
2010	\$ —	731,124	6,609,561	7,340,685
2011	—	731,124	6,609,561	7,340,685
2012	—	731,124	6,609,561	7,340,685
2013	—	731,124	6,609,561	7,340,685
2014	—	731,124	6,609,561	7,340,685
2015 – 2019	—	3,655,622	33,047,803	36,703,425
2020 – 2024	6,250,000	3,649,802	32,995,186	42,894,988
2025 – 2029	31,325,000	3,100,946	28,033,385	62,459,331
2030 – 2034	31,250,000	10,801,395	11,563,805	53,615,200
2035 – 2039	31,100,000	6,572,730	7,036,662	44,709,392
2040 – 2044	30,925,000	2,286,943	2,448,365	35,660,308
Totals	<u>\$ 130,850,000</u>	<u>33,723,058</u>	<u>148,173,011</u>	<u>312,746,069</u>

(8) Fund Balance

Designated for Subsequent Year's Expenditures—The unreserved fund balance of the general fund is \$40,610,378 at June 30, 2009. This unreserved balance is designated to partially fund school operating expenditures during the period July 1 through December 31, 2009.

Based on recent operating experience, management anticipates that approximately \$482,125,000 will be required to fully cover the anticipated school operations operating expenditures during the period July 1 through December 31, 2009. In addition to the fund balance designated for subsequent year's expenditures, revenue anticipation notes and approximately \$292,290,000 of state aids will be used to fund operating expenditures through December 31, 2009.

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.

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The formula established by this action, and the application thereof as of June 30, 2009, is as follows:

General fund unreserved fund balance	\$ 40,610,378
Amount required to fund six months of the school operation's property tax levy:	
Subsequent year's school operations school levy (\$276,532,087) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (79) to total calendar school year days (180)	<u>121,366,860</u>
General fund undesignated fund balance deficiency	\$ <u><u>(80,756,482)</u></u>

(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 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, 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

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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	
	2009	2008
Beginning of year liability	\$ 43,454,694	42,706,747
Current year claims and changes in estimate	232,298,260	207,764,022
Claim payments	(230,827,064)	(207,016,075)
End of year liability	\$ 44,925,890	43,454,694

The District has recognized the liability for health and dental benefits, which totaled \$33,979,911 and \$32,355,994 as of June 30, 2009 and 2008, respectively, in the general fund. The District has also recognized a liability of \$3,281,804 and \$2,299,481 as of June 30, 2009 and 2008, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include \$4.8 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 6.0% of their salaries to the plan for calendar year 2008. 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, 2008 was approximately \$413,418,000; the District's total payroll was \$546,875,000. The total required contribution for the year ended December 31, 2008 was approximately \$43,822,000, which consisted of \$19,017,000, or 4.6% of payroll, from the District and \$24,805,000, or 6.0% of

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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 the years ending December 31, 2007 and 2006 were \$42,594,000 and \$40,978,000, 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

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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. Effective January 1, 2009 the District will be required to make employer contributions in the amount of \$7,508,420.

The payroll for the District's employees covered by the System for the year ended December 31, 2008 was \$109,996,000; the District's total payroll was \$546,875,000. The total required contribution including retroactive adjustments for the year ended December 31, 2008 was \$6,509,000, or 5.9% of covered payroll, from the District on behalf of the employees and equaled the required contribution. Total contributions for the years ending December 31, 2007 and 2006 were \$6,390,000 and \$6,531,000, 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.

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Notes to Basic Financial Statements

June 30, 2009

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, any exempt employee excluded by the ASC bargaining contract and covered by the System, and certain psychologists who elected to remain in the plan after June 30, 1980 are also eligible for participation.

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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.

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Notes to Basic Financial Statements

June 30, 2009

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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, 1997, are vested upon participation. Employees who first became participants on or after July 1, 1997, are vested after being employed by the District for at least 15 years after July 1, 1997, 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

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Notes to Basic Financial Statements

June 30, 2009

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, 2009 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 Supplemental and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
Contribution rates as a percentage of payroll:			
District	8.780%	3.252%	
Plan participants	—	—	
Annual required contribution	\$ 2,482,200	15,235,493	17,717,693
Interest on net pension obligation	11,991	(6,727)	5,264
Adjustment to annual required contribution	5,926	—	5,926
Annual pension cost	2,500,117	15,228,766	17,728,883
Contributions made	2,680,878	11,400,000	14,080,878
Increase (decrease) in net pension obligation	(180,761)	3,828,766	3,648,005
Net pension prepayment, beginning of year	(2,319,239)	(15,276,218)	(17,595,457)
Net pension prepayment, end of year	\$ (2,500,000)	(11,447,452)	(13,947,452)

The funded status of the plans of July 1, 2008, the most recent actuarial valuations date, was as follows:

	Milwaukee Board of School Directors Early Retirement Supplemental and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial accrued liability(AAL)	\$ 53,278,752	217,642,068
Actuarial value of plans assets	44,570,940	94,204,651
Unfunded Actuarial Accrued Liability	\$ 8,707,812	123,437,417
Funded ratio (actuarial value of plan assets/AAL)	83.66%	43.28%
Covered payroll (active plan members)	\$ 30,534,301	350,580,446
UAAL as a percentage of covered payroll	28.52%	35.21%

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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, 2008	July 1, 2008
Actuarial cost method	Projected unit credit	Entry age normal
Amortization method	6- 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 23.15 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 PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

	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

	<u>Annual required contribution</u>	<u>% of annual pension cost contributed</u>	<u>Net pension prepayment</u>
Fiscal year beginning July 1:			
2008	\$ 2,482,200	108%	\$ (2,500,000)
2007	2,576,104	92%	(2,319,239)
2006	3,094,247	89%	(2,532,824)

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	<u>Annual required contribution</u>	<u>% of annual pension cost contributed</u>	<u>Net pension prepayment</u>
Fiscal year beginning July 1:			
2008	\$ 15,235,493	75%	\$ (11,447,452)
2007	15,408,267	99%	(15,276,218)
2006	14,113,631	135%	(15,375,539)

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

(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 requirements, but do not meet the 70 percent maximum accumulated eligibility requirement for the Board subsidy, may continue coverage in an MPS health plan as a retiree on a self-paid basis at the group premium rate. There are also disability retirement provisions that provide for lifetime health coverage for the disabled retiree and eligible dependents. The surviving spouse coverage provisions for death of an employee in active service or after retirement for certain collective bargaining units and non-represented employees provide lifetime health coverage for the surviving spouse and limited coverage for eligible dependents at the established Board subsidy rate.

