



Milwaukee Public Schools

Milwaukee, Wisconsin

2006

Comprehensive Annual Financial Report

For the Year Ended June 30, 2006

147th EDITION

147th 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, 2006

JOSEPH DANNECKER, 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, 2006

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MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

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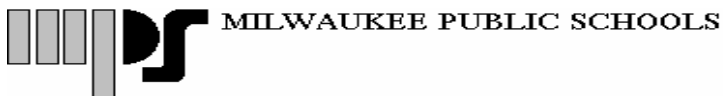
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Milwaukee Public Schools





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

December 27, 2006

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, 2006. 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.

The Comprehensive Annual Financial Report is presented in three sections:

Introductory Section - This section contains this letter of transmittal, the District’s organizational chart, and a list of principal officials.

Financial Section - This section contains the basic financial statements providing management’s discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements, combining non-major fund financial statements, and independent auditors’ report.

Statistical Section - This section contains tables presenting various financial, economic, social, and demographic data about the District.

REPORTING ENTITY

Milwaukee Public Schools 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 593,000. The District operates more than 160 sites, has over 90,900 students in 207 schools, and employs over 10,800 educators, administrators, and staff. The Superintendent, appointed by the Board, is the senior official representing Milwaukee Public Schools.

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 2006 Economic Trends, August's seasonally unadjusted unemployment rate of 4.8% is down from the 5% rate posted one year ago. Currently, the metro Milwaukee area's jobless rate ranks higher than both the state's 4.2% and the nation's 4.6% rates.

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

The Milwaukee Board of School Directors adopted the following vision, mission, and goals on March 28, 2000. They are as follows:

Vision:

We in the Milwaukee Public Schools know that quality teaching will result in higher student achievement. We also know that educating students means more than instruction. We know that children learn and achieve more when they are cared for, when they are safe, and when they have a healthy well-being. Therefore, we must have strong and true partnerships with parents and all those in the community who influence and affect our students and families.

Our schools will be a center of community activity, a safe and inviting place that attracts families and staff to live in the neighborhood.

Teaching will be child-centered and based on proven methods. Diversity among students will be seen as a norm, not a disability. Class sizes will be small enough to allow for successful learning by all children.

Children will have the opportunity in the school and in the neighborhood to become competent, responsible, and generous, and belong to a caring community. Schools will be a vital part of the neighborhood, sharing a common purpose with community partners in a system of mutual support.

Mission:

The Milwaukee Public Schools will ensure that maximum educational opportunities are provided for all students to reach their highest potential so that:

- Students achieve their educational and employment goals, and
- Parents choose the Milwaukee Public Schools to educate their children.

Goals:

The goals of the Milwaukee Public Schools are to improve:

1. Student achievement
2. Student success in further education and employment
3. Family satisfaction, as measured by their choices in the education marketplace

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

Measuring Success

Through continued implementation of district initiatives such as curriculum alignment, learning targets, Classroom Assessments Based on Standards (CABS), high school redesign, principal coaching, and efforts to reduce the achievement gaps, Milwaukee Public Schools (MPS) continued to improve its performance in many areas. Measurable success relative to supporting the mission, vision, and goals of MPS for 2005-06 is evident in many areas including standardized test data and survey results.

This year's standardized test results illustrate that the district is moving forward in supporting all children in the quest for high academic achievement. The district has taken an aggressive approach to reducing many of the achievement gaps both within the district and between the district and the state. Standardized testing results for the district indicate that the strategies that are being applied are producing positive outcomes overall. Some of these strategies are continued curriculum alignment, professional development sessions for learning teams, principals, literacy coaches, mathematics lead teachers, the identification and implementation of research-based teaching practices in all classrooms, and a new model for evaluating Educational Plans and identifying/providing appropriate support.

Overall achievement data for 2005-06 reveals a continued reduction in the achievement gap for Hispanic students at grades four, eight and ten in both reading and mathematics from the year before. At grade four, the achievement gap has been cut in half over the last five years in both reading and mathematics. For African American students, the achievement gap is smaller at the elementary level and there was a significant reduction in the achievement gap recorded in 2005-06 at the middle grades in both reading and mathematics from the year before.

Consistent with district policy, the School Climate Perception Survey was again administered to MPS students, parents, and school staff. This instrument provides MPS with valuable information from stakeholders to significantly impact continuous improvement efforts at the school and district levels. Altogether, the number of respondents to the 2005-06 survey included 22,138 elementary/middle grades students, 9,110 high school students, 6,311 staff, and 8,044 parents – an 8% increase in response rate over the 2004-05 survey. The survey asks people to indicate their level of agreement to statements covering four key areas: environment, academic rigor, safety and discipline, and shared decision-making.

Parent respondents were overwhelmingly positive in their beliefs regarding the schools their children attend. For example, approximately 92% of parents who responded agreed or strongly agreed with the statement, “My child’s school has a friendly, welcoming atmosphere” and “The staff in my child’s school cares about the students.” Ninety-one percent of the parents believe that their child’s school has high academic expectations, while 83% indicated agreement with the statement, “My child’s school prepares students to do well on state, local, and classroom assessments.” Data revealed clear consensus on the clarity of school rules; 95% noted they “understand the school’s rules and expectations about student behavior.” Further, 93% noted that their child’s school promotes a drug-free environment. Regarding shared decision-making, 86% of parents agreed that they “feel comfortable expressing opinions at school meetings” and 80% believe that the school seeks their opinions regarding important issues affecting the school.

District administration will continue to review the district’s mission, vision, and goal areas, as well as standardized test data and survey results. This will assure alignment to district initiatives designed to support increased student achievement.

District Initiatives

Inherent to the development of the Milwaukee Public Schools Strategic Plan and the corresponding strategic initiatives is the belief that ***all children can learn and will achieve***. The broad initiative of the Milwaukee Partnership Academy (MPA) is to ensure that every child in Milwaukee Public Schools is performing at or above grade level in reading, writing, and mathematics through shared responsibility for student success. This is consistent with the MPS Strategic Plan, and forms the basis of the district’s reform efforts.

The following provides a 2005-06 progress report relative to those district initiatives that represent the major priorities and direction of the district.

1. ***Student Achievement*** - During the 2005-06 school year, many factors supported increased student achievement for Milwaukee’s children including the efforts of the Milwaukee Partnership Academy, full deployment of the No Child Left Behind Act (NCLB), the principal and literacy coach models, school learning teams, high school redesign, the capacity builders, and the district’s core beliefs.

Through the support of the Milwaukee Partnership Academy, implementation of the Comprehensive Literacy and Mathematics Frameworks moved forward during the 2005-06 school year at a rapid pace. The Comprehensive Literacy Framework is in its fourth year of implementation and the Comprehensive Mathematics Framework is in its third year of implementation. The frameworks complement the district’s reform efforts, and promote the development of Professional Learning Communities (PLCs) around literacy and mathematics at each school. Additionally, an analysis of student attainment and growth over the last four years has provided the basis for a differentiated approach to provide schools with support and replicate successful practices throughout the district.

The No Child Left Behind Act of 2001 (NCLB) is the most recent reauthorization of the Elementary and Secondary Education Act (ESEA). It is based on four basic principles: Stronger accountability, increased flexibility for local governments, more options for parents, and an emphasis on proven teaching methods. Milwaukee Public Schools made significant progress within our Schools Identified for Improvement relative to NCLB. In 2002-03, 55 MPS schools were identified for improvement. In 2004-05, the number of schools identified was reduced to 43, and in 2005-06, the total number of school identified for improvement was 34. These improvements are in part related to the academic culture shift occurring throughout the district. This shift is due in part to such developments as the curriculum alignment process and the characteristics of the high performing urban classroom.

The characteristics of the high performing urban classroom were researched and delineated in collaboration with the Milwaukee Partnership Academy. They explicitly clarify classroom attributes to guide teachers and others toward daily practices aligned to the Wisconsin Standards for Teacher Development, and have proven effectiveness in reducing achievement gaps.

Graduation and post-graduation success was supported by such initiatives as the Milwaukee High School Redesign Initiative, the Student Healthcare Initiative, and maintaining support for Community Learning

Centers (CLCs). Furthermore, school counselors are using the Wisconsin School Counselor Standards and the National School Counselor Standards as a basis to align best practices with the current role of counselors in our schools. These efforts will positively impact promotion, academic success, graduation, and career options.

2. **Leadership Development** – Processes and support systems to assure quality leadership in Milwaukee Public Schools were refined in 2005-06. The *Performance Evaluation for Central Services Administrators* was fully and successfully implemented. Leadership development for principals continues to be divided into two functions, one designed to support principals through professional coaching, and one designed to evaluate principals using a formal instrument.

In order to support the district's goal of developing, recruiting, and retaining high quality principals, the administration has been collaborating with a national organization – New Leaders for New Schools, to develop a partnership that will assure that the district remains on the cutting edge of leadership development. New Leaders for New Schools fosters high academic achievement for every child by attracting, preparing, and supporting the next generation of school leaders for the nation's urban public schools. New Leaders for New Schools uses aggressive, best practice recruitment efforts. Candidates are chosen based on specific qualities and competencies, including an unyielding belief in all children's potential to excel academically, aptitude toward results-oriented strategic thinking, an understanding of effective classroom instruction, and the ability to build a collective responsibility.

Other systems in place to support leadership development include the district's continued work with the Wisconsin Center for Education Research (WCER) to restructure the principal evaluation tool to include additional focus on instructional leadership. Also, the district received a \$350,000 grant from the Joyce Foundation to revise district policies and procedures associated with the hiring, support, and evaluation of principals.

3. **Special Education Programs** – During 2004-05, the Department of Special Services conducted district-wide professional development opportunities to increase the district's capacity to support the learning needs of students with disabilities in the general curriculum and to support students identified at-risk in academic skill development. Other opportunities included professional development to increase the capacity of teachers and administrators to manage classroom routines and social-emotional behavioral issues to maximize student outcomes in all areas.

The Special Education Oversight Action Plan includes multiple requirements for effective monitoring strategies. The following were successfully implemented during 2005-06: Continuous Improvement Focused Monitoring (CIFM), IEP timeline oversight, school-based service delivery staff caseload review, and the Parent Dispute Monitoring System (PDMS), which incorporates training and accountability through a technology-based monitoring system. The Parent Dispute Resolution System (PDRS) has been fully operational since fall 2004, with new reports developed to assist principals with follow-through on parent concerns.

There was a great deal of collaboration between the Department of Special Services and the Wisconsin Department of Public Instruction (DPI) during 2005-06. The Wisconsin Department of Public Instruction reviewed and revised the data reporting process during 2005-06. In doing so, MPS and DPI worked together to revise the 2004-05 Continuous Improvement Focused Monitoring (CIFM) data reports process to allow for appropriate comparison. Results indicate a significant shift toward overall compliance from 2004-05. The department also worked with DPI to continue to train all teachers who provide services to students aged 14 years or older in the requirements for transition planning for students with disabilities. Finally, DPI has begun preliminary discussions relative to the inclusion of life skills as part of the extended alternate state standards for students with disabilities. MPS special services staff is participating in the discussions and development of the expanded standards.

4. **Fiscal Responsibility** – Resources continue to be aligned to the district's strategic intent while remaining fiscally responsible and good stewards of the taxpayers' resources. In order to achieve this, district administration has been implementing creative strategies to allow more dollars to flow directly to the classroom to provide students with the necessary academic support.

Increased fiscal responsibility has resulted in more efficient and effective operations for Milwaukee Public Schools. Results of this include \$1 million saved per year in food service; \$3.8 million saved per year by reducing excess capacity in the district by closing schools; and \$3.6 million saved per year by revising transportation policies and transportation zones. Since 2001, the Central Services bureaucracy has been reduced from \$108 million to \$82.6 million.

Milwaukee Public Schools continues to monitor grant resources to assure that the benefit of those dollars outweighs the costs and to ensure that the pursuit of funding does not take the district off course in pursuing its core goals.

5. ***Milwaukee High School Redesign Initiative*** – Focusing on the expansion of high school redesign, the 2005-06 school year met with important gains and lessons. The vision of high school redesign moved from the launch of new, small high schools, to the development of a portfolio of high schools all aimed at adding new options to meet the needs of all students.

During the 2005-06 school year, the portfolio of new high school options included 20 new, small high schools and the planning of two small learning community high schools using the First Things First (FTF) framework. The FTF framework was in the planning stage at Bradley Tech and Pulaski High School and supported with additional funding of \$2.4 million from the Bill & Melinda Gates Foundation. The FTF framework brings to Milwaukee a proven set of strategies, intense and focused professional development, and the practices that support student success.

The 2005-06 school year also launched the Central Services High School Redesign Advocacy Team, which facilitates conversations across Central Services departments and forwards recommendations to the Superintendent where changes are needed to best support the work of the district's new high school models. In addition, the two-year report on high school redesign was delivered to the Milwaukee Board of School Directors in November 2005. This report highlighted the early success and the ongoing challenges of this work. Increases in student attendance, and decreases in student suspension rates are indicators of success.

6. ***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. To meet that goal, health services are provided to meet the health and wellness needs of children and help eliminate health disparities that affect achievement. Nursing care, health education, health screenings and referral are all part of the comprehensive coordinated school health model that MPS employs to support the district's mission and vision by helping to reduce absenteeism and reduce or eliminate barriers to learning.

Continued partnership development has broadened the scope of services available to students. School nursing services are provided by MPS school nurses and school nurse associates along with our health care partners: Aurora Health Care, Children's Hospital and Health System, Froedtert Memorial Lutheran Hospital, Medical College of Wisconsin, Milwaukee Health Department, UWM College of Nursing and many other colleges, universities and community partners. School nursing services were provided in 90 schools this year in conjunction with partners, and MPS is poised to hire another 20 school nurses in 2006-07 to meet the health needs of students as part of the Milwaukee Student Health Initiative – an expansion of health services in 42 schools that includes additional psychology and social work resources to address the challenging mental health needs of youth. This initiative is focused on health and wellness and anticipates improving outcomes in the areas of attendance, immunization, classroom teaching and learning capacity, insurance coverage and connection to a medical home.

Over the past year, some of the services that have contributed to the overall health and safety of the MPS community include: Technology based vision screening and follow-up; oral health services including sealants and varnishes; automatic external defibrillators (AED) in 55 schools with over 837 MPS employees trained in Adult/child CPR and AED (with plans to add 55 more in 2006-07); implementation of electronic health records; electronically based health emergency action plans and continued collaboration on improving immunization rates through in-school clinics.

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, 2006, 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 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.

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.

CASH MANAGEMENT

As provided by Wisconsin statutes, the City of Milwaukee acts as 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
- Bonds or securities issued or guaranteed as to principal and interest by the federal government or its agencies
- The State of Wisconsin local government pooled investment fund
- The State of Wisconsin Fixed Retirement Investment Trust
- The State of Wisconsin Variable Retirement Investment Trust
- Bonds or securities of any county, city, drainage district, vocational, technical college, village, town, district in Wisconsin, local exposition district, local professional baseball park district, or University of Wisconsin Hospitals and Clinics Authority
- Repurchase agreements
- Any security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it was acquired, if that security is rated within established statutory guidelines
- No-load securities of open-end registered management investment companies or investment trusts

The District's investment policy for pension trust funds is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, investment portfolios of the pension trust funds are limited to investments described above.

Trust assets are held by the trustees, M & I Trust Company and Bank One Trust Company, on behalf of the District but in the street name to facilitate trading. These assets are the assets of the employees who have rights to pension benefits and assets restricted by donors for scholarships and other specified activities within the schools.

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 exclusive provider organization (EPO) plan and through a self-insured comprehensive indemnity/PPO 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 of Milwaukee school bonds, notes, and capital lease obligations outstanding at June 30, 2006 totaled \$450,490,823. Of this total, \$97,026,801 represents school bonds and notes that will be repaid by the City utilizing its 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 \$353,464,022 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. In addition, the City of Milwaukee issues short-term revenue anticipation notes on behalf of the District.

INDEPENDENT AUDIT

The financial records of the Milwaukee Board of School Directors have been audited by Virchow, Krause and Co., 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, 2006, 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, Virchow, Krause and Co., 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, 2005. 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 OFFICE

BOARD OF SCHOOL DIRECTORS

DISTRICT	NAME	ADDRESS	TERM EXPIRES
1	Barbara Horton	7833-H N. 60 th Street (53223)	April, 2007
2	Jeff Spence	3180 N. Colonial Drive (53222)	April, 2007
3	Kenneth L. Johnson	3250 N. Richards Street (53212)	April, 2007
4	Charlene Hardin	1538 W. Hadley Street (53206)	April, 2009
5	Jennifer Morales	723 E. Brady Street (53202)	April, 2009
6	Peter Blewett	2750 N. 45 th Street (53210)	April, 2009
7	Danny Goldberg	4902 W. Kinnickinnic River Pkwy (53220)	April, 2009
8	Joseph Dannecker	2824 S. Wentworth Avenue (53207)	April, 2007
At-Large	Vacant	--	April, 2007

President – Joseph Dannecker
 Vice President – Barbara Horton
 Superintendent of Schools – William G. Andreopoulos
 Director, Office of Board Governance/Board Clerk – Lynne A. Sobczak

STANDING COMMITTEES

INNOVATION/SCHOOL REFORM COMMITTEE

Directors Goldberg (Chair), Hardin, Horton, Johnson, Morales

LEGISLATION, RULES AND POLICIES COMMITTEE

Directors Spence (Chair), Goldberg, Hardin, Johnson

FINANCE/PERSONNEL COMMITTEE

Directors Horton (Chair), Goldberg, Johnson, Morales, Spence

STRATEGIC PLANNING AND BUDGET COMMITTEE

Directors Johnson (Chair), Blewett, Dannecker, Goldberg, Hardin,
Horton, Morales, Spence

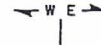
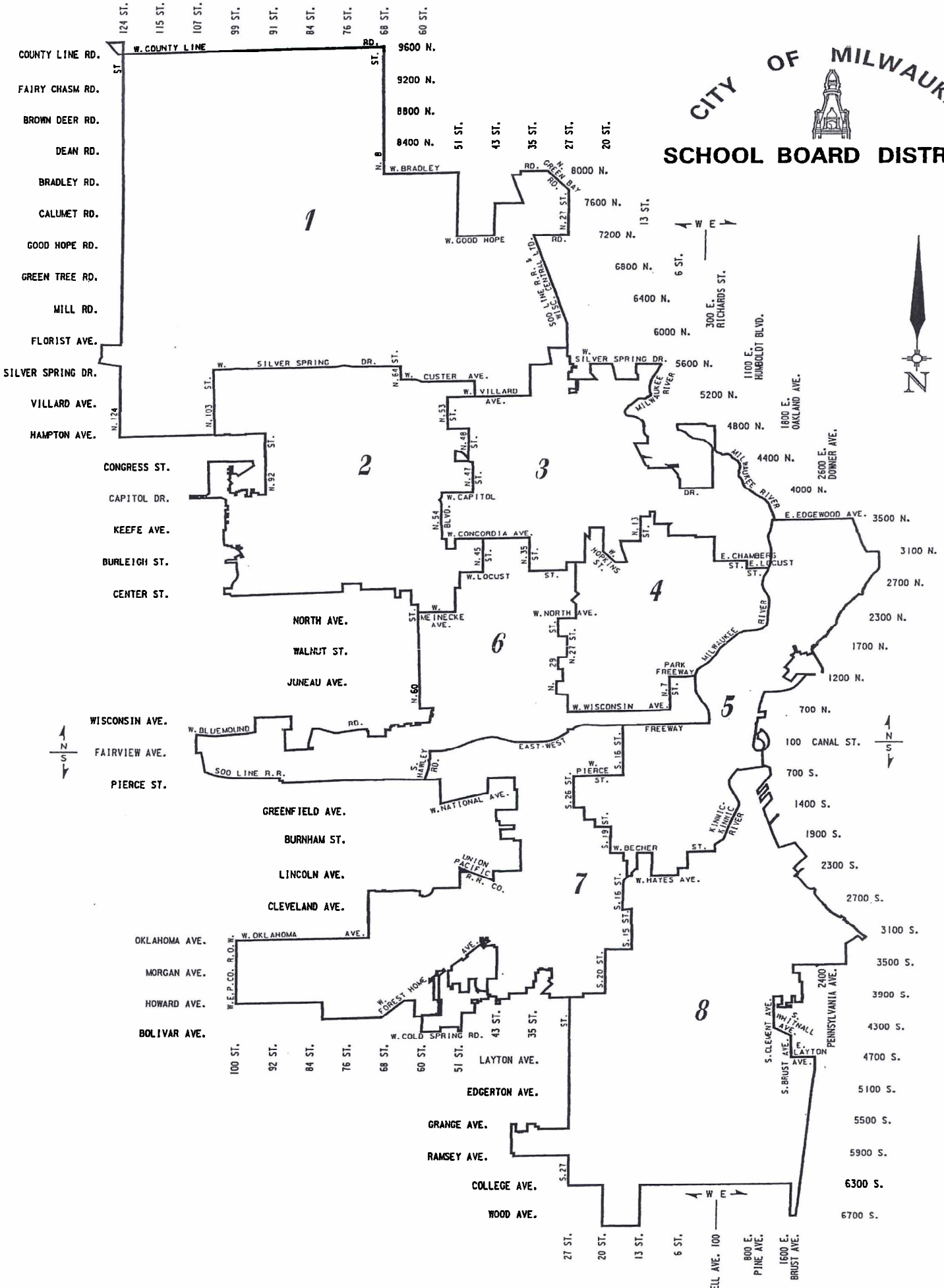
SPECIAL EDUCATION COMMITTEE

Directors Spence (Chair), Blewett, Dannecker, Morales, Spence

CITY OF MILWAUKEE



SCHOOL BOARD DISTRICTS



**MILWAUKEE PUBLIC SCHOOLS
ADMINISTRATIVE OFFICERS**

SUPERINTENDENT OF SCHOOLS

Mr. William G. Andrekopoulos

Chief Academic Officer

Dr. Aquine Jackson

Executive Director, Human Resources

Ms. Deborah Ford

Chief Financial and Operations Officer

Ms. Michelle J. Nate

Director, Student Services

Mr. Hughes George

Director of Special Services

Ms. Patricia Yahle

Citizens of Milwaukee

Board of School Directors

Superintendent of Schools

- Office of Board Governance**
- Audit/Review Services
 - Board/Board Member Services
 - Clerk Services
 - Information/Coordination Services

- Office of the Superintendent**
- **Department of Administrative Accountability**
Division of Assessment & Accountability
 - **Department of Leadership Support**
 - **Department of Communications & Public Affairs**
 - **Department of Parent & Student Services**
Division of Diversified Community Schools
 - **High School Redesign Services**
 - **Department of Special Services**

- Office of Academic Excellence**
- Career & Technical Education Services
 - Division of School/Community Recreation
 - Division of Bilingual/Multicultural
 - Division of Early Childhood Services
 - Division of Educational Technology
 - Division of School Safety
 - Division of Teaching & Learning
 - Title I Services

- Office of Human Resources**
- Certificated Staffing Services
 - Classified Staffing Services
 - Compensation Services
 - Division of Benefits & Insurance
 - Division of Labor Relations
 - Employment Compliance Services

- Office of Finance & Operations**
- Accounting, Purchasing, & Payroll Services
 - Budget Services
 - Division of Diversity & Community Engagement
 - Division of School Business Services
 - Division of Facilities & Maintenance
 - Division of Technology
 - Grant Development Services
 - Legislative Affairs Services
 - Pupil Transportation Services
 - School Nutrition Services

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, 2005.

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, 2005

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.



Carla E. Judge

President

Jeffrey R. Emer

Executive Director



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, 2006, 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 *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, 2006, 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 November 17, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information and schedules of funding progress on pages 3 through 13 and pages 64 through 67 respectively, 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.

To the Board of Directors
Milwaukee Public Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Milwaukee Public School's basic financial statements. The combining and individual fund 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 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 Milwaukee Public Schools. 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.

Virchow, Krause & Company, LLP

Milwaukee, Wisconsin
November 17, 2006, except for Note 16, as
to which the date is December 22, 2006

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(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, 2006. 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 increased to \$386.2 million at June 30, 2006 from \$366.8 million at June 30, 2005, an increase of \$19.4 million, or 5.3%.
- Total revenues increased to \$1.15 billion from \$1.12 billion for fiscal year 2005, an increase of 2.6%.
- Total expenses increased to \$1.13 billion, up from \$1.10 billion for the year ended June 30, 2005, an increase of 2.7%.

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

- Total fund balances of the District's governmental funds decreased \$3.6 million in the 2006 fiscal year. This decrease resulted from a combination of a \$9.2 million surplus in the General Fund, and deficits in both the Construction and Nonmajor funds of \$10.8 million and \$2.1 million, respectively. The General Fund surplus was primarily the result of delayed expenditures in the area of undifferentiated curriculum; while the Construction Fund deficit was attributable to the completion of Neighborhood School Initiative (NSI) projects. Bond proceeds to fund the NSI projects were received in prior years.
- The total fund balance for all governmental funds at June 30, 2006 was \$136.7 million. Of this amount, \$61.2 million was reserved for encumbrances, \$0.7 million was reserved for inventories, \$37.1 million was reserved for self-insurance and prepaid expenditures, \$7.2 million was reserved for School Nutrition, and \$30.5 million remains unreserved.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. **Management's Discussion and Analysis** (this section)
2. **Basic Financial Statements**

- Government-wide Financial Statements
 - Statement of Net Assets
 - Statement of Activities

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(Unaudited)

- Fund Financial Statements
 - Governmental Funds
 - Fiduciary Funds
- Notes to Financial Statements

3. Required Supplementary Information (RSI)

- Budget-to-Actual Comparison
- Employee Pension Plan Liabilities, Current and Past Service

The **Management's Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2006. 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, 2006

(Unaudited)

Table 1
Major Features of MPS' Government-wide and Fund Financial Statements

	Government-Wide	Fund Statements	
	Statements	Governmental Funds	Fiduciary Funds
Scope	Entire MPS entity (not including fiduciary funds)	Activities that are not proprietary or fiduciary; e.g. school operations, capital projects, and debt service	Activities where MPS acts as trustee or agent for another; e.g. employee retirement plans
Required financial statements	<ul style="list-style-type: none"> - Statement of net assets - Statement of activities 	<ul style="list-style-type: none"> - Balance sheet - Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> - 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.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(Unaudited)

The **Required Supplementary Information (RSI)** section 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. Two pension-related schedules are included. One schedule shows the District's progress toward funding its *past* service liability. The other is a schedule of employer contributions that focuses on payment of *current* pension fund costs.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This is the fifth year MPS is providing government-wide financial statements using the full accrual basis of accounting.

Statement of Net Assets

MPS ended its fiscal year with net assets of \$386.2 million, of which \$481.5 million was invested in capital assets (net of related debt), \$1.8 million was restricted, and (\$97.0) million was an unrestricted deficit. The primary cause of the unrestricted deficit is the pension liability of approximately \$166.4 million previously owed to the Wisconsin Retirement System. In November 2003, the MPS Board of School Directors took action to refinance this liability. The full funding allowed by the bond issue will ensure that future employee pension benefits already granted through collective bargaining will be provided.

MILWAUKEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2006
(Unaudited)

Table 2
MILWAUKEE PUBLIC SCHOOLS
Condensed Statement of Net Assets
(in thousands)

	Government-wide activities		
	2006	2005	Difference
Capital assets, net	\$ 633,895	\$ 608,274	\$ 25,621
Noncapital assets	<u>221,827</u>	<u>264,220</u>	<u>(42,393)</u>
Total assets	<u>855,722</u>	<u>872,494</u>	<u>(16,772)</u>
Current liabilities	92,834	130,883	(38,049)
Noncurrent liabilities	<u>376,648</u>	<u>374,775</u>	<u>1,873</u>
Total liabilities	<u>469,482</u>	<u>505,658</u>	<u>(36,176)</u>
Net assets:			
Invested in capital assets, net of related debt	481,469	475,758	5,711
Restricted	1,796	13,502	(11,706)
Unrestricted (deficit)	<u>(97,025)</u>	<u>(122,424)</u>	<u>25,399</u>
Total net assets	<u>\$ 386,240</u>	<u>\$ 366,836</u>	<u>\$ 19,404</u>

Total net assets increased by \$19.4 million over the prior year. This change is largely the result of the fact that fiscal year 2005 year-end included a retro-pay accrual associated with wage settlements. Other year-over-year changes included a \$25.6 million increase in capital assets, offset by both a \$42.4 million decrease in non-capital assets, and a \$1.9 million increase in the non-current portion of long-term liabilities.

Statement of Activities

On a government-wide basis, the District ended fiscal year 2006 with an increase in net assets of \$19.4 million, compared to an increase of \$14.0 million in fiscal year 2005.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(Unaudited)

Table 3

MILWAUKEE PUBLIC SCHOOLS

Schedule of Revenues and Expenses

(in thousands)

	Government-wide activities		
	2006	2005	Difference
Program revenues:			
Charges for services	\$ 10,682	\$ 10,090	\$ 592
Operating grants and contributions	243,641	185,228	58,413
Capital grants and contributions	9,920	21,083	(11,163)
Total program revenues	<u>264,243</u>	<u>216,401</u>	<u>47,842</u>
General revenues:			
Property taxes	214,196	207,442	6,754
Federal and state aid	666,052	690,352	(24,300)
Gain on sale of property	—	10	(10)
Interest and investment earnings	1,650	1,774	(124)
Miscellaneous	—	1,201	(1,201)
Total general revenues	<u>881,898</u>	<u>900,779</u>	<u>(18,881)</u>
Total revenues	<u>1,146,141</u>	<u>1,117,180</u>	<u>28,961</u>
Expenses:			
Instruction	664,464	652,166	12,298
Community services	23,271	20,561	2,710
Pupil and staff services	117,139	110,035	7,104
General administration	112,658	108,743	3,915
Business services	155,889	162,748	(6,859)
School nutrition	32,793	32,165	628
Interest on long-term debt	20,176	16,245	3,931
Other	347	549	(202)
Total expenses	<u>1,126,737</u>	<u>1,103,212</u>	<u>23,525</u>
Increase (decrease) in net assets	<u>\$ 19,404</u>	<u>\$ 13,968</u>	<u>\$ 5,436</u>

- Total revenues rose \$29.0 million over the prior year primarily due to a \$58.4 million increase in operating grants and contributions, and a \$6.8 million increase in property taxes. The increase in operating grants and contributions came in the area of instructional services, while the property tax increase was the maximum amount allowed under the state-imposed revenue limit.
- Total expenses grew by \$23.5 million, or 2.1%. Increases in community services (13.2%), pupil and staff services (6.5%), and interest on long-term debt (24.2%), were offset by a decrease in business services (4.2%). The rise in service costs is attributable to increased wages, salaries, and benefits. The growth in interest expense is due in part to an increase in

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(Unaudited)

the discount amortization for pension-related capital appreciation bonds, and to an increase in long-term debt for capital leases.