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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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, 2009, the District contributed \$56,154,530 to the Retiree Plan. For fiscal year ending June 30, 2009, total member contributions to the Retiree Plan were \$11,242,125.

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	\$189,880,613
Interest on net OPEB obligation	5,896,596
Adjustment to annual required contribution	(5,344,644)
	<hr/>
Annual OPEB cost	190,432,565
Medicare Part D contributions	(3,367,300)
MPS Contributions made	(56,154,530)
	<hr/>
Increase in net OPEB liability	130,910,735
Net OPEB obligation, beginning of year	131,035,465
	<hr/>
Net OPEB obligation, end of year	<u><u>\$261,946,200</u></u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

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, 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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, 2007, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$2,222,673,800
Actuarial value of plan assets	—
	<hr/>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$2,222,673,800</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	\$ 501,134,000
UAAL as a percentage of covered payroll	443.5 %

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

The District's OPEB financial disclosure information for fiscal year ending, June 30, 2009 was based on the assumptions and methods in the July 1, 2007 actuarial valuation. The entry age normal actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return that reflects the District's pay-as-you-go funding policy and an annual healthcare cost trend rate of 10 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. The remaining amortization period at June 30, 2009 was 28 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, 2009, the District was over its revenue limitation by \$1.

(13) School Nutrition Deficit

The School Nutrition Services Fund had a deficit of \$5,695,182. The deficit is anticipated to be funded through future operations or operating transfers from the General Fund which has been reserved for the full amount of the deficit.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

(14) Excess Expenditures Over Appropriations

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2009:

Fund	Excess Expenditures
General Fund:	
Middle Schools	\$ 599,997
Summer School	88,272
MTEC/Compton	39,725
NURSES	40,638
TABS Program	4,136
Special Education Buyback Services	10,987
Dept. of Parent & Student Services	191,198
Music Festival	11,502
Transportation	1,712,654
Employee Benefits (undistributed)	5,966,970
Debt Service	5,077,548
Utilities	2,046,934
Division of Recreation and Community	
Services-Employee Benefits	1,763,965
CAMP	3,777,934
School Nutrition Services Fund	4,949,160
TEACH Wisconsin Program Fund	1,045,312

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, 2009 may be impaired. In the opinion of District management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

(b) *Operating Leases*

The District leases certain computer equipment with a carrying value of approximately \$2,615,680. For fiscal year 2009, total operating lease expense of the District was \$2,490,353. The aggregate minimum legal commitments for the five fiscal years subsequent to June 30, 2009 and thereafter for the computers and property are as follows:

Fiscal years:		
2010	\$	1,430,498
2011		1,185,182
		<hr/>
Total	\$	<u>2,615,680</u>

(c) *Contractual Commitments*

The District has \$22.3 million of contractual commitments outstanding as of June 30, 2009.

(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) *Microsoft Corporation Lawsuit*

MPS is a participant in the settlement of a class action lawsuit with Microsoft Corporation. There are three potential ways MPS can benefit from the Class Action: (1) MPS’ Direct Claim; (2) the First Cy Pres Distribution; and (3) the Second Cy Pres Distribution.

1. MPS’ Direct Claim

MPS has received a Microsoft voucher in the amount of \$492,100. Purchases in that amount have already been made and MPS has put in for reimbursement. Reimbursement is expected at the end of calendar year 2009.

2. First Cy Distribution

MPS has been informed that its estimated allocation of the First Cy Pres for our District is \$24,143,931, paid in the form of hardware and software vouchers. It is unknown when the vouchers will be distributed; although it is anticipated that distribution will take place in the fall of fiscal year 2010. Once the vouchers are distributed, MPS will be able to expend funds and receive reimbursement for those expenditures. It is unknown whether purchases made prior to June 1, 2009, will be eligible for reimbursement.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

3. Second Cy Pres Distribution

The balance of the money will be distributed to schools which have a NSLP as determined in the sole discretion of the Wisconsin Department of Public Instruction. It is not known when this distribution will be made, the amount of the distribution, or to which schools distribution will be made.

(f) *Special Education Lawsuit*

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.

(g) *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.

(16) Subsequent Events

- On September 3, 2009 the City is issued \$228,000,000 of School Revenue Anticipation Notes, Series 2009 M4 for the purpose of financing MPS's general operating expenses pending receipt of state school aid payments. The maturity of this issue is June 30, 2010. Interest of 2% is payable at maturity.
- Under current law, a 1st class city school district (currently only the Milwaukee Public Schools, or MPS) is governed by an elected board of school directors. The board consists of nine members, eight of whom are elected from numbered election districts and one of whom is elected at large. Members are elected at the spring election and serve four-year terms. The board appoints the superintendent of schools.

On November 20, 2009, Wisconsin Senate Bill 405 was introduced. The bill, if approved, would direct the mayor of the City of Milwaukee to appoint a superintendent of schools to serve at the mayor's pleasure. Under the bill, the superintendent of schools is in charge of

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2009

MPS and most of the powers and duties of the board of school directors are transferred to the superintendent of schools, including the appointment of all staff, the formulation of the annual school budget, collective bargaining, school closings, and determination of the school calendar.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2009