Capital Assets

At June 30, 2006, MPS had \$1,019.8 million invested in capital assets including land, buildings, leasehold improvements, furniture and equipment, and software. This amount represents a net increase of \$41.7 million from the previous year. The increase came primarily in the area of buildings as the last of the Neighborhood School Initiative projects came on-line in fiscal year 2006. More detailed information can be found in Table 4 and in note 5 to the District's financial statements.

The beginning furniture and equipment balance was increased by \$24.2 million to reflect the addition of assets previously omitted. The assets are fully depreciated and, therefore, the accumulated depreciation account was increased by an equal amount.

Table 4

MILWAUKEE PUBLIC SCHOOLS

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	\$ 31,461	\$ —	\$ —	\$ 31,461
Construction in progress	50,372	46,712	44,837	52,247
Buildings	811,338	44,837	—	856,175
Leasehold improvements	5,410	673	—	6,083
Furniture and equipment	54,269	386	6,849	47,806
Software	25,198	780	—	25,978
Total capital assets	<u>978,048</u>	<u>93,388</u>	<u>51,686</u>	<u>1,019,750</u>
Accumulated depreciation	<u>(369,774)</u>	<u>(22,524)</u>	<u>(6,443)</u>	<u>(385,855)</u>
Totals	<u>\$ 608,274</u>	<u>\$ 70,864</u>	<u>\$ 45,243</u>	<u>\$ 633,895</u>

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(Unaudited)

Long-term Debt

Long-term debt at June 30, 2006 was \$353.5 million. This represents a net decrease of \$0.2 million from the prior year. Issuances during the year were \$14.4 million, while retirements were \$14.7 million. Issuances included \$2.0 million of Qualified Zone Academy Bond debt, and \$12.4 million of capital lease obligations. This new debt was used to fund capital improvements at various MPS schools.

In fiscal year 2006 the District paid off the refinancing debt of \$0.7 million issued to retire the state trust fund loans in fiscal year 2003. The District also retired \$0.8 million of outstanding Americans with Disabilities Act (ADA) loans. Both the trust fund and ADA loans were issued for the purpose of bringing Milwaukee Public Schools into compliance with ADA regulations.

Table 5

MILWAUKEE PUBLIC SCHOOLS

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

	<u>July 1, 2005</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2006</u>
Governmental activities:				
Refinancing for state trust fund loans	\$ 700	\$ —	\$ 700	\$ —
Americans with Disabilities Act loans	11,284	—	835	10,448
TEACH loan	10,236	—	1,829	8,408
Neighborhood School Initiative bonds (NSI)	113,197	—	100	113,097
Qualified Zone Academy bonds	11,357	2,021	2,129	11,249
Financial and Student Tracking note	5,057	—	1,331	3,727
Pension refinancing debt	170,695	—	4,247	166,448
Capital leases	30,150	12,415	3,000	39,565
Other intergovernmental debt	1,005	—	482	522
Total debt	<u>\$ 353,681</u>	<u>\$ 14,436</u>	<u>\$ 14,653</u>	<u>\$ 353,464</u>

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(Unaudited)

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 has been issued. The first tranche was issued in February 2002 in the amount of \$33,300,000. In November 2003, a second tranche of revenue bonds was sold in the amount of \$78,740,000.

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

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.

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 retired \$5.9 million of pension-related capital appreciation bonds.

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

FUND FINANCIAL STATEMENTS

Milwaukee Public Schools has two major funds reported on the governmental fund statements. The major funds are the general fund and the construction fund.

- The general fund balance had an increase of \$9.2 million over the prior year. This increase is in large part the result of actual costs coming in lower than budgeted in the areas of health care and purchased services.
- The construction fund balance decreased by \$10.8 million due primarily to timing differences attributable to Neighborhood School Initiative projects. NSI bond proceeds were received in fiscal years 2003 and 2004, while spending on NSI projects continued into fiscal year 2006.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(Unaudited)

Notes to Basic Financial Statements

The notes to 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 2005, the MPS Board of School Directors (the Board) adopted the District's fiscal 2006 budget (July 1, 2005 – June 30, 2006). The adopted budget by necessity used a *projection* of the fiscal 2006 student enrollment. In October 2005, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2005, 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 more current information. The adopted budget, as amended, becomes the District's final budget.

In October 2005, the Board approved a revised 2006 fiscal year balanced budget in the amount of \$1,139,843,350. Including prior year encumbrances and carryover authority, the expenditure budget increased to \$1,269,167,772.

General Fund revenues and expenditures both came within 1.3% of the adopted budget.

Next Year's Budget

In October 2006, the MPS Board approved a revised 2007 general fund budget of \$1,070,337,176. This represents an increase of \$11 million over the revised 2006 general fund budget. The 2007 budget includes an increase in local property tax revenue of \$16.5 million. Encumbrances and carryovers are not included in this amount.

Current Economic Facts and Academic Achievements

The state-imposed revenue limit rose 2% to \$856,132,542 in fiscal year 2007. State aids grew 1.4% to \$691,771,064 and the property tax levy increased 7.7% to \$230,345,991. Despite these increased revenues, higher costs and decline in enrollment forced the District to eliminate approximately 327 positions including those of principals, teachers, administrators, technicians, safety assistants, and clerical staff.

District enrollment declined 2% in the 2005-06 school year due to demographics and competition from both private and public schools. The Wisconsin State Legislature raised the maximum participation limit in the Milwaukee Parental Choice Program (school vouchers) which negatively impacted the Milwaukee Public Schools enrollment. As a result of the enrollment decline and excess building capacity, the MPS Board of School Directors closed six school facilities.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2006

(Unaudited)

Student poverty remains at a high level, with 3 of every 4 students eligible for free or reduced lunch. The Administration continues to identify viable solutions to address the many effects of poverty including a universal free breakfast program and the Milwaukee Student Health Initiative.

During the 2005-06 school year, many factors supported increased student achievement for Milwaukee's children including the efforts of the Milwaukee Partnership Academy, full deployment of the No Child Left Behind Act, the principal and literacy coach models, school learning teams, high school redesign, the capacity builders, and the District's core beliefs.

The District's results on the Wisconsin Knowledge and Concepts Examinations remained similar to the results of the previous year. In the subject areas assessed at Grades 4, 8, and 10, results rose in five areas, declined in six, and remained unchanged in four. In addition, the achievement gap, which is the difference in test scores between various groups of students, is still evident in MPS and across the state. MPS Superintendent William Andrekopoulos noted that the results show there is more work to do. He announced the launching of a new differentiated approach to improving student achievement and reducing achievement gaps. The differentiated approach concentrates on being "more prescriptive, more focused on improving instruction in our schools that continue to lag." The Superintendent also noted the District's recent creation of a booklet called *Characteristics of a High Performing Urban Classroom*. The booklet is a tool that outlines what a classroom can look like when educators are instructing to state standards.

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

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**BASIC FINANCIAL
STATEMENTS**

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2006

	Governmental activities
Assets	
Current assets:	
Cash and investments (note 2)	\$ 63,382,671
Accounts receivable, net (note 3)	10,799,765
Due from other governments (note 3)	60,248,210
Inventory (note 1(g))	707,411
Prepaid expenses (note 1(g))	29,052,922
Total current assets	<u>164,190,979</u>
Noncurrent assets:	
Restricted cash and investments (note 1(d))	51,763,041
Deposits for self-insurance (note 1(l))	3,080,846
Deferred charges—bond issuance costs (note 1(m))	2,792,999
Capital assets not being depreciated (note 5)	83,708,449
Capital assets being depreciated, net (note 5)	550,186,081
Total noncurrent assets	<u>691,531,416</u>
Total assets	<u>855,722,395</u>
Liabilities	
Current liabilities:	
Accounts payable and other current liabilities	75,668,010
Accrued interest payable on long-term liabilities	3,135,040
Current portion of long-term obligations (note 7)	14,031,159
Total current liabilities	92,834,209
Noncurrent liabilities:	
Noncurrent portion of long-term obligations (note 7)	<u>376,648,005</u>
Total liabilities	<u>469,482,214</u>
Net Assets	
Invested in capital assets, net of related debt	481,469,344
Restricted for debt service	1,796,177
Unrestricted	(97,025,340)
Total net assets	<u>\$ 386,240,181</u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2006

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Net (expenses) revenues and changes in net assets</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>		<u>Capital grants and contributions</u>
Governmental activities:					
Instruction	\$ 664,463,808	9,925,797	204,453,803	9,759,824	(440,324,384)
Support services:					
Community services	23,270,780	1,906,234	9,864,927		(11,499,619)
Pupil and staff services	117,138,777	—	3,746,360	—	(113,392,417)
General, administration, and central services	112,657,972	—	—	—	(112,657,972)
Business services	155,889,203	103,409	3,511,831	—	(152,273,963)
School nutrition services	32,793,305	4,391,811	25,961,118	—	(2,440,376)
Interest on long-term debt	20,176,300	—	—	—	(20,176,300)
Other	346,361	—	—	—	(346,361)
Total support services	462,272,698	6,401,454	43,084,236	-	(412,787,008)
Total school district	\$ 1,126,736,506	16,327,251	247,538,039	9,759,824	(853,111,392)
General revenues:					
Taxes:					
Property taxes levied for general purposes					183,710,164
Property taxes levied for construction					13,237,040
Property taxes levied for debt service					8,843,502
Property taxes levied for community services					8,077,455
Federal and state aid not restricted to a specific purpose					
General (equalization aid)					586,498,521
Other					69,325,745
Interest and investment earnings					2,823,351
Total general revenues					872,515,778
Change in net assets					19,404,386
Net assets—Beginning of Year					366,835,795
Net assets—Ending of Year					\$ 386,240,181

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2006

Assets	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	\$ 37,631,808	25,750,863	—	—	63,382,671
Receivables, net:					
Accounts (note 3)	10,799,765	—	—	—	10,799,765
Due from other governmental units (note 3)	49,135,699	—	4,006,753	6,987,076	60,129,528
Due from other funds (note 4)	<u>23,273,072</u>	<u>—</u>	<u>—</u>	<u>3,126,624</u>	<u>26,399,696</u>
Total receivables	83,208,536	—	4,006,753	10,113,700	97,328,989
Restricted cash and investments (note 1(d))	31,973,503	19,789,538	—	—	51,763,041
Inventories (note 1(g))	707,411	—	—	—	707,411
Prepaid expenditures (notes 1(g))	29,052,922	—	—	—	29,052,922
Deposits for self-insurance (note 1(l))	<u>3,080,846</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,080,846</u>
Total assets	<u>\$ 185,655,026</u>	<u>45,540,401</u>	<u>4,006,753</u>	<u>10,113,700</u>	<u>245,315,880</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 10,140,432	—	211,214	219,077	10,570,723
Contracts payable	1,385,814	5,461,370	—	—	6,847,184
Accrued salaries and wages	17,833,577	—	—	—	17,833,577
Deferred Revenue (note 1(j))	6,528,780	—	—	22,500	6,551,280
Accrued claims for self-insurance (note 9)	35,729,871	—	—	—	35,729,871
Accrued pension payable (note 10)	4,569,601	—	—	—	4,569,601
Other accrued expenditures	117,054	—	—	—	117,054
Due to other funds (note 4)	<u>—</u>	<u>8,698,850</u>	<u>10,955,347</u>	<u>6,745,499</u>	<u>26,399,696</u>
Total liabilities	<u>76,305,129</u>	<u>14,160,220</u>	<u>11,166,561</u>	<u>6,987,076</u>	<u>108,618,986</u>
Fund balances:					
Reserved for:					
Encumbrances	28,377,479	32,798,010	—	—	61,175,489
Inventories	707,411	—	—	—	707,411
Noncurrent receivables, self-insurance deposits and prepaid expenditures	37,133,768	—	—	—	37,133,768
School Nutrition	7,159,808	—	—	—	7,159,808
Unreserved:					
Designated by board for subsequent year's expenditures (note 8)	35,971,431	—	—	—	35,971,431
Undesignated, reported in:					
Capital projects fund	—	(1,417,829)	—	—	(1,417,829)
Special revenues funds	<u>—</u>	<u>—</u>	<u>(7,159,808)</u>	<u>3,126,624</u>	<u>(4,033,184)</u>
Total fund balances	<u>109,349,897</u>	<u>31,380,181</u>	<u>(7,159,808)</u>	<u>3,126,624</u>	<u>136,696,894</u>
Total liabilities and fund balances	<u>\$ 185,655,026</u>	<u>45,540,401</u>	<u>4,006,753</u>	<u>10,113,700</u>	<u>245,315,880</u>

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, 2006

Total fund balances—governmental funds		\$ 136,696,894
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		2,792,999
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	\$ 1,019,749,332	
Accumulated depreciation	<u>(385,854,802)</u>	
Net capital assets		633,894,530
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		6,669,962
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	(425,143,111)	
Bonds premium	(1,057,469)	
Discount on capital appreciation bonds	112,301,558	
Capital leases payable	(39,565,000)	
Accrued bond interest payable	(3,135,040)	
Compensated absences payable (vacation and sick leave)	(30,008,346)	
Workers' compensation claims payable	(4,310,578)	
Self-insurance claims payable	(626,930)	
Life insurance benefits and other long-term liabilities	<u>(2,269,288)</u>	
Total long-term debt liabilities		<u>(393,814,204)</u>
Total net assets—government activities		<u>\$ 386,240,181</u>

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, 2006

	<u>General</u>	<u>Construction</u>	<u>School Nutrition Services</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Revenues:					
Property tax levy	\$ 191,722,666	13,237,640	—	8,843,502	213,803,808
Lunchroom sales	—	—	4,391,811	—	4,391,811
Other local sources	14,427,256	107,271	—	121,770	14,656,297
State aid:					
Equalization aid	586,498,521	—	—	—	586,498,521
Special classes	39,188,603	—	—	—	39,188,603
Integration	43,660,426	—	—	—	43,660,426
Other state aid	52,184,246	—	660,657	914,379	53,759,282
Federal aid:					
Education Consolidation Improvement Act	72,246,390	—	—	—	72,246,390
School nutrition services	—	—	25,961,118	—	25,961,118
Other federal aid	52,825,041	—	—	26,309,076	79,134,117
Intergovernmental aid from the City of Milwaukee	—	9,240,442	—	—	9,240,442
Interest and investment earnings	2,311,332	512,018	—	—	2,823,350
Total revenues	<u>1,055,064,481</u>	<u>23,097,371</u>	<u>31,013,586</u>	<u>36,188,727</u>	<u>1,145,364,165</u>
Expenditures:					
Instructional services:					
Undifferentiated curriculum	430,564,038	—	—	—	430,564,038
Regular and other curriculum	105,796,528	—	—	—	105,796,528
Special curriculum	108,748,090	—	—	4,622,080	113,370,170
Total instructional services	645,108,656	—	—	4,622,080	649,730,736
Community services	23,127,716	—	—	—	23,127,716
Pupil and staff services	93,314,147	—	—	21,808,766	115,122,913
General and school building administration	111,227,914	—	—	—	111,227,914
Business services	151,129,644	46,591,605	—	—	197,721,249
School nutrition services	—	—	32,210,593	—	32,210,593
Debt service:					
Principal	12,002,475	—	—	6,823,926	18,826,401
Interest	9,104,965	1,693,601	—	3,848,334	14,646,900
Other	799,375	—	—	—	799,375
Total expenditures	<u>1,045,814,892</u>	<u>48,285,206</u>	<u>32,210,593</u>	<u>37,103,106</u>	<u>1,163,413,797</u>
Excess of revenues over (under) expenditures	<u>9,249,589</u>	<u>(25,187,835)</u>	<u>(1,197,007)</u>	<u>(914,379)</u>	<u>(18,049,632)</u>
Other financing sources (uses) (note 7):					
Proceeds from qualified zone academy bonds	—	2,021,000	—	—	2,021,000
Proceeds from capital leases	—	12,415,000	—	—	12,415,000
Total other financing sources (uses), net	<u>—</u>	<u>14,436,000</u>	<u>—</u>	<u>—</u>	<u>14,436,000</u>
Net change in fund balances	9,249,589	(10,751,835)	(1,197,007)	(914,379)	(3,613,632)
Fund balances:					
Beginning of year	100,100,308	42,132,016	(5,962,801)	4,041,003	140,310,526
End of year	<u>\$ 109,349,897</u>	<u>31,380,181</u>	<u>(7,159,808)</u>	<u>3,126,624</u>	<u>136,696,894</u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures, and Changes in Fund Balances to the Statement of Activities
 Year ended June 30, 2006

Net change in fund balances—total governmental funds	\$	(3,613,632)
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	\$	48,550,793
Depreciation expense reported in the statement of activities:		<u>(22,524,108)</u>
Amount by which capital outlays are greater than depreciation in the current period		26,026,685
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to increase net assets		(406,046)
Because some grants 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		776,726
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		(14,436,000)
Repayments:		
Bonds and notes		<u>18,826,401</u>
Net adjustment		4,390,401
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 increase in accrued interest payable		(1,192,949)
Accretion of interest on capital appreciation bonds		(4,273,229)
Amortization of bond premium		99,884
Amortization of bond issuance costs		(163,105)
Net increase in compensated absences payable (vacation and sick pay)		(173,056)
Net increase in workers' compensation claims payable		(2,423,756)
Net decrease in general insurance claims payable		113,377
Net decrease in life insurance benefits payable		<u>243,086</u>
Net adjustment		<u>(7,769,748)</u>
Change in net assets of governmental activities	\$	<u><u>19,404,386</u></u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Assets

June 30, 2006

Assets	Pension trusts	Private purpose trust	Agency
	<u> </u>	<u> </u>	<u> </u>
Deposits with City of Milwaukee and other cash (note 2)	\$ —	605,798	5,196,667
Investments (note 2)	130,476,225	1,412,640	—
Receivables	140,322	—	—
	<u> </u>	<u> </u>	<u> </u>
Total assets	130,616,547	2,018,438	5,196,667
Liabilities			
Accounts payable	1,287,474	—	—
Due to student organizations	—	—	5,196,667
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,287,474	—	5,196,667
Net Assets			
Held in trust for:			
Supplemental pension benefits	129,329,073	—	—
Endowments	—	2,018,438	—
	<u> </u>	<u> </u>	<u> </u>
Total net assets	\$ 129,329,073	2,018,438	—
	<u> </u>	<u> </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, 2006

	Pension trusts	Private purpose trust
Additions:		
Employer contributions	\$ 20,288,863	—
Participants contributions	291	—
Private donations	—	457,246
Interest income	—	21,106
Investment income, net of expenses	12,087,880	—
Total additions	32,377,034	478,352
Deductions:		
Benefits paid to participant's or beneficiaries	15,165,328	—
Distribution of participant contribution accounts	514,270	—
Administrative expenses	230,051	—
Scholarships and awards	—	313,074
Total deductions	15,909,649	313,074
Changes in net assets	16,467,385	165,278
Net assets—beginning of year	112,861,688	1,853,160
Net assets—end of year	\$ 129,329,073	2,018,438

See accompanying notes to the basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(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, 2006

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, 2006

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, 2006

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, 2006

(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, 2006

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:

	<u>Capitalization threshold</u>	<u>Estimated useful life</u>
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.

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(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 \$3,080,846 at June 30, 2006 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.

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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*

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

- Reserve—The fund balance indicates the portion of the fund balance that has been legally segregated for specific purposes.
- Unreserved—The designated fund balance indicates the portion of the fund balance for which the District has made tentative plans.
- Unreserved—The undesignated fund balance indicates 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*

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 44 which establishes guidance for the reporting of the statistical section of a government’s comprehensive annual financial report (CAFR). Standards that previously addressed the contents of a government’s statistical section were in place since 1980 without significant change or modification. The new standards are intended to improve consistency and comparability in reporting, to reflect the significant changes that have taken place in government finance, including GASB Statement No. 34 and to provide clear guidance regarding the applicability of the standards for the statistical section among all types of governmental entities. The requirements of this statement have been implemented for the statistical section of the District’s 2006 CAFR.

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The District currently provides post-retirement life and healthcare benefits in accordance with union contracts that are accounted for on the pay-as-you-go basis.

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The District is currently analyzing the impact of adopting this new standard. The District will implement Statement No. 45 during the year ended June 30, 2008.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	\$ 58,954,346	\$ 58,954,346
Demand deposits	7,308,980	6,113,391
Repurchase Agreement	3,000,000	21,893,938
Money market funds	39,490,170	41,856,951
U.S. Treasury Notes	10,598,655	12,666,978
U.S. Treasury Strips	2,395,951	2,395,951
Mortgage-backed securities	592,715	592,715
Certificate of Deposit	20,000	20,000
Total Cash and Investments	\$ 122,360,817	\$ 144,494,270
Reconciliation to financial statements		
Per statement of net assets		
Unrestricted cash and investments	\$ 63,382,671	
Restricted cash and investments	51,763,041	
Per statement of net assets – Fiduciary Funds		
Private purpose trust	2,018,438	
Agency	5,196,667	
Total Cash and Investments	\$ 122,360,817	

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

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

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- 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 notes, U.S. Treasury strips, mortgage-backed securities, and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. agency instruments with an implied triple-A credit rating. Of the \$41,856,951 invested in money market funds, \$24,136,428 is invested in U.S. Treasury securities with an implied triple-A credit rating, while the remaining \$17,720,523 is invested in an institutional money market fund also with a triple-A rating. The District's \$2,395,951 investment in U.S. Treasury strips has an implied triple-A credit rating. The \$592,715 invested in mortgage-backed securities 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, 2006 the District had the following investments, shown with their maturities.

	Maturities (in Years)			
	Fair Value	Less Than 1	1-5	6-10
Repurchase Agreement	\$ 21,893,938	\$ 21,893,938		
Money market funds	41,856,951	41,856,951		
U.S. Treasuries	12,666,978	11,930,609	736,369	
U.S. Treasury strips	2,395,951	215,592	580,242	1,600,116
Mortgage-backed securities	592,715	49,631	543,084	
	<u>\$ 79,406,533</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.

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At year-end the District's demand deposit balance (exclusive of funds held and controlled by the treasurer of the City) was \$28,007,329, of which \$21,893,938 was invested in overnight repurchase agreements. Of the \$28,007,329 bank balance, \$5,954,746 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, \$21,393,938 was uninsured and collateralized at 125% by the bank, and \$658,645 was uninsured and uncollateralized and outside of the District's collateralization policy.

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 \$500,000. Milwaukee Public schools exposure to custodial credit risk due to its deposits with the City Treasurer for investments that are neither insured nor collateralized is approximately \$2,000 on June 30, 2006.

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 Core Income, with the remainder of the portfolio allocated to the SWIB Core Fund.

The Policy target for Core Income is the sum of: (1) assets invested as part of the 1989 bond dedication program; (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. The portfolio is rebalanced toward the Policy targets quarterly. For 2006, the SWIB Core Fund asset-mix targets were 36% to U.S. Stocks, 30% to Fixed Income, 22% to International Stocks, 5% to Real Estate, and 7% to Alternative Investments, and the SWIB Variable Fund asset-mix targets were 79% to U.S. Stocks, 20% 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 Investment Management Corp (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

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portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

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

The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2006.

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	37% of the combined SWIB funds are invested in the fixed income by investment type with durations ranging from 0.11 to 9.6 years. Additional detail on the SWIB fixed income investments is included below.	\$ 37,225,037
Money market accounts	41 days	\$ 1,049,556
U.S. Treasury notes, agency securities and Government Bonds	5.21 years	\$ 4,049,539
Mortgage-backed securities	3.71 years	\$ 204,860
Non-government obligations	4.79 years	\$ 2,176,923

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<u>SWIB Investments</u>	<u>Modified Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	3.3	\$161 Million
Asset Backed Securities	N/A	\$ 5 Million
Certificate of Deposit	0.4	\$451 Million
Certificate of Deposit	N/A	\$ 10 Million
Commerical Paper	0.1	\$1,997 Million
Commerical Paper	N/A	\$11 Million
Corporate Bonds	3.6	\$3,341 Million
Corporate Bonds	N/A	\$ 2 Million
Government Agency	3.2	\$697 Million
Mortgages	2.6	\$344 Million
Municipalities	9.6	\$4 Million
Pooled Investments	30 days to 6.7 years	\$11,896 Million
Private Debt	3.7	\$616 Million
Private Debt	N/A	\$ 1 Million
Repurchase Agreements	0.008	\$ 894 Million
Sovereign Debt	5.5	\$ 3,373 Million
Sovereign Debt	N/A	\$ 6 Million
United States Treasuries	7.8	\$3,765 Million

Note: On June 30, 2006, SWIB's Core Fund and Variable Fund had \$68.8 billion and \$6.4 billion in assets, respectively. The Plan had a smaller percentage of its assets in the SWIB Core Fund than SWIB had in its Core Fund as a percentage of the combined SWIB funds. Consequently, its percentage of SWIB Funds in fixed income is lower than the percentage noted above. As of June 30, 2006, the Plan's assets were invested 59% in the SWIB Core Fund, 24% in the SWIB Variable Fund, and 17% 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 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, 2006. 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>
P-1	9%	14%
AAA	40%	59%
AA	9%	8%
A	21%	12%
BBB	3%	6%
BB	2%	1%
B	1%	0%
CCC	0%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Not-Rated	15%	0%

*As defined by Moody's Bond Ratings

For SWIB's Core Fund's U.S. Fixed Income Portfolio's, each 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 shall not exceed 20% of the portfolio's market value. Emerging Market Debt is limited to sovereign debt of companies in the J.P. Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the portfolios market value. For the other separately managed portfolios, the average portfolio quality must be A or better. Bonds purchased or owned must have a minimum quality rating of Baa (Moody's) or BBB (Standard and Poor's).

C. Custodial Credit Risk

The retirement funds do not have a deposit or investment policy specifically related to custodial credit risk.

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, 2006, SWIB had uninsured and uncollateralized deposits totaling \$98.2 million that were held in foreign currencies 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 \$259.7 million, all of which were uncollateralized and uninsured. In total, these deposits represented 0.5% 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 an investment or collateral securities that are in the possession of a third party. As of June 30, 2006, SWIB held 13 tri-party repurchase agreements totaling \$894.2 million. SWIB's securities lending collateral account and cash management account participate in repurchase

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agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 1.2% 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 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, 2006, \$10.4 billion of the SWIB Core and Variable Funds' \$76.2 billion in currency exposure was denominated in foreign currency. For the other separately 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 was provided by M&I Investment Management Corp.

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The Trustees of the Plan have adopted a Statement of Investment Policy (the "Policy"). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds ("SWIB funds"), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income, 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. The portfolio is rebalanced toward the Policy targets quarterly. For 2006, the SWIB Core Fund asset-mix targets were 36% to U.S. Stocks, 30% to Fixed Income, 22% to International

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Stocks, 5% to Real Estate, and 7% to Alternative Investments, and the SWIB Variable Fund asset-mix targets were 79% to U.S. Stocks, 20% 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 Investment Management Corp (M&I). Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. M&I is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

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

The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2006.

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	37% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.11 to 9.6 years. Additional detail on the SWIB fixed income investments is included below.	\$ 78,829,947
Money market accounts	41 days	\$ 3,363,559
U.S. Treasury notes, agency securities and Government Bonds	3.63 years	\$ 2,249,569
Mortgage-backed securities	1.61 years	\$ 115,719
Non-government obligations	3.04 years	\$ 1,211,514

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<u>SWIB Investments</u>	<u>Modified Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	3.3	\$161 Million
Asset Backed Securities	N/A	\$ 5 Million
Certificate of Deposit	0.4	\$451 Million
Certificate of Deposit	N/A	\$ 10 Million
Commerical Paper	0.1	\$1,997 Million
Commerical Paper	N/A	\$11 Million
Corporate Bonds	3.6	\$3,341 Million
Corporate Bonds	N/A	\$2 Million
Government Agency	3.2	\$697 Million
Mortgages	2.6	\$344 Million
Municipalities	9.6	\$4 Million
Pooled Investments	30 days to 6.7 years	\$11,896 Million
Private Debt	3.7	\$616 Million
Private Debt	N/A	\$ 1 Million
Repurchase Agreements	0.008	\$ 894 Million
Sovereign Debt	5.5	\$ 3,373 Million
Sovereign Debt	N/A	\$ 6 Million

Note: On June 30, 2006, SWIB's Core Fund and Variable Fund had \$68.8 billion and \$6.4 billion in assets, respectively. The Plan had a smaller percentage of its assets in the SWIB Core Fund than SWIB had in its Core Fund as a percentage of the combined SWIB funds. Consequently, its percentage of SWIB Funds in fixed income is lower than the percentage noted above. As of June 30, 2006, the Plan's assets were invested 80% in the SWIB Core Fund, 12% in the SWIB Variable Fund, and 8% in portfolios managed by M&I Investment Management Corp (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 (M&I) on June 30, 2006. 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>
P-1	9%	48%
AAA	40%	33%
AA	9%	11%
A	21%	6%
BBB	3%	2%
BB	2%	0%
B	1%	0%
CCC	0%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Not-Rated	15%	0%

*As defined by Moody's Bond Ratings

For SWIB's Core Fund's U.S. Fixed Income Portfolio's, each 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 shall not exceed 20% of the portfolio's market value. Emerging Market Debt is limited to sovereign debt of companies in the J.P. Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the portfolios market value. For the other separately managed portfolios, the average portfolio quality must be A or better. Bonds purchased or owned must have a minimum quality rating of Baa (Moody's) or BBB (Standard and Poor's).