	Budgeted amounts		Actual (GAAP basis)	Variance with Revised Budget
	Adopted	Revised		
REVENUES:				
Property Tax Levy	\$ 262,373,467	\$ 268,956,568	\$ 268,999,176	\$ 42,608
Equalization & Integration Aids	588,154,832	587,025,169	511,188,770	(75,836,399)
Other State Aids	64,733,368	70,678,778	75,100,922	4,422,144
Federal Aids	6,100,000	6,650,000	91,321,452	84,671,452
Other Local Revenues	6,823,006	7,511,624	8,973,448	1,461,824
Applied Surplus/ Reserve for Textbooks	1,000,000	5,645,065	-	(5,645,065)
SCHOOL OPERATIONS & EXTENSION	929,184,673	946,467,204	955,583,768	9,116,564
CAMP	-	-	4,288,983	4,288,983
GRANTS	197,921,294	222,028,377	189,760,165	(32,268,212)
Total Revenues	1,127,105,967	1,168,495,581	1,149,632,916	18,862,665
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	139,457,029	134,238,793	132,624,671	1,614,122
Middle Schools	48,339,919	43,846,309	44,446,306	(599,997)
K-8 Schools	197,052,103	205,957,287	202,748,547	3,208,740
Elementary Schools	135,815,363	162,461,861	159,451,610	3,010,251
Charter Schools	93,930,079	95,312,968	93,275,674	2,037,294
School to Work Transition	2,828,639	2,841,702	2,679,639	162,063
School Age Parents	1,948,386	2,007,513	1,948,841	58,672
Alternative Schools	6,388,185	2,208,900	2,005,210	203,690
Agency Programs	28,809,647	26,047,388	25,179,405	867,983
Home & Hospital Instruction	839,198	839,198	780,551	58,647
MATC Alternative Programs	615,275	615,275	615,275	-
Milwaukee County Collaborative	1,270,687	1,271,557	1,216,691	54,866
Contracted Kindergarten	1,955,375	1,956,077	1,928,724	27,353
Summer School	4,400,000	4,217,293	4,305,565	(88,272)
School Special Funds	43,392,682	39,386,579	37,460,653	1,925,926
S.E. Asian/Native American Program	287,150	296,815	278,506	18,309
Interscholastic Athletics/Academics	4,828,704	4,977,525	4,910,984	66,541
Driver Education	344,155	888,244	474,138	414,106
School Safety Operations	3,037,932	3,098,003	3,013,327	84,676
Instrumental Music	1,545,685	1,590,768	1,508,544	82,224
Schools Program Funds	360,806	374,509	208,535	165,974
MTEC/Compton	154,258	155,014	194,739	(39,725)
Peer Evaluation & Mentor Teachers	2,717,806	645,253	633,897	11,356
Social Work Services	250,257	250,257	239,628	10,629
Special Education Support Services	5,842,214	5,873,827	5,341,332	532,495
Special Education Buyback Services	426,059	435,591	446,578	(10,987)
Non-MPS Special Education Costs	3,339,741	3,339,775	2,772,880	566,895
POOL	-	3,169,747	3,010,344	159,403
FAVE	-	1,538,721	793,660	745,061
NURSES	-	773,017	813,655	(40,638)
TABS Program	740,093	740,348	744,484	(4,136)
TOTAL - PROGRAM ACCOUNTS	\$ 730,917,427	751,356,114	736,052,593	15,303,521

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2009

	Budgeted amounts		Actual (GAAP basis)	Variance with Revised Budget
	Adopted	Revised		
INDIRECT & SUPPORT SERVICES				
Board of School Directors	\$ 433,441	\$ 866,556	\$ 474,138	\$ 392,418
Office of Board Governance	2,590,222	3,731,914	2,223,815	1,508,099
Office of Superintendent	3,203,182	3,488,748	3,266,695	222,053
Dept. of Instruction & Leadership Support	4,866,758	5,256,612	4,577,372	679,240
Dept. of School & Community Support	1,404,756	2,426,504	1,995,576	430,928
Dept. of Parent & Student Services	3,945,450	3,135,931	3,327,129	(191,198)
Dept. of Special Services	4,803,658	5,101,835	4,507,409	594,426
Dept. of Finance & Operations	47,767,980	61,065,360	56,863,963	4,201,397
Dept. of Human Resources	5,457,447	6,583,600	5,562,650	1,020,950
TOTAL - INDIRECT & SUPPORT	74,472,894	91,657,060	82,798,747	8,858,313
OTHER ACCOUNTS				
Textbook Adoptions	7,269,915	7,617,382	4,699,656	2,917,726
Neighborhood Schools Debt	-	1,980,426	101,524	1,878,902
Crisis Response Initiative	53,758	3,182,907	1,729,213	1,453,694
Project Loan Acq Network	2,871,800	5,605,747	-	5,605,747
Music Festival	58,295,398	4,350	15,852	(11,502)
Mentor Teacher	-	2,078,053	1,921,851	156,202
Transportation	7,973,825	58,343,773	60,056,427	(1,712,654)
Employee Benefits (undistributed)	7,915,287	8,495,928	14,462,898	(5,966,970)
School District Insurances	2,770,427	7,649,674	7,249,693	399,981
Debt Service (includes NSI)	-	-	5,077,548	(5,077,548)
Utilities	23,189,522	23,344,003	25,390,937	(2,046,934)
Special & Contingent Funds	13,010,503	11,561,830	10,204,934	1,356,896
TOTAL - OTHER ACCOUNTS	123,350,435	129,864,073	130,910,533	(1,046,460)
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	8,947,931	9,285,452	6,225,802	3,059,650
WYMS Radio Station	-	2,865	-	2,865
Summer School Wrap-around	2,772,277	4,449,149	2,320,325	2,128,824
Community Arts	1,101,745	1,909,861	862,324	1,047,537
District Insurances	329,413	329,413	213,566	115,847
Employee Benefits	20,000	(32,581)	1,731,384	(1,763,965)
Special & Contingent Fund	98,250	765,514	639,730	125,784
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	13,269,616	16,709,673	11,993,131	4,716,542
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES				
	(16,494,872)	(16,494,872)	(17,197,724)	702,852
SCHOOL OPERATIONS & EXT. FUND	925,515,500	973,092,048	944,557,280	28,534,768
CAMP	-	-	3,777,934	(3,777,934)
GRANTS	197,921,294	222,028,377	189,760,165	32,268,212
Total Expenditures	1,123,436,794	1,195,120,425	1,138,095,379	57,025,046
Excess of revenues over (under) expenditures	3,669,173	(26,624,844)	11,537,537	38,162,381
Transfer In (Out)	(3,669,173)	(15,946,066)	(13,156,982)	2,789,084
Change in Fund Balance	\$ -	\$ (42,570,910)	(1,619,445)	\$ 40,951,465
Fund balance-beginning of year			98,264,551	
Fund balance-end of year			\$ 96,645,106	

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, 2009

	<u>Budgeted amounts</u>		<u>Actual (GAAP basis)</u>	<u>Variance with Revised Budget</u>
	<u>Adopted</u>	<u>Revised</u>		
Revenues:				
Lunchroom sales	\$ 6,741,665	6,741,665	4,180,102	2,561,563
Other local sources			6,871	(6,871)
State aid:				
School nutrition aid	850,000	850,000	1,099,847	(249,847)
Federal aid:				
School nutrition aid	27,006,792	27,006,792	33,501,200	(6,494,408)
Other federal aid			202,080	(202,080)
Total revenues	<u>34,598,457</u>	<u>34,598,457</u>	<u>38,990,100</u>	<u>(4,391,643)</u>
Expenditures:				
Current operating:				
School Nutrition Services	34,598,457	34,598,457	39,547,617	(4,949,160)
Total expenditures	<u>34,598,457</u>	<u>34,598,457</u>	<u>39,547,617</u>	<u>(4,949,160)</u>
Excess of revenues over(under)				
expenditures	—	—	(557,517)	557,517
Transfer In	—	—	1,673,768	1,673,768
Net change in fund balances	<u>\$ —</u>	<u>—</u>	<u>1,116,251</u>	<u>1,116,251</u>
Fund deficit—beginning of year			<u>(6,811,433)</u>	
Fund deficit—end of year			<u>\$ (5,695,182)</u>	