C. Custodial Credit Risk

The retirement funds do not have a deposit or investment policy specifically related to custodial credit risk.

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, 2006, SWIB had uninsured and uncollateralized deposits totaling \$98.2 million that were held in foreign currencies 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 \$259.7 million, all of which were uncollateralized and uninsured. In total, these deposits represented 0.5% 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 an investment or collateral securities that are in the possession of a third party. As of June 30, 2006, SWIB held 13 tri-party repurchase agreements totaling \$894.2 million. 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

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manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 1.2% 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 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, 2006, \$10.4 billion of the SWIB Core and Variable Funds' \$76.2 billion in currency exposure was denominated in foreign currency. For the other separately 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 was provided by M&I Investment Management Corp.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(3) Receivables

Receivables as of June 30, 2006 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General fund	School Nutrition Services fund	Nonmajor fund	Total
Receivables:				
Accounts	\$ 10,923,996	—	—	10,923,996
Intergovernmental-federal	37,787,677	4,006,753	6,987,076	48,781,506
Intergovernmental-state	11,348,022	—	—	11,348,022
Gross receivables	<u>60,059,695</u>	<u>4,006,753</u>	<u>6,987,076</u>	<u>71,053,524</u>
Less allowance for uncollect	<u>(124,231)</u>	<u>—</u>	<u>—</u>	<u>(124,231)</u>
Total receivables, net	\$ <u>59,935,464</u>	<u>4,006,753</u>	<u>6,987,076</u>	<u>70,929,293</u>

(4) Interfund Transactions

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

The following balances as of June 30, 2006 represent due to/from balances among all funds:

	Due from other funds			
	General fund	Construction fund	Nonmajor fund	Total
Due to other funds:				
Construction fund	\$ 8,698,850	—	—	8,698,850
Nutrition fund	10,955,347	—	—	10,955,347
Nonmajor funds	6,745,499	—	3,126,624	9,872,123
Total	\$ <u>26,399,696</u>	<u>—</u>	<u>3,126,624</u>	<u>29,526,320</u>

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Balance July 1, 2005 (Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,460,885	—	—	31,460,885
Construction in progress	<u>50,372,420</u>	<u>46,712,036</u>	<u>44,836,892</u>	<u>52,247,564</u>
Total capital assets, not being depreciated	<u>81,833,305</u>	<u>46,712,036</u>	<u>44,836,892</u>	<u>83,708,449</u>
Capital assets, being depreciated:				
Buildings	811,338,280	44,836,892	—	856,175,172
Leasehold improvements	5,409,819	673,033	—	6,082,852
Furniture and equipment	54,268,562	385,954	6,849,122	47,805,394
Software	<u>25,197,695</u>	<u>779,770</u>	<u>—</u>	<u>25,977,465</u>
Total capital assets, being depreciated	<u>896,214,356</u>	<u>46,675,649</u>	<u>6,849,122</u>	<u>936,040,883</u>
Less accumulated depreciation for:				
Buildings	(306,555,634)	(17,070,787)	—	(323,626,421)
Leasehold improvements	(465,495)	(254,880)	—	(720,375)
Furniture and equipment	(48,185,941)	(1,412,457)	(6,443,076)	(43,155,322)
Software	<u>(14,566,700)</u>	<u>(3,785,984)</u>	<u>—</u>	<u>(18,352,684)</u>
Total accumulated depreciation	<u>(369,773,770)</u>	<u>(22,524,108)</u>	<u>(6,443,076)</u>	<u>(385,854,802)</u>
Total capital assets, being depreciated	<u>526,440,586</u>	<u>24,151,541</u>	<u>406,046</u>	<u>550,186,081</u>
Capital assets, net	<u>\$ 608,273,891</u>	<u>70,863,577</u>	<u>45,242,938</u>	<u>633,894,530</u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

The balances as of July 1, 2005 have been restated to properly reflect fully depreciated furniture and equipment figures that were previously excluded.

Depreciation expense for governmental activities for the year ended June 30, 2006 was charged to functions/programs as follows:

Governmental activities:	
Instruction	\$ 14,271,856
Community services	390,842
Pupil and staff services	2,550,688
General, administration and central services	1,520,192
Business services	3,109,760
School nutrition	596,397
Other	84,373
	<hr/>
Total depreciation	\$ 22,524,108
	<hr/> <hr/>

(6) Short-term Borrowings

The City issued short-term revenue anticipation notes on behalf of the District in the amount of \$182,000,000 in August 2005. These notes were issued with interest rates of 5%, priced to yield 2.97%. The notes matured September 2006. The debt was repaid during June 2006 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, 2006 totaled \$450,490,823. Of this total, \$97,026,801 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 \$353,464,022 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, 2006

Long-term obligations of the District are as follows:

	<u>Original amount</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee:						
Refinancing for state trust loans, 4.5% to 5.75%, due in annual installments through March 2006	\$ 15,000,000	700,199	—	700,199	—	—
American with Disabilities Act loans:						
4.5% – 4.65%, due in annual installments to December 2007	2,000,000	690,000	—	220,000	470,000	230,000
3.5% – 4.25%, due in annual installments to December 2008	605,000	272,250	—	63,525	208,725	66,550
4.75% – 5.375%, due in annual installments to June 2009	300,000	180,000	—	20,000	160,000	20,000
4.74% – 5.625%, due in annual installments to September 2015	2,000,000	1,466,336	—	133,304	1,333,032	133,304
3.59%, due in annual installments to September 2016	3,095,000	2,063,016	—	206,492	1,856,524	206,492
3.74%, due in annual installments to March 2017	1,205,000	562,637	—	80,446	482,191	80,446
4.0 – 5.0%, due in annual installments to September 2017	660,000	527,964	—	44,042	483,922	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	603,000	—	67,000	536,000	67,000
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,582,676	—	—	4,582,676	—
TEACH loan, 5.0%, due in annual installments to March 2012	15,144,033	10,236,484	—	1,828,758	8,407,726	1,896,260
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	112,040,000	112,040,000	—	—	112,040,000	—
Plus: Premium on issuance	1,357,121	1,157,353	—	99,884	1,057,469	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	18,240,000	11,356,780	2,021,000	2,129,354	11,248,426	2,428,943
Financial & Student Tracking Systems—3.74% – 6.24% note, due in annual installments to September 2008	8,000,000	5,057,420	—	1,330,806	3,726,614	1,330,806
Pension debt refinancing:						
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	45,895,000	—	8,520,000	37,375,000	—
Less: Discount	(25,232,986)	(23,338,237)	—	(3,157,330)	(20,180,907)	—
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)	(93,236,550)	—	(1,115,899)	(92,120,651)	—
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	1,004,750	—	482,475	522,275	232,450
Capital lease—MEC/Grand Avenue & CCF	46,890,000	30,150,000	12,415,000	3,000,000	39,565,000	3,095,000
Total intergovernmental cooperation agreement debt		\$ 353,681,078	14,436,000	14,653,056	353,464,022	9,831,293

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2006</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	\$ 353,681,078	14,436,000	14,653,056	353,464,022	9,831,293
Accrued compensated absences	29,835,290	7,675,004	7,501,948	30,008,346	1,993,152
Workers' compensation claims	1,886,822	5,409,067	2,985,311	4,310,578	1,835,730
General insurance claims	740,307	525,612	638,989	626,930	46,456
Life insurance benefits	2,227,323	—	243,086	1,984,237	324,528
Liability for other long-term benefits	285,051	—	—	285,051	—
Total long-term obligations	<u>\$ 388,655,871</u>	<u>28,045,683</u>	<u>26,022,390</u>	<u>390,679,164</u>	<u>14,031,159</u>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the general fund.

The District has recognized a liability of approximately \$1.8 million as of June 30, 2006. Accordingly, the total liability for workers' compensation claims was approximately \$6.1 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2007	\$ 6,736,291	13,086,476	19,822,767
2008	7,632,897	12,920,132	20,553,029
2009	8,030,532	12,714,830	20,745,362
2010	6,568,455	12,508,828	19,077,283
2011	6,547,189	12,327,972	18,875,161
2012 – 2016	40,988,118	58,300,100	99,288,218
2017 – 2021	64,744,631	50,353,049	115,097,680
2022 – 2026	62,880,000	38,029,489	100,909,489
2027 – 2031	49,780,001	27,624,575	77,404,576
2032 – 2036	71,390,000	18,858,950	90,248,950
2037 – 2041	81,320,001	10,123,713	91,443,714
2042 – 2044	18,525,000	1,729,283	20,254,283
Total	<u>\$ 425,143,115</u>	<u>268,577,396</u>	<u>693,720,511</u>

Interest on the \$130,850,000 variable rate pension debt (index-linked bonds) included in the schedule of future payments on the previous page is based upon the one-month LIBOR rate (the London Interbank Offered Rate) plus 25 basis points (.25%) and is adjusted monthly. The interest rate was 5.36% as of June 30, 2006.

The District leases land and buildings with a historical cost and accumulated amortization of \$41,472,061 and \$2,990,167, respectively, under capital lease arrangements. The District is also holding approximately \$7.0 million of restricted cash and investments under capital lease

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

arrangements. Future minimum lease payments under these capital leases at June 30, 2006 are as follows:

Fiscal year ended June 30:		
2007	\$	4,435,134
2008		4,575,872
2009		4,900,110
2010		4,896,685
2011		4,899,679
2012 – 2016		16,659,512
2017 – 2021		4,921,512
2022 – 2026		4,878,017
Total minimum lease payments		50,166,521
Less amount representing interest		<u>(10,601,521)</u>
Present value of minimum lease payments	\$	<u><u>39,565,000</u></u>

The maximum allowable amount of City debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City (Wisconsin State Statute Chapter 67.03). Wisconsin State Statute Chapter 119.49 further authorizes referendum-approved bonding in an additional amount equivalent to 2% of the equalized taxable property for school capital purposes. The total equalized taxable property in the City for calendar year 2006 was \$30,206,877,901 and the 5% debt limit was \$1,510,343,895. No referendum-approved debt is outstanding at June 30, 2006.

Debt

On July 7, 2005, the District converted its \$130,850,000 of variable rate pension debt from auction rate securities to index-linked bonds. The conversion results in the interest rates being reset once a month to 1-Month LIBOR plus 0.25% (25 basis points) compared to being reset at auction every 35 days. The primary purpose of the conversion was to enable the District to eliminate Basis Risk. The conversion also enables the District to achieve an estimated savings of \$5.3 million (present value \$3.5 million) by eliminating a 25 basis point broker fee for the auctions of the auction rate securities.

Projected cash flow for old debt with auction rate securities	\$ 504,150,285
Projected cash flow for new debt with index-linked bonds	<u>498,874,731</u>
Projected net savings from conversion	<u><u>\$ 5,275,554</u></u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

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 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 swap's aggregate notional amount of \$130,850,000 matches the \$130,850,000 par amount of 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 (0.20%). 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 6/30/2006):		
Fixed payment to counterparty	Fixed	5.56%
Variable payment from counterparty	LIBOR + 20 bps	<u>(5.31)%</u>
Net interest rate swap payments		0.25%
Index-linked bond coupon payments	LIBOR + 25 bps	<u>5.36%</u>
Synthetic interest rate on bonds		<u>5.61%</u>

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Notes to Basic Financial Statements

June 30, 2006

Fair value. As of June 30, 2006, the swaps had an aggregate positive fair value of \$6,976,865 because interest rates have increased since execution of the swaps. The swap's positive fair value may be countered by increases in total interest payments required on the 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 increase. 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, 2006, the District had \$6,976,865 of credit risk exposure because the swaps had a positive fair value. The swap counterparties were rated Aa3/A+/AA- and A1/A+/A+ by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively. To mitigate the potential for credit risk, if the Aa3/A+/AA- counterparty's credit quality falls below Aa3 by Moody's Investor Service, AA- by Standard & Poor's, and AA- by Fitch Ratings, the fair value of the swap above \$100,000 will be fully collateralized by the counterparty. The obligation of the A1/A+/A+ counterparty is collateralized above a \$2,500,000 fair value. Collateral is posted with the trustee of the bonds.

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, 2006, 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 bond interest payments and net swap payments will vary.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

	Variable-rate bonds		Interest rate swaps, net	Total
	Principal	Interest		
Fiscal year ended June 30:				
2007	\$ —	7,012,330	328,355	7,340,685
2008	—	7,012,330	328,355	7,340,685
2009	—	7,012,330	328,355	7,340,685
2010	—	7,012,330	328,355	7,340,685
2011	—	7,012,330	328,355	7,340,685
2012 – 2016	—	35,061,650	1,641,775	36,703,425
2017 – 2021	—	35,061,650	1,641,775	36,703,425
2022 – 2026	18,825,000	33,716,526	1,578,789	54,120,315
2027 – 2031	31,250,000	26,109,787	1,222,601	58,582,388
2032 – 2036	31,250,000	17,736,256	830,507	49,816,763
2037 – 2041	31,000,000	9,393,986	439,877	40,833,863
2042 – 2045	18,525,000	1,486,469	69,604	20,081,073
Totals	\$ <u>130,850,000</u>	<u>193,627,974</u>	<u>9,066,703</u>	<u>333,544,677</u>

(8) Fund Balance

Designated for Subsequent Year's Expenditures—The unreserved fund balance of the general fund is \$35,971,431 at June 30, 2006. This unreserved balance includes \$82,866,391 designated to partially fund school operating expenditures during the period July 1 through December 31, 2006.

Based on recent operating experience, management anticipates that approximately \$447,117,000 will be required to fully cover the anticipated school operations operating expenditures during the period July 1 through December 31, 2006. In addition to the fund balance designated for subsequent year's expenditures, approximately \$315,922,000 of state aids will be used to fund operating expenditures through December 31, 2006.

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

The formula established by this action, and the application thereof as of June 30, 2006, is as follows:

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

General fund unreserved fund balance	\$ 35,971,431
Amount required to fund six months of the subsequent year's property tax levy:	
Current year's school operations tax levy (\$197,300,931) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (75) to total calendar school year days (180)	<u>82,866,391</u>
General fund undesignated fund balance deficiency	\$ <u><u>(46,894,960)</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 exclusive provider organization (EPO) plan. The District purchases stop-loss insurance for its self-insured exclusive provide 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.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

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

	Year ended June 30	
	2006	2005
Beginning of year liability	\$ 38,074,244	41,601,617
Current year claims and changes in estimate	199,328,770	184,190,756
Claim payments	(196,037,800)	(187,718,129)
End of year liability	\$ 41,365,214	38,074,244

The District has recognized the liability for health and dental insurance, which totaled \$32,322,688 and \$32,060,496 as of June 30, 2006 and 2005, respectively, in the general fund. The District has also recognized a liability of \$1,835,730 and \$874,245 as of June 30, 2006 and 2005, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

(10) Retirement Plans

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

Wisconsin Retirement System—All eligible District employees (certificated employees, principally teachers) participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit public employee retirement system (PERS). All permanent certificated employees expected to work over 440 hours a year (teachers) are eligible to participate in the WRS. Covered employees in the general/teacher category are required by statute to contribute 5.8% of their salaries to the plan for calendar year 2005. The District pays all employer and principally all employee (with the exception of some substitute teachers) required 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, 2005 was \$386,929,000; the District's total payroll was \$535,292,000. The total required contribution for the year ended December 31, 2005 was \$39,467,000, which consisted of \$17,025,000, or 4.4% of payroll, from the District and \$22,442,000, or 5.8% of payroll, from the District on behalf of the employees. The District issued bonds in the amount of \$168.051 million through the Redevelopment Authority of the City and the City to fund the pension-related debt to the WRS for the unfunded accrued liability for pension service, which reduced the WRS contribution rate effective January 1, 2004 by 2%. The amount contributed equaled the required

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

contribution. Total contributions for the years ending December 31, 2004 and 2003 were \$38,718,000 and \$44,561,000, 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 of the Wisconsin State Statutes.

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

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

Employees' Retirement System of the City of Milwaukee—All eligible District employees (classified employees, principally non-teachers) participate in the Employees' Retirement System of the City (the System), a cost-sharing, multiple-employer, defined benefit public employee retirement system (PERS). Part-time classified employees (defined by the System as 12-month employees who work less than 1,040 hours per year and 10-month employees who work less than 760 hours per year) who are eligible under adopted rules and regulations and who have evidenced their intent to join the System and all full-time classified employees (defined by the System as employees who work 2,080 hours a year for non-teachers and 1,520 hours for 10-month school year teachers) are eligible to participate in the System. Covered employees in the general employee category are required to contribute 5.5% of specified rates of compensation without overtime as agreed upon in past labor negotiations. The District pays all employer and substantially all of the employee required contributions to the System, as stipulated in Chapter 36 of the City charter. Due

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

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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 have the option to object to the 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.

The payroll for the District's employees covered by the System for the year ended December 31, 2005 was \$108,807,331; the District's total payroll was \$535,292,000. The total required contribution including retroactive adjustments for the year ended December 31, 2005 was \$6,089,000, or 5.6% of covered payroll, from the District on behalf of the employees and equaled the required contribution. Total contributions for the years ending December 31, 2004 and 2003 were \$6,316,000 and \$6,512,000, 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 City, City Hall, 200 East Wells Street, Room 603, Milwaukee, WI 53202-3567.

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

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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.

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, effectively 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 at 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. The actuarial value for fiscal year 2002 was finalized with recognition of the impact of Wisconsin Act 11 and the total actuarial gain determined by the plan's actuary was \$6,326,664, of which a \$937,750 gain was allocated in fiscal years 2006 and 2005. In the meantime, benefits continue to be paid by the plan and adjusted (reduced) to reflect Wisconsin Act 11. The total actuarial gain allocated was \$4,688,750 as of June 30, 2006.

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

- 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

- 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 amendments to the ASC plan have been incorporated into 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 and an increase to the fiscal years 2006 and 2005 required District (employer) contributions of \$737,000 per year.

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.

During fiscal year 2005, the Plan has retroactively paid retirees that were eligible for Teacher’s Plan benefit formula and had retired on or after January 1, 2000 under the ASC plan for benefits that, if chosen by the retiree, would have been under the Teachers Plan benefit formula.

The plan also provided 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 balance of the participant’s employee contribution account, including interest, is provided to the participant’s beneficiary.

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June 30, 2006

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. Effective July 1, 2003, the 1984 Dedicated Fund was unwound and the assets were transferred to the Non-Dedicated Fund. All benefits under the 1984 Dedicated Fund shall be paid from the Non-Dedicated Fund. The liability for the actuarial present value of the future plan benefits for the July 1, 1989 group of participants reflects the 9.25% interest rate and is matched to the assets dedicated to pay these future plan benefits. As of June 30, 2006, all 1984 Dedicated Fund assets were transferred to the Non-Dedicated Fund.

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The plan, a single-employer pension trust fund, is a defined benefit pension plan established to provide benefits after early retirement that will supplement the pension benefits provided by the WRS. The plan was originally established, effective July 1, 1982, pursuant to a collective bargaining agreement between the District and the Milwaukee Teachers’ Education Association (MTEA). Eligibility for, and the amount of all benefits, is determined under the provisions of the plan document. The plan is administered by the MBSD.

To be eligible for participation, an employee must be a teacher of the District who is in the collective bargaining unit represented by the MTEA and who is participating as an active employee in the WRS. Such employees shall become participants in the plan on the later of the effective date of the plan or the date they become a participant in the WRS. Employees

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

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).

During the year ended June 30, 2004, the District implemented a negotiated settlement of changes to the Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan (the ASC Plan). Accordingly, the MBSD adopted the restated ASC Plan at its June 2004 regular meeting. The restated ASC Plan includes amendments that transfer the Plan benefits to be paid from the ASC Plan for those covered employees who have prior MPS teaching service and are eligible to receive a benefit from the Plan. At the time of retirement, these individuals elect to receive either the Plan benefit or the ASC Plan benefit payable from the ASC Plan. The District does not anticipate any significant cost impact to the Plan as a function of the negotiated changes to the ASC Plan.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(b) Annual Pension Costs and Actuarial Assumptions Used

The District's annual pension costs for the year ended June 30, 2006 and related actuarial assumptions used for the current year and related information for each plan is as follows:

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
	<u>Plan</u>	<u>Teachers</u>	<u>Total</u>
Contribution rates as a percentage of payroll:			
District	7.556%	4.184%	
Plan participants	—	—	
Annual required contribution	\$ 2,814,526	13,440,927	16,255,453
Interest on net pension obligation	—	—	—
Adjustment to annual required contribution	—	—	—
	<u>2,814,526</u>	<u>13,440,927</u>	<u>16,255,453</u>
Annual pension cost	2,814,526	13,440,927	16,255,453
Contributions made	<u>3,550,892</u>	<u>16,723,465</u>	<u>20,274,357</u>
	<u>(736,366)</u>	<u>(3,282,538)</u>	<u>(4,018,904)</u>
Increase (decrease) in net pension obligation	(736,366)	(3,282,538)	(4,018,904)
Net pension obligation (prepayment), beginning of year	<u>(2,168,000)</u>	<u>(10,207,000)</u>	<u>(12,375,000)</u>
Net pension obligation (prepayment), end of year	\$ <u><u>(2,904,366)</u></u>	<u><u>(13,489,538)</u></u>	<u><u>(16,393,904)</u></u>

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

	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, 2005	July 1, 2005
Actuarial cost method	Projected unit credit	Entry age normal
Amortization method	Annual gains and losses, plan changes, and assumption changes are amortized individually over the average expected future working lifetime of active participants. Base established on July 1, 2005, is amortized over an eight year period.	Annual gains and losses, plan changes and assumption changes are amortized individually over a 30 year closed period.
Remaining amortization period	Varies from 3 to 19 years.	Varies from 7 to 30 years.
Asset valuation method	Non-Dedicated: Five-year smoothed market. Dedicated: PV of cash flows from bond dedication.	Non-Dedicated: Five-year smoothed market. Dedicated: PV of cash flows from bond dedication.
Actuarial assumptions:		
Investment rate of return	8.0%	8.0%
Inflation	Included in projected salary increase.	Included in projected salary increase.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

	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	1.8% plus an additional merit raise of 4.5% for each of the next six years of service for certificated participants 4.0% for classified participants.	3%
Classified participants	4.0%	N/A
Mortality	For males, according to the 1983 Group Annuity Mortality Table, and for females, according to the 1983 Group Annuity Mortality Table for males set back 6 years.	For males, according to the 1983 Group Annuity Mortality Table, and for females, according to the 1983 Group Annuity Mortality Table for males set back 6 years.

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 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 liability for the actuarial present value of the future plan benefits for the 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.

Effective July 1, 2003, the 1984 Dedicated Fund was unwound and the assets were transferred to the Non-Dedicated fund. All benefits under the 1984 Dedicated fund shall be paid from the Non-Dedicated fund. As of June 30, 2006, all 1984 Dedicated Fund assets were transferred to the Non-Dedicated Fund.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(c) Three-Year Trend Information

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

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

	<u>Annual pension cost</u>	<u>% of annual pension cost contributed</u>	<u>Net pension obligation</u>
Fiscal year beginning July 1:			
2005	\$ 2,814,526	126%	\$ 2,904,366
2004	2,715,306	105%	2,168,000
2003	2,378,932	100%	—

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	<u>Annual pension cost</u>	<u>% of annual pension cost contributed</u>	<u>Net pension obligation</u>
Fiscal year beginning July 1:			
2005	\$ 13,440,927	124%	\$ 13,489,538
2004	12,794,314	106%	10,207,000
2003	12,585,622	100%	—

(11) Post-Retirement Life and Healthcare Insurance Benefits

All post-retirement benefits are provided by the District in accordance with union contracts. District employees who take an immediate annuity at age 55 or over, with 15 or more years of service, may retain full life insurance coverage by paying the premium for such coverage until age 65. Employees taking an immediate annuity at age 55 or over, with 30 or more years of service, continue in the group life insurance program with the same coverage and with the District paying the premium in accordance with the union contract under which the employee retired. For retirees who have attained age 65, the life insurance coverage is reduced by 25% of the original coverage for each year following their 65th birthday. Coverage cannot be reduced below 25% of the original coverage. The original coverage is equal to the employee's annual earnings raised to the next even thousand dollars.

Health insurance is available on a self-paid basis to retired employees who retire at age 55 or older, with 15 years of service, by paying the premium for such coverage. In the event such employees

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

have 70% of their maximum sick leave accumulation balance at the time of retirement, the District will pay an amount towards the health insurance premium equal to the premium for that employee at the time of retirement. Any increases in premium beyond the amount of the premium at the employee's retirement are paid by the retiree. The District's costs for retiree health insurance is recorded in current operating expenditures as paid. The District has available a self-insured indemnity/PPO health plan and a self-insured exclusive provider organization (EPO) plan. These plans are supplemental to Medicare for those retirees eligible for Medicare insurance.

Expenditures for post-retirement life and health insurance benefits are financed on a pay-as-you-go basis and aggregated approximately \$35,950,754 for the year ended June 30, 2006. Approximately 5,890 retired participants are currently eligible to receive post-retirement life insurance benefits and approximately 5,516 retired participants are receiving post-retirement healthcare benefits.

For certain employees who pay an employee contribution on or after July 1, 1992, the District will pay an amount towards the health insurance premium equal to the premium less the employee contribution for that employee at the time of retirement.

(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, 2006, the District met its revenue limitation.

(13) School Nutrition Deficit

The school nutrition services fund had a deficit of \$7,159,808. The deficit is anticipated to be funded through future operations or operating transfers from the general fund for which the reserve has been made.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(14) Excess Expenditures Over Appropriations

The following individual funds had an excess of actual expenditures over appropriations for the year ended June 30, 2006:

Fund	Excess Expenditures
General Fund:	
Pupil and staff services	\$ 15,267,666
General and school building administration	28,961,613
Business services	18,316,331
Debt Service	9,253,372
Other	799,283
 School Nutrition Services Fund	 2,278,941

The General Fund's actual 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 collectibility of any related receivable at June 30, 2006 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, 2006

(b) Operating Leases

The District leases certain computer equipment with a carrying value of approximately \$1,982,544. For fiscal year 2006, total operating lease expense of the District was \$1,267,207. The aggregate minimum legal commitments for the five fiscal years subsequent to June 30, 2006 and thereafter for the computers and property are as follows:

Fiscal years:		
2007	\$	1,076,750
2008		905,794
		<hr/>
Total	\$	1,982,544
		<hr/> <hr/>

(c) Contractual Commitments

The District has \$61.2 million of contractual commitments outstanding as of June 30, 2006.

(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.

(16) Subsequent Events

On August 10, 2006 the City issued \$175,000,000 of School Revenue Anticipation Notes, Series 2006 M7, for the purpose of financing MPS's general operating expenses pending receipt of state school aid payments. The maturity of this issue is August 30, 2007. Interest is payable at maturity.

On October 24, 2006 the Milwaukee Board of School Directors (MBSD or the District) adopted its fiscal year 2007 budget and certified its tax levy in the amount of \$230,345,991 and transmitted it to the City of Milwaukee. The City of Milwaukee is required by state statute to levy the transmitted amount on behalf of the District by the issuance of property tax bills to City of Milwaukee residents. Tax bills prepared and issued in December 2006 for collection during year 2007 resulted in a levy for Milwaukee Public Schools that is \$9,137,066 less than the amount certified by the MBSD. The City and the District are pursuing resolution of the shortfall and the District believes it will receive funding equal to the full amount of the certified tax levy. As of December 21, 2006 a resolution had not been reached

**REQUIRED SUPPLEMENTARY
INFORMATION**

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2006

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
Revenues:			
Property tax levy	\$ 187,012,886	191,486,466	191,722,666
Other local sources	9,770,320	11,300,529	14,427,256
State aid:			
Equalization aid	588,193,919	586,506,804	586,498,521
Special classes	37,967,972	37,967,972	39,188,603
Integration	43,971,121	43,660,426	43,660,426
Other state aid	50,732,708	50,018,932	52,184,246
Federal aid:			
Education Consolidation Improvement Act	77,038,990	77,038,990	72,246,390
Other federal aid	68,733,637	68,733,637	52,993,325
Interest	200,000	200,000	2,311,332
Total revenues	1,063,621,553	1,066,913,756	1,055,232,765
Expenditures:			
Current operating:			
Instructional services:			
Undifferentiated curriculum	380,664,246	392,856,941	430,564,038
Regular and other curriculum	165,054,190	165,749,969	105,796,528
Special curriculum	128,728,774	128,550,393	108,748,090
Total instructional services	674,447,210	687,157,303	645,108,656
Community services	17,393,696	28,759,696	23,127,716
Pupil and staff services	106,898,731	112,561,370	93,482,431
General and school building administration	116,771,682	118,474,721	111,227,914
Business services	158,091,979	159,730,008	151,129,644
Debt service	11,854,068	11,854,068	21,107,440
Other	—	92	799,375
Total expenditures	1,085,457,366	1,118,537,258	1,045,983,176
Excess of revenues over (under) expenditures	\$ (21,835,813)	(51,623,502)	9,249,589
Fund balance—beginning of year			100,100,308
Fund balance—end of year			\$ 109,349,897

MILWAUKEE PUBLIC SCHOOLS
 Required Supplementary Information
 Budgetary Comparison Schedule for the Nutrition Fund
 Year ended June 30, 2006

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
Revenues:			
Lunchroom sales	\$ 4,693,625	4,693,625	4,391,811
State aid:			
School nutrition aid	693,373	693,373	660,657
Federal aid:			
School nutrition aid	<u>24,544,654</u>	<u>24,544,654</u>	<u>25,961,118</u>
Total revenues	<u>29,931,652</u>	<u>29,931,652</u>	<u>31,013,586</u>
Expenditures:			
Current operating:			
School nutrition services	<u>29,931,652</u>	<u>29,931,652</u>	<u>32,210,593</u>
Total expenditures	<u>29,931,652</u>	<u>29,931,652</u>	<u>32,210,593</u>
Net change in fund deficit	<u>\$ —</u>	<u>—</u>	(1,197,007)
Fund deficit—beginning of year			<u>(5,962,801)</u>
Fund deficit—end of year			<u>\$ (7,159,808)</u>

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Schedules of Funding Progress

Year ended June 30, 2006

**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>
7/1/05	\$ 39,409,013	49,456,069	(10,047,056)	79.70 %	\$ 37,250,400	(26.97) %
7/1/04	40,282,290	50,085,520	(9,803,230)	80.43	39,461,550	(24.84)
7/1/03	39,808,674	49,453,070	(9,644,396)	80.50	42,014,246	(22.96)

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>
7/1/05	\$ 60,596,308	174,359,298	(113,762,990)	34.75 %	\$ 321,226,581	(35.42) %
7/1/04	55,203,992	166,080,049	(110,876,057)	33.24	312,805,388	(35.45)
7/1/03	49,570,891	157,875,834	(108,304,943)	31.40	315,368,449	(34.34)

MILWAUKEE PUBLIC SCHOOLS

Notes to Required Supplementary Information

Year ended June 30, 2006

(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; 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%; deficits incurred automatically reduce the subsequent year's budget appropriations; and, with school board approval, appropriations for special projects or planned purchases can be carried into the subsequent year.