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Year ended June 30, 2009

Schedules of Funding Progress

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

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Total underfunded AAL</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>Underfunded AAL as a percentage of covered payroll</u>
7/1/08	\$ 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
7/1/06	40,082,362	50,604,106	10,521,744	79.21	34,756,344	30.27

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Total underfunded AAL</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>Underfunded AAL as a percentage of covered payroll</u>
7/1/08	\$ 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
7/1/06	70,897,370	188,159,912	117,262,542	37.68	320,407,690	36.60

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

<u>Fiscal year beginning</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
7/1/2008	\$ 2,482,200	108 %
7/1/2007	2,576,104	92
7/1/2006	3,094,247	89

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

<u>Fiscal year beginning</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
7/1/2008	\$ 15,235,493	75 %
7/1/2007	15,408,267	99
7/1/2006	14,113,631	135

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS
 Required Supplementary Information
 Year Ended June 30, 2009

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age Normal</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age Normal</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7/1/2007	-	\$2,222,673,800	\$2,222,673,800	\$2,222,673,800	0%	\$501,134,000	443.5%
7/1/2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Postemployment Health Care Plan

<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
7/1/2008	\$ 189,880,613	31.3%
7/1/2007	175,418,900	25.3
7/1/2006	n/a	n/a

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS

Notes to Required Supplementary Information

Year ended June 30, 2009

(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, 2009

	<u>Special Revenue</u>			
Assets	TEACH Wisconsin Programs	Categorically Aided Programs	Debt Service	Total
Receivables due from other governmental units	\$ —	4,093,560	—	4,093,560
Due from other funds	<u>137,648</u>	<u>—</u>	<u>—</u>	<u>137,648</u>
Total assets	\$ <u><u>137,648</u></u>	<u><u>4,093,560</u></u>	<u><u>—</u></u>	<u><u>4,231,208</u></u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	—	—	—
Deferred revenue	—	—	—	—
Due to other funds	<u>—</u>	<u>4,093,560</u>	<u>—</u>	<u>4,093,560</u>
Total liabilities	<u>—</u>	<u>4,093,560</u>	<u>—</u>	<u>4,093,560</u>
Fund balances:				
Unreserved and undesignated	<u>137,648</u>	<u>—</u>	<u>—</u>	<u>137,648</u>
Total fund balances	<u>137,648</u>	<u>—</u>	<u>—</u>	<u>137,648</u>
Total liabilities and fund balances	\$ <u><u>137,648</u></u>	<u><u>4,093,560</u></u>	<u><u>—</u></u>	<u><u>4,231,208</u></u>

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2009

	<u>Special Revenue</u>			
	<u>TEACH Wisconsin Programs</u>	<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Property taxes	\$ —	—	1,870,414	1,870,414
Other local sources	—	—	—	—
State aid—other	1,045,312	—	—	1,045,312
Federal aid:				
Other federal aid	—	27,413,331	—	27,413,331
Total revenues	<u>1,045,312</u>	<u>27,413,331</u>	<u>1,870,414</u>	<u>30,329,057</u>
Expenditures:				
Instructional services—				
special curriculum	—	3,551,979	—	3,551,979
Pupil and staff services	—	23,861,352	—	23,861,352
Debt service:				
Principal	2,090,624	—	3,016,046	5,106,670
Interest	—	—	7,794,577	7,794,577
Issuance Cost	—	—	19,837	19,837
Total expenditures	<u>2,090,624</u>	<u>27,413,331</u>	<u>10,830,460</u>	<u>40,334,415</u>
Excess of revenues over (under) expenditures	(1,045,312)	—	(8,960,046)	(10,005,358)
Other financing sources:				
Transfers In	—	—	8,960,046	8,960,046
Total other financing sources (uses), net	<u>—</u>	<u>—</u>	<u>8,960,046</u>	<u>8,960,046</u>
Net changes in fund balances	(1,045,312)	—	—	(1,045,312)
Fund balances:				
Beginning of year	1,182,960	—	—	1,182,960
End of year	\$ <u>137,648</u>	<u>—</u>	<u>—</u>	<u>137,648</u>

MILWAUKEE PUBLIC SCHOOLS

TEACH Wisconsin Programs Fund

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

Year ended June 30, 2009

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
State aid:			
Other state aid	\$ —	—	1,045,312
Total revenues	—	—	1,045,312
Expenditures:			
Current operating:			
Debt service-Principal	1,045,312	1,045,312	2,090,624
Total expenditures	1,045,312	1,045,312	2,090,624
Net change in fund balance	\$ (1,045,312)	(1,045,312)	(1,045,312)
Fund balance—beginning of year			1,182,960
Fund balance—end of year			\$ 137,648

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

Year ended June 30, 2009

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
Revenues:			
Other local sources	\$ —	—	—
Federal aid:			
Other federal aid	27,941,071	27,941,071	27,413,331
Total revenues	<u>27,941,071</u>	<u>27,941,071</u>	<u>27,413,331</u>
Expenditures:			
Current operating:			
Special curriculum	5,260,883	5,260,883	3,551,979
Pupil and staff services	22,680,188	22,680,188	23,861,352
Total expenditures	<u>27,941,071</u>	<u>27,941,071</u>	<u>27,413,331</u>
Net change in fund balance	\$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			<u>\$ —</u>

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

Year ended June 30, 2009

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
Revenues:			
Property taxes	\$ —	—	1,870,414
Total revenues	<u>—</u>	<u>—</u>	<u>1,870,414</u>
Expenditures:			
Current operating:			
Debt service	15,806,066	15,946,066	10,830,460
Total expenditures	<u>15,806,066</u>	<u>15,946,066</u>	<u>10,830,460</u>
Excess of revenues over (under) expenditures	(15,806,066)	(15,946,066)	(8,960,046)
Other financing sources (uses)			
Transfers In (Out)	<u>15,806,066</u>	<u>15,946,066</u>	<u>8,960,046</u>
Total other financing sources (uses), net	15,806,066	15,946,066	8,960,046
Fund balance—beginning of year	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance—end of year	<u><u>\$ —</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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, 2009