The budget and actual schedules included herein are not intended to demonstrate compliance at the legal level of budgetary control. Such information is included in the Milwaukee Board of School Directors' separately issued Official Notice of Public Hearing on Proposed Budget for Fiscal Year. A copy of the notice may be obtained from:

Milwaukee Public Schools
Finance Department
5225 West Vliet St.
Milwaukee, WI 53208

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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, 2006

	<u>Special Revenue</u>			
Assets	<u>TEACH Wisconsin Programs</u>	<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Receivables due from other governmental units	\$ —	6,987,076	—	6,987,076
Due from other funds	3,126,624	—	—	3,126,624
Total assets	<u>\$ 3,126,624</u>	<u>6,987,076</u>	<u>—</u>	<u>10,113,700</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	219,077	—	219,077
Deferred Revenue	—	22,500	—	22,500
Due to other funds	—	6,745,499	—	6,745,499
Total liabilities	<u>—</u>	<u>6,987,076</u>	<u>—</u>	<u>6,987,076</u>
Fund balances (deficit):				
Unreserved and undesignated	3,126,624	—	—	3,126,624
Total fund balances	<u>3,126,624</u>	<u>—</u>	<u>—</u>	<u>3,126,624</u>
Total liabilities and fund balances	<u>\$ 3,126,624</u>	<u>6,987,076</u>	<u>—</u>	<u>10,113,700</u>

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2006

	<u>Special Revenue</u>			
	<u>TEACH Wisconsin Programs</u>	<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Property taxes	\$ —	—	8,843,502	8,843,502
Other local sources	—	121,770	—	121,770
Lunchroom sales	—	—	—	—
State aid—other	914,379	—	—	914,379
Federal aid:				
School nutrition services	—	—	—	—
Other federal aid	—	26,309,076	—	26,309,076
Total revenues	<u>914,379</u>	<u>26,430,846</u>	<u>8,843,502</u>	<u>36,188,727</u>
Expenditures:				
Instructional services—				
special curriculum	—	4,622,080	—	4,622,080
Pupil and staff services	—	21,808,766	—	21,808,766
School nutrition services	—	—	—	—
Debt service:				
Principal	1,828,758	—	4,995,168	6,823,926
Interest	—	—	3,848,334	3,848,334
Total expenditures	<u>1,828,758</u>	<u>26,430,846</u>	<u>8,843,502</u>	<u>37,103,106</u>
Excess of revenues over (under) expenditures	(914,379)	—	—	(914,379)
Other financing sources (uses):				
Issuance of Teach Loan	—	—	—	—
Total other financing sources (uses), net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net changes in fund balances	(914,379)	—	—	(914,379)
Fund balances (deficit):				
Beginning of year	4,041,003	—	—	4,041,003
End of year	\$ <u><u>3,126,624</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>3,126,624</u></u>

MILWAUKEE PUBLIC SCHOOLS

TEACH Wisconsin Programs Fund

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

Year ended June 30, 2006

	<u>Budgeted amounts</u>		<u>Actual</u>
	<u>Adopted</u>	<u>Revised</u>	<u>(GAAP basis)</u>
Revenues:			
State aid:			
Other state aid	\$ —	—	914,379
Total revenues	<u>—</u>	<u>—</u>	<u>914,379</u>
Expenditures:			
Current operating:			
Debt service	<u>1,828,758</u>	<u>1,828,758</u>	<u>1,828,758</u>
Total expenditures	<u>1,828,758</u>	<u>1,828,758</u>	<u>1,828,758</u>
Net change in fund balance	<u>\$ (1,828,758)</u>	<u>(1,828,758)</u>	<u>(914,379)</u>
Fund balance—beginning of year			<u>4,041,003</u>
Fund balance—end of year			<u>\$ 3,126,624</u>

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

Year ended June 30, 2006

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
Revenues:			
Other local sources	\$ —	—	121,770
Federal aid:			
Other federal aid	28,872,720	29,020,110	26,309,076
Total revenues	<u>28,872,720</u>	<u>29,020,110</u>	<u>26,430,846</u>
Expenditures:			
Current operating:			
Special curriculum	4,119,694	4,622,080	4,622,080
Pupil and staff services	24,753,026	24,398,030	21,808,766
Total expenditures	<u>28,872,720</u>	<u>29,020,110</u>	<u>26,430,846</u>
Net change in fund balance	\$ <u>—</u>	<u>—</u>	—
Fund balance—beginning of year			<u>—</u>
Fund balance—end of year			\$ <u><u>—</u></u>

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

Year ended June 30, 2006

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Property taxes	\$ 9,079,702	9,079,702	8,843,502
Total revenues	9,079,702	9,079,702	8,843,502
Expenditures:			
Current operating:			
Debt service	9,079,702	9,079,702	8,843,502
Total expenditures	9,079,702	9,079,702	8,843,502
Excess of revenues over (under) expenditures	\$ —	—	—
Net change in fund balance			—
Fund balance—beginning of year			—
Fund balance—end of year			\$ —

MILWAUKEE PUBLIC SCHOOLS

Fiduciary Funds

Pension Trust Funds

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

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

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

Agency Fund

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

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Changes in Net Assets—Pension Trust Funds

Year ended June 30, 2006

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
Additions:			
Employer contributions	\$ 3,553,184	16,735,679	20,288,863
Participants contributions	291	—	291
Investment income, net of expenses	4,089,807	7,998,073	12,087,880
Total additions	<u>7,643,282</u>	<u>24,733,752</u>	<u>32,377,034</u>
Deductions:			
Benefits paid to participant's or beneficiaries	4,063,390	11,101,938	15,165,328
Distribution of participant contribution accounts	514,270	—	514,270
Administrative expenses	78,790	151,261	230,051
Total deductions	<u>4,656,450</u>	<u>11,253,199</u>	<u>15,909,649</u>
Changes in net assets	2,986,832	13,480,553	16,467,385
Net assets—Beginning of Year	<u>41,460,645</u>	<u>71,401,043</u>	<u>112,861,688</u>
Net assets—Ending of Year	\$ <u><u>44,447,477</u></u>	<u><u>84,881,596</u></u>	<u><u>129,329,073</u></u>

MILWAUKEE PUBLIC SCHOOLS
Agency Fund
Schedule of Changes in Assets and Liabilities
Year ended June 30, 2006

Assets	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Cash and cash equivalents	\$ 5,022,679	19,546,410	(19,372,422)	5,196,667
Total assets	<u>\$ 5,022,679</u>	<u>19,546,410</u>	<u>(19,372,422)</u>	<u>5,196,667</u>
Liabilities				
Liabilities:				
Due to student organizations	\$ 5,022,679	19,546,410	(19,372,422)	5,196,667
Total liabilities	<u>\$ 5,022,679</u>	<u>19,546,410</u>	<u>(19,372,422)</u>	<u>5,196,667</u>

Milwaukee Public Schools



MILWAUKEE PUBLIC SCHOOLS
Statement of Net Assets
Last 5 Years

Governmental activities

	Fiscal Year				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in capital assets, net of related debt	\$ 481,469,344	475,757,763	456,936,816	434,581,357	415,911,456
Restricted for debt service	1,796,177	13,502,378	9,518,692	3,089,752	-
Unrestricted	<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>\$ 386,240,181</u>	<u>366,835,794</u>	<u>352,867,518</u>	<u>322,530,234</u>	<u>358,951,954</u>

MILWAUKEE PUBLIC SCHOOLS
Changes in Net Assets
Last 5 Years

	Fiscal Years				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:					
Instruction	\$ 664,463,808	652,166,070	644,447,634	623,385,686	589,461,207
Support services:					
Community services	23,270,780	20,560,706	18,154,857	21,757,475	18,606,289
Pupil and staff services	117,138,777	110,034,688	105,549,340	128,557,769	106,353,611
General, administration, and central services	112,657,972	108,742,800	116,816,130	110,763,906	108,170,630
Business services	155,889,203	162,748,023	140,825,201	179,310,149	154,803,929
School nutrition services	32,793,305	32,165,131	31,249,035	29,348,112	28,672,131
Interest on long-term debt	20,176,300	16,245,344	6,250,445	3,920,507	1,373,719
Insurance	-	-	-	8,733,676	-
Other	346,361	548,565	1,432,919	1,190,106	479,600
Total support services	\$ 462,272,698	451,045,257	420,277,927	483,581,700	418,459,909
Total expenses	\$ 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	\$ 9,925,797	3,130,444	2,309,821	1,486,516	992,481
Community services	1,906,234	1,930,856	3,246,347	2,876,220	3,634,145
Pupil and staff services	-	-	-	-	-
Business services	103,409	281,329	111,642	143,894	153,322
Nutrition services	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	204,453,803	105,071,902	106,964,376	103,818,468	82,443,894
Community services	9,864,927	7,318,142	7,629,273	10,009,747	11,562,944
Pupil and staff services	3,746,360	3,583,626	2,864,019	3,108,062	4,979,715
General, administration, and central services	-	-	-	-	714,331
Business services	3,511,831	44,078,275	41,609,807	41,786,993	41,114,899
Nutrition services	25,961,118	25,176,146	24,876,913	24,582,985	23,757,262
Capital grants and contributions:					
Instruction	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	\$ 273,625,114	216,400,951	212,369,871	208,564,925	210,550,443
Net (expense)/revenue	\$ (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	183,710,164	180,704,104	168,470,699	168,452,670	166,503,260
Property taxes levied for construction	13,237,040	12,266,054	-	-	-
Property taxes levied for debt service	8,843,502	6,469,806	6,723,273	4,644,357	2,773,885
Property taxes levied for community services	8,077,455	8,002,455	8,004,465	8,004,465	5,797,660
Federal and state aid not restricted to a specific purpose:					
General (equalization aid)	586,498,521	574,203,749	575,069,738	556,169,239	542,432,938
Other	69,325,745	116,147,856	123,574,539	122,784,828	105,517,681
Interest and investment earnings	2,823,351	1,773,508	761,505	662,490	857,961
Gain on sales of property	-	10,200	-	1,262,537	-
Other	-	1,200,921	88,755	335	-
Total general revenues	\$ 872,515,778	900,778,653	882,692,974	861,980,921	823,883,385
Change in net assets	\$ 19,404,386	13,968,277	30,337,284	(36,421,540)	26,512,712

MILWAUKEE PUBLIC SCHOOLS
Fund Balance, Governmental Funds
Last Five Fiscal Years

	Fiscal Year				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund					
Reserved	\$ 73,378,466	54,166,313	41,006,883	31,870,360	34,732,538
Unreserved	35,971,431	45,933,995	40,801,363	53,322,314	83,176,378
Total general fund	<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	\$ 32,798,010	56,974,895	90,457,405	14,148,758	748,180
Unreserved					
Construction fund	(1,417,829)	(14,836,707)	(11,772,547)	8,172,565	42,331,044
Special revenue fund	(4,033,184)	(1,927,970)	(320,546)	2,120,932	3,316,059
Total all other governmental funds	<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>

MILWAUKEE PUBLIC SCHOOLS
Changes in Fund Balance, Governmental Funds
Last Five Years

	Fiscal Year				
	2006	2005	2004	2003	2002
Revenues:					
Property tax levy	\$ 213,803,808	207,442,419	183,198,437	181,046,160	174,734,593
Lunchroom sales	4,391,811	4,747,456	4,754,985	4,331,344	4,230,650
Other local sources	14,656,297	13,550,964	9,221,099	10,531,728	10,009,451
State aid:					
Equalization aid	586,498,521	574,203,739	575,069,738	556,169,239	542,432,938
Special classes	39,188,603	39,419,557	40,437,993	40,312,755	41,148,872
Integration	43,660,426	38,661,528	39,437,167	38,717,298	38,830,913
Other state aid	53,759,282	52,338,422	52,217,130	54,522,686	56,566,633
Federal aid:					
Education Consolidation Improvement Act	72,246,390	69,124,917	59,694,854	55,238,900	48,563,189
School nutrition services	25,961,118	24,531,108	24,215,335	23,925,082	23,096,314
Erate refunds	—	4,510,353	639,448	857,304	3,118,872
Other federal aid	79,134,117	78,325,787	90,929,422	85,519,496	68,201,403
Intergovernmental aid from the City of Milwaukee	9,240,442	14,265,000	11,334,558	8,660,000	23,500,000
Interest and investment earnings	2,823,350	1,798,305	1,058,117	662,490	—
Total revenues	\$ 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	\$ 430,564,038	418,322,709	426,491,163	394,787,592	355,934,282
Regular and other curriculum	105,796,528	99,908,858	103,609,583	113,717,969	111,412,319
Special curriculum	113,370,170	113,285,852	101,456,920	102,170,548	95,433,902
Total instructional services	649,730,736	631,517,419	631,557,666	610,676,109	562,780,503
Community services	23,127,716	20,591,303	18,191,494	21,442,778	18,312,322
Pupil and staff services	115,122,913	109,425,025	106,347,902	127,129,819	106,273,359
General and school building administration	111,227,914	108,422,951	116,968,619	115,847,360	82,821,806
Business services	197,721,249	220,731,210	238,808,436	216,987,708	188,826,472
School nutrition services	32,210,593	32,006,084	31,097,577	29,209,501	28,602,348
Debt service:					
Principal	18,826,401	10,884,355	10,592,638	4,787,763	3,134,930
Interest	14,646,900	13,955,810	4,212,525	2,878,039	992,858
Bond issuance cost	—	—	—	—	—
Bond issuance cost	—	—	3,282,941	—	—
Other	799,375	1,162,108	1,383,820	1,485,527	53,253,456
Total expenditures	\$ 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	\$ (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	\$ —	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	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	—	—
Refunding intergovernmental debt issued	—	847,676	790,000	—	—
Payment for refunded intergovernmental debt	—	(847,676)	(790,000)	—	—
Total other financing sources (uses), net	\$ 14,436,000	5,914,678	120,772,964	15,280,852	50,824,883
Net change in fund balance	\$ (3,613,632)	(19,862,032)	50,537,629	(54,669,270)	40,260,657

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.