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
	<hr/>	<hr/>	<hr/>
Assets			
Investments			
Money market accounts	\$ 229,975	76,789	306,764
U.S. treasury and agency securities	960,818	1,752,328	2,713,146
Mortgage-backed securites	215,642	24,944	240,586
Nongovernment obligations	1,438,459	1,092,819	2,531,278
Municipal Bonds	20,307	35,554	55,861
Investment in the State of Wisconsin	32,434,642	83,216,370	115,651,012
Receivables-interest and contributions	38,771	19,704	58,475
	<hr/>	<hr/>	<hr/>
Total assets	35,338,614	86,218,508	121,557,122
Liabilities			
Liabilities:			
Accounts payable and accrued expenses	425,352	1,187,732	1,613,084
	<hr/>	<hr/>	<hr/>
Total liabilities	425,352	1,187,732	1,613,084
Net Assets			
Held in trust for supplemental pension benefits	\$ 34,913,262	85,030,776	119,944,038
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Changes in Net Assets—Pension Trust Funds

Year ended June 30, 2009

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
	<hr/>	<hr/>	<hr/>
Additions:			
Employer contributions	\$ 2,680,878	11,400,000	14,080,878
Investment loss, net of expenses	(7,641,930)	(18,733,946)	(26,375,876)
Total additions	<hr/> (4,961,052) <hr/>	<hr/> (7,333,946) <hr/>	<hr/> (12,294,998) <hr/>
Deductions:			
Benefits paid to participant's or beneficiaries	4,425,701	12,465,709	16,891,410
Distribution of participant contribution accounts	314,687	—	314,687
Administrative expenses	64,744	134,105	198,849
Total deductions	<hr/> 4,805,132 <hr/>	<hr/> 12,599,814 <hr/>	<hr/> 17,404,946 <hr/>
Changes in net assets	(9,766,184)	(19,933,760)	(29,699,944)
Net assets—Beginning of Year	<hr/> 44,679,446 <hr/>	<hr/> 104,964,536 <hr/>	<hr/> 149,643,982 <hr/>
Net assets—Ending of Year	\$ <hr/> <hr/> 34,913,262	<hr/> <hr/> 85,030,776	<hr/> <hr/> 119,944,038

MILWAUKEE PUBLIC SCHOOLS
 Agency Fund
 Schedule of Changes in Assets and Liabilities
 Year ended June 30, 2009

Assets	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
Cash and cash equivalents	\$ 5,599,250	14,992,388	(15,062,240)	5,529,398
Total assets	<u>5,599,250</u>	<u>14,992,388</u>	<u>(15,062,240)</u>	<u>5,529,398</u>
Liabilities				
Liabilities:				
Due to student organizations	5,599,250	14,992,388	(15,062,240)	5,529,398
Total liabilities	\$ <u>5,599,250</u>	<u>14,992,388</u>	<u>(15,062,240)</u>	<u>5,529,398</u>



Milwaukee Public Schools

STATISTICAL SECTION

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

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Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	89-92
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MILWAUKEE PUBLIC SCHOOLS
Statement of Net Assets
Last Eight Fiscal Years

Governmental activities

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in capital assets, net of related debt	\$ 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	8,351,394	16,045,169	14,472,771	1,796,177	13,502,378	9,518,692	3,089,752	-
Unrestricted	<u>(389,665,110)</u>	<u>(249,579,105)</u>	<u>(102,111,255)</u>	<u>(97,025,340)</u>	<u>(122,424,347)</u>	<u>(113,587,990)</u>	<u>(115,140,875)</u>	<u>(56,959,502)</u>
Total net assets	<u>\$ 118,331,084</u>	<u>250,343,825</u>	<u>385,974,080</u>	<u>386,240,181</u>	<u>366,835,794</u>	<u>352,867,518</u>	<u>322,530,234</u>	<u>358,951,954</u>

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 Eight Fiscal Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:								
Instruction	\$ 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	25,574,386	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	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	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	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	40,891,942	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	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	\$ 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	\$ 1,365,470,988	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	\$ 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	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	2,000,182	1,571,882	296,678	103,409	281,329	111,642	143,894	153,322
Nutrition services	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	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	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	15,106,248	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	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	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	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	\$ 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	\$ (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	\$ 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	17,001,718	16,975,373	14,580,539	13,237,040	12,266,054	-	-	-
Property taxes levied for debt service	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	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	49,468	133,509	2,369,741	-	-	-	-	-
Federal and state aid not restricted to a specific purpose:								
General (equalization aid)	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	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	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	1,045,095	-	916,544	-	1,200,921	88,755	335	-
Total general revenues	\$ 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	\$ (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 Eight Fiscal Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund								
Reserved	\$ 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	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	\$ <u>96,645,106</u>	<u>98,264,551</u>	<u>110,630,208</u>	<u>109,349,897</u>	<u>100,100,308</u>	<u>81,808,246</u>	<u>85,192,674</u>	<u>117,908,916</u>
Other Governmental Funds								
Reserved	\$ 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	-	858,122	(1,328,640)	(1,417,829)	(14,836,707)	(11,772,547)	8,172,565	42,331,044
Special revenue fund	(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	\$ <u>3,633,850</u>	<u>7,724,272</u>	<u>8,667,136</u>	<u>27,346,997</u>	<u>40,210,218</u>	<u>78,364,312</u>	<u>24,442,255</u>	<u>46,395,283</u>

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

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

	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:								
Property tax levy	\$ 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	92,608	88,839	291,341	—	—	—	—	—
Lunchroom sales	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	12,686,419	16,967,736	11,729,344	14,656,297	13,550,964	9,221,099	10,531,728	10,009,451
State aid:								
Equalization aid	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	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	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	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	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	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	1,751,957	3,638,805	1,661,683	—	4,510,353	639,448	857,304	3,118,872
Other federal aid	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	—	6,000,000	—	9,240,442	14,265,000	11,334,558	8,660,000	23,500,000
Miscellaneous	932,475	816,009	916,544	—	—	—	—	—
Interest and investment earnings	1,159,402	2,496,600	3,535,721	2,823,350	1,798,305	1,058,117	662,490	—
Total revenues	\$ 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	\$ 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	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	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	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	23,482,483	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	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	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	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	39,547,617	38,476,566	35,782,244	32,210,593	32,006,084	31,097,577	29,209,501	28,602,348
Capital Outlay	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	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	13,407,173	13,698,240	14,426,612	14,646,900	13,955,810	4,212,525	2,878,039	992,858
Bond issuance cost	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	\$ 1,247,114,149	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	\$ (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	\$ 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 Land	—	—	—	—	25,200	—	1,306,175	—
Proceeds from Teach Loan	—	—	—	—	—	—	1,935,677	3,034,883
Proceeds from capital leases	—	—	—	12,415,000	—	34,475,000	—	—
Insurance proceeds from fire	79,005	2,997,170	1,000,000	—	—	—	—	—
Refunding bond debt issued	—	—	31,865,000	—	—	—	—	—
Payment for refunded bond debt	—	—	(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	\$ 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	\$ (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	2.1%	2.2%	2.7%	3.1%	2.4%	1.7%	0.7%	0.4%

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

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
1979	\$ 7,789,446	(543,533)	9,345,784
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

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

MILWAUKEE PUBLIC SCHOOLS

Property Tax Rates—Direct and Overlapping Government

Last Ten Years

Budget year	Milwaukee School Board (B)		City of Milwaukee (A)		Milwaukee Area District Board of Vocational, Technical, and Adult Education		County of Milwaukee		State of Wisconsin		Milwaukee Metropolitan Sewerage District		Total (C)	
TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL														
1999	\$9.44	33.4 %	\$9.20	32.5 %	\$2.01	7.1 %	\$5.72	20.2 %	\$0.20	0.7 %	\$1.72	6.1 %	\$28.29	100.0 %
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

- (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)
2000	\$	7.65	0.42	0.31	8.38
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

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Tax Levies for School Purposes

Last Ten Years

Budget Year		School Operations	Construction	Extension	Total
2000	\$	146,513,018	8,123,121	5,924,868	160,561,007
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

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

**Milwaukee Public Schools
Principal Property Tax Payers
(Thousands of Dollars)**

Employer	Fiscal Year 2008			Fiscal Year 1999		
	Assessed Value	Percentage of Total Assessed	%	Assessed Value	Percentage of Total Assessed	%
U.S. Bank	\$ 256,738	0.84	%	\$ —	—	%
Northwestern Mutual Life Insurance Company	203,882	0.67		167,392	1.06	
Marcus Corp./Mil. City Center/Pfister	125,713	0.41		60,922	0.39	
Metropolitan Associates	101,765	0.33		63,317	0.40	
NNN 411 E. Wisconsin LLC	94,840	0.31		—	—	
Crichton-Hauck/Shoreline/Juneau	92,662	0.30		—	—	
Towne Realty	85,806	0.28		74,954	0.48	
M&I Marshall & Isley Bank/Metavante Corp.	84,575	0.28		68,395	0.43	
EC Milwaukee Joint Venture	73,122	0.24		52,876	0.34	
Geneva Exchange Fund	69,755	0.23		—	—	
First Security Bank	—	—		160,740	1.02	
Teachers Insurance & Annuity Assoc.	—	—		97,967	0.62	
Miller Brewing	—	—		67,359	0.43	
Great Lakes, REIT LP	—	—		63,656	0.40	
	<u>\$ 1,188,858</u>	<u>3.89</u>	<u>%</u>	<u>\$ 877,578</u>	<u>5.57</u>	<u>%</u>

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 Levy Year (B)		Collections		Total Collections to Date Amount	Percentage of Adjusted Levy
				Current Tax Collections	Percent Original Levy Collected	Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years		
2002	\$ 222,708	\$ 19,689	\$ 242,397	\$ 217,242	97.55 %	\$ 13,599	\$ 11,325	\$ 242,166	99.90 %
2003	234,485	20,742	255,227	228,345	97.38	12,918	13,227	254,490	99.75
2004	240,643	22,459	263,102	235,012	97.66	15,497	11,896	262,405	99.74
2005	248,267	22,970	271,237	242,587	97.71	14,992	12,290	269,869	99.50
2006	261,685	24,819	286,504	255,818	97.76	15,647	13,287	284,752	99.39
2007	265,319	31,317	296,636	257,350	97.00	18,211	15,098	290,659	97.99
2008	286,180	39,562	325,742	277,119	96.83	23,952	-	301,071	92.43

Milwaukee Public Schools		
Fiscal Year	Total Tax Levy	Percentage of Levy (E)
2002	\$ 174,735	100.00 %
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

(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	Residential Property	Personal Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2002	\$ 18,968,857	\$ 897,398	\$ 19,866,255	\$ 20,298,387	\$ 10.87	97.9 %
2003	20,162,296	847,221	21,009,517	21,730,754	10.15	96.7
2004	21,938,751	833,668	22,772,419	23,491,774	9.73	96.9
2005	24,386,499	835,650	25,222,149	26,256,714	9.19	96.1
2006	27,450,051	904,900	28,354,952	30,226,986	8.75	93.8
2007	28,430,813	943,560	29,374,373	31,887,192	7.99	92.1
2008	29,429,740	1,001,935	30,431,675	32,257,525	8.00	94.3

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

Source: City CAFR & 2008 City Assessor's Office

MILWAUKEE PUBLIC SCHOOLS

Computation of Direct and Overlapping Debt—City of Milwaukee

December 31, 2008

(in thousands)

<u>Name of governmental unit</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City of Milwaukee (C)</u>	<u>City of Milwaukee's share of debt</u>
Debt Repaid with property taxes			
Direct debt:			
City of Milwaukee (A)	\$ 689,401	100.00 %	\$ 689,401
Overlapping debt:			
Milwaukee Area Technical College District Board	61,627	39.05	24,065
County of Milwaukee	440,915	47.56	209,699
Milwaukee Metropolitan Sewerage Area (B)	906,721	48.64	441,029
Total overlapping debt			<u>674,793</u>
Total district and overlapping debt			<u>\$ 1,364,194</u>

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

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

(A) Excludes \$62,638 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.

(B) Includes \$605,576 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

(C) The percentage of overlapping debt applicable is estimated using estimated actual (equalized) property values. Applicable percentages were estimated by determining the portion of the City's equalized value

Source: City CAFR

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

Fiscal Year	General Obligation Bonds	QZAB	Pension Debt		Wisconsin Retirement System (UAAL)	General Bonded Debt Subtotal	Bonded Debt as a Percentage of Equalized Property Value ¹	Bonded Debt Per Capita	Revenue Bonds	Capital Lease	TEACH Loans	Total Debt	Total Debt as a Percentage of Personal Income ²	Total Debt Per Capita
			Capital Appreciation Bonds	Variable Rate Debt										
2000	\$ 11,318,305	\$ -	\$ -	\$ -	\$ 157,283,000	\$ 168,601,305	0.97 %	\$ 277	\$ -	\$ 12,836,818	\$ 174,441	\$ 181,612,564	1.10 %	\$ 299
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	N/A	N/A	103,527,948	29,460,000	2,429,771	328,275,161	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		Coverage
		Principal	Interest	
2003	\$ 34,675,898	\$ —	\$ 1,455,636	23.82 x
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

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**

Year	<u>County of Milwaukee</u>					
	Population (A)	Personal Income (Thousands of Dollars) (B)	Per Capita Income (C)	Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
1999	608,150	\$25,533,958	\$ 27,149	30.3	105,374	4.9%
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	Not available	Not available	36.0	85,369	7.9

(A) *The December 31, 1999 through 2008 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2007 and 2008 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 2008 CAFR

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

<u>Employer</u>	<u>2008 Estimates (1)</u>				<u>1999</u>			
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	
Aurora Health Care	25,937	1	5.53	%	9,832	2	2.04	%
U.S. Government (Includes Zablocki V.A. Medical Center)	11,100	2	2.37		8,108	3	1.68	
Milwaukee Public Schools	10,690	3	2.28		11,377	1	2.36	
Wheaton Fransican Healthcare	9,020	4	1.92					
Roundy's Supermarkets	8,480	5	1.81					
City of Milwaukee	7,307	6	1.56		7,730	4	1.60	
Quad Graphics	7,000	7	1.49					
Kohl's Corp.	6,900	8	1.47					
GE Healthcare	6,462	9	1.38					
Wal-Mart Stores	6,229	10	1.33					
Milwaukee County					7,350	5	1.52	
Covenant Health Care					5,823	6	1.21	
Wisconsin Electric Power Company					5,372	6	1.11	
M&I Marshall & Ilsley					5,333	8	1.11	
Allen-Bradley (now Rockwell)					4,073	9	0.84	
Briggs and Stratton	-		-		<u>3,301</u>	10	<u>0.68</u>	
	<u>99,125</u>		<u>21.14</u>	%	<u>68,299</u>		<u>14.15</u>	%

(1) Reflects full-time equivalent employees.

Note: Data includes all of Milwaukee County.

Source: *The 2009 Business Journal Book of Lists. City from internal records.*

The 1999 data was from the Department of Administration January 1999 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".

Total employment data (1999=482,505) (2008=468,606) from the State of Wisconsin Workforce Development.

source: City of Milwaukee CAFR

MILWAUKEE PUBLIC SCHOOLS
 Comparative per Capita Cost Statistics
 Last Ten Fiscal Years

	<u>Cost per pupil</u>
1999 – 2000	\$ 9,036
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

* 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	Increase or (decrease) over prior year		Increase or (decrease) over prior year	Attending public schools	Attending private schools	Total attending schools	Percent attending schools	
			Males	Females						
1974	172,258	(7,563)	87,713	(3,930)	84,545	(3,633)	118,890	27,974	146,864	85.3 %
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	180,706	16,065	91,885	8,486	88,821	7,579	131,394	23,046	154,440	85.5
2006	191,368	10,662	97,303	5,418	94,065	5,244	112,032	27,445	139,477	72.9
2007	185,082	(6,286)	93,812	(3,491)	91,270	(2,795)	108,264	26,619	134,883	72.9
2008	184,204	(878)	92,088	(1,724)	92,116	846	103,214	27,912	131,126	71.2
2009	184,554	350	92,201	113	92,353	237	104,517	28,013	132,530	71.8

* 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, 2009

<u>Ages</u>	<u>Males</u>	<u>Females</u>	<u>Total</u>	<u>Attended public school</u>	<u>Attended parochial or private school</u>	<u>Did not attend school</u>
1	5,324	5,124	10,448	0	0	10,448
2	5,631	5,520	11,151	0	0	11,151
3	5,406	5,226	10,632	201	13	10,418
Total 1 – 3	16,361	15,870	32,231	201	13	32,017
4	5,279	5,065	10,344	2,381	261	7,702
5	5,233	4,951	10,184	6,283	1,818	2,083
6	5,288	5,029	10,317	6,851	1,964	1,502
7	4,455	4,824	9,279	6,758	2,066	455
8	4,541	4,729	9,270	6,804	2,056	410
9	4,188	4,614	8,802	6,736	2,032	34
10	4,319	4,625	8,944	6,815	1,873	256
11	4,192	4,537	8,729	6,679	1,864	186
12	4,005	4,389	8,394	6,244	1,799	351
13	4,178	4,384	8,562	6,325	1,833	404
14	4,209	4,311	8,520	6,544	1,757	219
15	4,548	4,309	8,857	6,935	1,727	195
16	4,751	4,352	9,103	7,292	1,496	315
17	5,026	4,824	9,850	7,486	1,305	1,059
18	5,907	5,803	11,710	7,698	1,450	2,562
19	5,721	5,737	11,458	6,485	2,709	2,264
Total 4 – 19	75,840	76,483	152,323	104,316	28,010	19,997
Grand total	92,201	92,353	184,554	104,517	28,023	52,014

MILWAUKEE PUBLIC SCHOOLS
 Government-wide Expenses by Function
 Last Eight 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

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 Eight 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

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 Eight 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

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 Eight 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

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	
1973 – 1974	5,772	160	118,283	(c)
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	

(a) Including principals

(b) Includes leased sites

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

MILWAUKEE PUBLIC SCHOOLS

Number and Distribution of Instructional Staff

Last Ten Fiscal Years

<u>Classifications</u>	<u>1999 – 2000</u>	<u>2000 – 2001</u>	<u>2001 – 2002</u>	<u>2002 – 2003</u>	<u>2003 – 2004</u>	<u>2004 – 2005</u>	<u>2005 – 2006</u>	<u>2006 – 2007</u>	<u>2007 – 2008</u>	<u>2008 – 2009</u>
Senior high and middle schools:										
Principals	37	37	38	36	38	29	31	29	32	30
Assistant principals	111	116	113	111	108	100	82	99	74	71
Teachers	2,425	2,320	2,291	2,352	2,409	1,936	1,915	1,724	1,701	1,464
Total	2,573	2,473	2,442	2,499	2,555	2,065	2,028	1,852	1,807	1,565
Elementary schools:										
Principals	107	120	117	108	107	108	105	100	110	101
Assistant principals	79	86	84	70	71	68	66	54	59	68
Teachers	3,599	3,705	3,762	3,736	3,750	3,652	3,575	3,497	3,425	3,678
Total	3,785	3,911	3,963	3,914	3,928	3,828	3,746	3,651	3,594	3,847
Special schools and classes:										
Principals	1	1	1	1	2	2	4	2	3	3
Assistant principals	2	2	2	2	3	5	11	7	4	4
Teachers	753	741	746	721	778	612	631	521	602	542
Total	756	744	749	724	783	619	646	530	609	549
Summary:										
Principals	145	158	156	145	147	139	140	131	145	134
Assistant principals	192	204	199	183	182	173	159	160	137	143
Teachers	6,777	6,766	6,799	6,809	6,937	6,200	6,121	5,742	5,728	5,684
Total	7,114	7,128	7,154	7,137	7,266	6,512	6,420	6,033	6,010	5,961
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors	766	708	735	674	665	426	428	415	418	420
Grand total	7,880	7,836	7,889	7,811	7,931	6,938	6,848	6,448	6,428	6,381

MILWAUKEE PUBLIC SCHOOLS

Population and Pupils
Residing in the City of Milwaukee

Last Ten Fiscal Years

	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009
Total number of school age children according to city-wide child census	154,977	150,256	149,992	162,011	164,641	180,706	191,368	153,233	152,244	152,323
Enrollment for state aid:*										
Third Friday	103,660	101,744	101,618	101,715	102,033	100,403	98,209	95,332	91,947	90,053
Summer school	1,819	1,585	1,113	964	333	247	322	329	428	430
Total	<u>105,479</u>	<u>103,329</u>	<u>102,731</u>	<u>102,679</u>	<u>102,366</u>	<u>100,650</u>	<u>98,531</u>	<u>95,661</u>	<u>92,375</u>	<u>90,483</u>
Average number enrolled:										
Senior high	26,009	25,157	25,389	26,766	28,003	27,642	27,438	28,966	28,466	27,839
Junior high/middle	22,039	22,841	23,974	23,670	23,432	21,554	21,048	20,698	19,233	18,204
Elementary	57,567	55,571	53,940	52,683	51,699	49,354	48,042	47,845	46,273	46,218
Total	<u>105,615</u>	<u>103,569</u>	<u>103,303</u>	<u>103,119</u>	<u>103,134</u>	<u>98,550</u>	<u>96,528</u>	<u>97,509</u>	<u>93,972</u>	<u>92,261</u>
Average number attending:										
Senior high	20,463	19,396	19,727	20,936	22,251	22,127	22,046	22,916	22,205	22,958
Junior high/middle	19,168	19,848	20,927	20,843	20,968	19,225	18,736	18,413	17,047	16,015
Elementary	53,880	51,846	50,240	48,858	48,078	45,745	44,311	44,087	42,465	42,363
Total	<u>93,511</u>	<u>91,090</u>	<u>90,894</u>	<u>90,637</u>	<u>91,297</u>	<u>87,097</u>	<u>85,093</u>	<u>85,416</u>	<u>81,717</u>	<u>81,336</u>

* Non-resident and choice students not included.

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

Fiscal Year	Enrollment For State Aid	Operating Expenses	Cost Per Pupil	Teaching Staff	Pupil/Teacher Ratio
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 Eight Years

Year Ending June 30,

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

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

Year Ending June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Number of schools participating in:								
Lunch - regular schedule	175	170	173	185	191	187	198	185
Breakfast program	158	158	160	167	161	164	127	162
Snack program	100	99	68	78	76	55	53	39
Student lunches served:								
Free	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	901,725	954,705	959,040	944,894	995,673	1,007,752	1,072,252	1,115,031
Fully paid	<u>1,380,135</u>	<u>1,381,187</u>	<u>1,353,199</u>	<u>1,559,910</u>	<u>1,400,897</u>	<u>1,443,572</u>	<u>1,602,201</u>	<u>1,715,607</u>
Total	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	213,691	227,208	275,091	264,314	277,116	318,878	350,769	355,662
Student breakfasts/snacks served:								
Free	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	379,262	384,493	339,181	139,254	108,782	91,969	89,587	88,435
Fully paid	<u>517,415</u>	<u>484,573</u>	<u>405,121</u>	<u>189,842</u>	<u>115,767</u>	<u>101,722</u>	<u>79,611</u>	<u>75,030</u>
Total	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	262	225	221	204	199	195	198	176
Average daily participation:								
Student lunch	40,720	42,278	43,443	48,199	48,777	50,906	51,582	58,240
Adult lunch	913	1,010	1,245	1,296	1,393	1,635	1,772	2,021
Student breakfast	19,226	19,331	17,906	11,837	10,150	9,680	9,632	10,541
Student snacks	3,588	3,331	2,868	3,930	3,583	3,793	2,000	2,692
September 15 pupil count	90,053	87,392	90,825	93,516	95,600	97,359	97,293	97,749
Percentage of students daily eating school lunch	45.22%	48.38%	47.83%	51.54%	51.02%	52.29%	52.98%	59.58%

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Elementary Schools								
Number of Buildings	121	121	121	121	121	119	119	118
Square Footage	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	67,316	66,416	66,416	66,416	66,036	64,083	63,310	61,247
Enrollment	50,457	50,275	51,389	52,211	52,226	52,788	52,954	53,730
Middle Schools								
Number of Buildings	10	14	14	16	16	16	16	16
Square Footage	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	8,300	12,420	10,620	12,420	12,420	12,420	12,420	12,420
Enrollment	6,841	8,213	9,651	11,370	13,225	15,316	17,026	16,805
High Schools								
Number of Buildings	12	14	14	14	14	14	14	14
Square Footage	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	17,370	20,539	20,539	20,539	20,539	20,539	20,539	20,539
Enrollment	22,252	23,193	23,863	23,692	23,428	23,154	21,840	22,375
Other Schools								
Number of Buildings	7	12	11	9	9	9	9	9
Square Footage	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	17,290	10,673	10,430	8,630	8,630	8,630	8,630	8,630
Enrollment	5,819	5,679	6,022	6,243	6,721	6,101	5,473	4,839
Administrative/Service								
Number of Buildings	58	55	55	55	55	55	55	55
Square Footage	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
Soccer Fields**	21	21	21	21	21	21	21	21
Running Tracks	13	13	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72	72
Swimming Pools	13	13	13	13	13	13	13	13
Playgrounds	147	147	147	147	147	147	147	147

*22 Recreation+13 High School

**8 Recreation+13 High School

***All Recreation

Note: Excludes leased sites