Year	Assessed valuation	Assessed valuation increase (decrease) over prior years	Equalized valuation
1976	\$ 6,096,761	(116,834)	7,284,706
1977	5,860,570	(236,191)	7,744,959
1978	8,332,979	2,472,409	8,453,477
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

* The City of Milwaukee reassessed all real property in 1974 to reflect full valuation. Assessed valuation approximates actual property value for all classes of property within the City of Milwaukee

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 and Levies—Direct and Overlapping Government
Last Ten Years

Levy for year (C)	Milwaukee School Board (A)		City of Milwaukee (B)		Milwaukee Area District Board of Vocational, Technical, and Adult Education		County of Milwaukee		State of Wisconsin		Milwaukee Metropolitan Sewerage District		Total	
TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL														
1996	\$ 14.28	40.5 %	\$ 10.09	28.6 %	\$ 2.10	6.0 %	\$ 5.74	16.3 %	\$ 0.21	0.6 %	\$ 2.81	8.0 %	\$ 35.23	100.0 %
1997	9.97	33.9	9.81	33.3	2.01	6.8	5.72	19.4	0.20	0.7	1.72	5.9	29.43	100.0
1998	9.02	31.6	9.47	33.2	2.11	7.4	5.96	20.9	0.21	0.7	1.77	6.2	28.54	100.0
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
TAX LEVIES (IN THOUSANDS)														
1996	\$ 221,958		138,750	28,967		78,897		2,964			38,654		510,190	
1997	181,336		143,061	29,388		83,308		3,008			25,110		465,211	
1998	167,446		139,417	31,020		87,779		3,102			26,039		454,803	
1999	181,736		145,555	31,847		90,387		3,246			27,152		479,923	
2000	169,562		141,279	33,455		90,017		3,340			27,876		465,529	
2001	180,874		169,678	34,437		93,946		3,469			28,876		511,280	
2002	186,228		176,579	38,499		102,173		3,891			32,287		539,657	
2003	193,636		184,682	39,808		100,841		4,060			33,722		556,749	
2004	193,756		188,680	41,793		101,070		4,346			33,596		563,241	
2005	230,343		196,688	47,689		107,710		4,925			35,974		623,329	

- (A) Includes allocation of debt service requirement on debt incurred for schools, initially included in the tax levy by the city of Milwaukee (\$0.51 in 2004).
(B) Excludes allocation of debt service requirement on debt incurred for schools, initially included in the tax levy of the city of Milwaukee (\$0.51 in 2003).
(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 requirements.

Source: City of Milwaukee, Assessor's Office.

MILWAUKEE PUBLIC SCHOOLS

Tax Rates for School Purposes

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

<u>Year</u>	<u>School Operations</u>	<u>Construction</u>	<u>Extension</u>	<u>Total</u>
1996	\$ 13.44	0.51	0.33	14.28
1997	9.23	0.44	0.30	9.97
1998	8.32	0.40	0.30	9.02
1999	8.61	0.48	0.35	9.44
2000	8.14	0.49	0.32	8.95
2001	8.00	0.52	0.29	8.81
2002	8.19	0.52	0.40	9.11
2003	7.64	0.54	0.37	8.55
2004	7.72	0.51	0.33	8.55
2005	7.71	0.53	0.32	8.55

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Tax Levies for School Purposes

Last Ten Years

<u>Year</u>	<u>School Operations</u>	<u>Construction</u>	<u>Extension</u>	<u>Total</u>
1996	\$ 161,804,737	7,700,000	5,333,642	174,838,379
1997	146,410,265	7,700,000	5,452,011	159,562,276
1998	160,074,588	7,700,000	5,718,371	173,492,959
1999	146,513,018	8,123,121	5,924,868	160,561,007
2000	154,374,123	9,273,404	6,073,405	169,720,932
2001	158,610,459	10,328,700	5,795,434	174,734,593
2002	162,696,867	10,346,829	8,002,455	181,046,151
2003	163,554,998	11,640,984	8,002,455	183,198,437
2004	187,173,910	12,266,054	8,002,455	207,442,419
2005	192,488,713	13,237,640	8,077,455	213,803,808

**Milwaukee School District
Principal Property Tax Payers**

Employer	Fiscal Year 2005		Fiscal Year 1996	
	Assessed Value	Percentage of Total Assessed	Assessed Value	Percentage of Total Assessed
U.S. Bank	\$ 222,500	0.88	% —	—
Northwestern Mutual Life Insurance Company	165,461	0.66	206,227	1.39
Marcus Corp./Mil. City Center/Pfister	99,579	0.39	54,762	0.37
NNN 411 E. Wisconsin LLC	91,034	0.36	—	—
Towne Realty	87,902	0.35	81,751	0.55
Metropolitan Associates	87,805	0.35	—	—
M&I Marshall & Isley Bank/Metavante Corp.	77,443	0.31	—	—
Miller Brewing	66,293	0.26	89,354	0.60
100 E. Wisconsin Ave Joint Venture	58,183	0.23	53,443	0.36
Geneva Exchange Fund	57,491	0.23	—	—
JMB Realty Corporation	—	—	115,840	0.78
Teachers Insurance & Annuity Assoc.	—	—	99,081	0.67
Allen Bradley Company	—	—	60,906	0.41
EC Milwaukee Joint Venture	—	—	165,802	1.11
Sampson Enterprises	—	—	76,932	0.52
	<u>\$ 1,013,691</u>	<u>4.02</u>	<u>1,004,098</u>	<u>6.76</u>

Source: City CAFR

**Milwaukee School District
Property Tax Levies and Collections
Last 4 Years**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Levy
2005	\$ 436,427	\$ 421,686	96.622 %	\$ 13,960	\$ 435,646	99.821 %
2004	404,892	390,930	96.552	14,676	405,606	100.177
2003	398,220	383,064	96.194	12,401	395,465	99.308
2002	382,873	369,125	96.409	13,926	383,051	100.046

Source: City CAFR information

**Milwaukee School District
 Assessed Value and Estimated Actual Value of Taxable Property
 Last 4 Years**

Fiscal Year	Residential Property	Personal Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2005	\$24,386,499	835,650	25,222,149	26,256,714	96.06 %
2004	21,938,751	833,668	22,772,419	23,491,774	96.94
2003	20,162,296	847,221	21,009,517	21,730,754	96.68
2002	18,968,857	897,398	19,866,255	20,298,387	97.87

Source: City CAFR

MILWAUKEE PUBLIC SCHOOLS
 Computation of Direct and Overlapping Debt—
 City of Milwaukee
 December 31, 2005
 (in thousands)

<u>Name of governmental unit</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City of Milwaukee</u>	<u>City of Milwaukee's share of debt</u>
Direct debt:			
City of Milwaukee (A)	\$ 666,203	100.00 %	\$ 666,203
Overlapping debt:			
Milwaukee Area Technical College District Board	74,652	37.71	28,151
County of Milwaukee	469,708	46.12	216,629
Milwaukee Metropolitan Sewerage Area (B)	725,020	47.21	342,282
Total overlapping debt			<u>587,062</u>
Total district and overlapping debt			<u>\$ 1,253,265</u>

(A) Excludes \$78,710 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.

(B) Includes \$390,424 low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the Milwaukee Metropolitan Sewerage District.

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

Fiscal Year	General Obligation Bonds	Loans	Revenue Bonds	QZAB	Pension Debt		Wisconsin Retirement System (UAAL)	Capital Lease	Total	Percentage of Personal Income	\$ Per Capita
					Capital Appreciation Bonds	Variable Rate Debt					
1997	\$ 13,921,238							3,285,000	17,206,238	0.21 %	\$ 28
1998	14,275,029						148,811,348	11,030,698	174,117,075	2.12	285
1999	13,305,896						153,058,000	17,910,447	184,274,343	2.20	303
2000	11,318,305	174,441					157,283,000	12,836,818	181,612,564	2.12	300
2001	11,231,524	1,322,718					161,880,000	6,348,549	180,782,791	2.15	304
2002	15,016,036	4,091,684	33,300,000	8,590,000			166,728,766	1,948,775	229,675,261	2.87	385
2003	19,385,316	5,495,934	33,300,000	12,469,908			167,607,420	1,482,250	239,740,828	2.94	403
2004	16,756,869	4,776,312	113,297,237	13,406,456	38,061,867	130,850,000		34,552,250	351,700,991	4.36	592
2005	17,040,498	10,236,484	113,197,353	11,356,780	39,845,213	130,850,000		31,154,750	353,681,078		597
2006	14,174,684	8,407,726	113,097,469	11,248,426	35,598,442	130,850,000		40,087,275	353,464,022		N/A

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

Fiscal Year	Neighborhood Schools Initiative Bonds (NSI)				Capital Appreciation Pension Bonds* Variable Rate Pension Bond Debt			
	Intradistrict Aid	Debt Service		Coverage	State Equalization Aid	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2003	\$34,675,898	—	\$ 1,455,636	23.82	\$ —	—	\$ —	—
2004	35,659,069	—	2,197,020	16.23	575,069,738	—	3,577,003	160.77
2005	35,362,376	—	4,897,374	7.22	574,203,739	—	7,073,170	81.18
2006	40,627,588	—	4,897,374	8.30	586,498,524	—	7,780,487	75.38

* The first principal and interest payment date for the Capital Appreciation Pension Bonds is 2026.

MILWAUKEE PUBLIC SCHOOLS

Comparative per Capita Cost Statistics

Last Ten Fiscal Years

	<u>Cost per pupil</u>
1996 – 1997	\$7,768
1997 – 1998	8,022
1998 – 1999	8,718
1999 – 2000	9,036
2000 – 2001	9,502
2001 – 2002	10,228
2002 – 2003	11,086
2003 – 2004	11,358
2004 – 2005	11,452
2005 – 2006	11,808

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					
1970	197,815	(2,084)	100,734	(1,309)	97,081	130,617	39,851	170,468	86.2
1971	193,827	(3,988)	98,569	(2,165)	95,258	130,147	36,978	167,125	86.2
1972	188,169	(5,658)	95,729	(2,840)	92,440	128,757	33,567	162,324	86.3
1973	179,821	(8,348)	91,643	(4,086)	88,178	124,370	30,840	155,210	86.3
1974	172,258	(7,563)	87,713	(3,930)	84,545	118,890	27,974	146,864	85.3
1975	167,370	(4,888)	85,316	(2,397)	82,054	115,758	27,437	143,195	85.6
1976	161,099	(6,271)	81,963	(3,353)	79,136	113,336	26,475	139,811	86.8
1977	152,435	(8,664)	77,734	(4,229)	74,701	104,619	25,078	129,697	85.1
1978	148,378	(4,057)	75,519	(2,215)	72,859	100,859	26,275	127,134	85.7
1979	133,507	(14,871)	68,491	(7,028)	65,016	93,296	26,011	119,307	89.4
1980	133,639	132	68,245	(246)	65,394	91,069	25,436	116,505	87.2
1981	130,215	(3,424)	66,550	(1,695)	63,665	82,520	31,238	113,758	87.4
1982	131,748	1,533	67,085	535	64,663	80,683	29,623	110,306	83.7
1983	134,734	2,986	68,642	1,557	66,092	83,148	31,149	114,297	84.8
1984	140,729	5,995	71,689	3,047	69,040	87,243	31,601	118,844	84.4
1985	147,347	6,618	75,066	3,377	72,281	93,406	31,464	124,870	84.7
1986	148,768	1,421	75,391	325	73,377	96,520	30,961	127,481	85.7
1987	145,593	(3,175)	73,844	(1,547)	71,749	94,744	30,997	125,741	86.4
1988	148,416	2,823	75,196	1,352	73,220	98,438	31,140	129,578	87.3
1989	150,714	2,298	76,520	1,324	74,194	99,988	29,988	129,976	86.2
1990	150,723	9	76,382	(138)	74,341	99,079	29,346	128,425	85.2
1991	128,540	(22,183)	65,230	(11,152)	63,310	86,407	27,012	113,419	88.2
1992	144,452	15,912	73,180	7,950	71,272	100,017	28,346	128,363	88.9
1993	145,499	1,047	73,772	592	71,727	100,728	27,956	128,684	88.4
1994	149,545	4,046	75,893	2,121	73,652	103,452	28,196	131,648	88.0
1995	151,541	1,996	76,471	578	75,070	106,886	27,816	134,702	88.8
1996	151,710	169	76,778	307	74,932	106,910	27,931	134,841	88.9
1997	151,027	(683)	76,429	(349)	74,598	107,121	27,455	134,576	89.1
1998	153,227	2,200	77,533	1,104	75,694	108,786	27,723	136,509	89.1
1999	154,328	1,101	78,141	608	76,187	111,712	27,207	138,919	90.0
2000	154,977	649	78,599	458	76,378	110,397	28,342	138,739	89.5
2001	150,256	(4,721)	76,048	(2,551)	74,208	107,905	26,479	134,384	89.4
2002	149,992	(264)	76,142	94	73,850	109,852	25,066	134,918	90.0
2003	162,011	12,019	82,187	6,045	79,824	122,631	23,760	146,391	90.4
2004	164,641	2,630	83,399	1,212	81,242	128,862	21,829	150,691	91.5
2005	180,706	16,065	91,885	8,486	88,821	131,394	23,046	154,440	85.5
2006	191,368	10,662	97,303	5,418	94,065	112,032	27,445	139,477	72.9

* 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, 2006

<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>
0	0	0	0	0	0	0
1	5,406	5,214	10,620	0	0	10,620
2	5,540	5,332	10,872	0	0	10,872
3	5,333	5,129	10,462	347	274	9,841
Total 0 – 3	16,279	15,675	31,954	347	274	31,333
4	5,419	5,223	10,642	2,486	405	7,751
5	5,442	5,356	10,798	6,536	1,934	2,328
6	5,495	5,325	10,820	7,445	2,335	1,040
7	4,903	4,883	9,786	7,438	2,126	222
8	4,773	4,681	9,454	7,381	1,980	93
9	4,547	4,542	9,089	7,116	1,831	142
10	4,619	4,618	9,237	7,146	1,954	137
11	4,906	4,540	9,446	7,362	1,923	161
12	4,822	4,729	9,551	7,469	1,954	128
13	4,830	4,825	9,655	7,696	1,858	101
14	4,877	4,678	9,555	7,611	1,700	244
15	4,635	4,679	9,314	7,831	1,369	114
16	4,950	4,911	9,861	7,973	1,312	576
17	5,138	4,846	9,984	7,602	1,125	1,257
18	5,662	5,467	11,129	7,051	1,493	2,585
19	6,006	5,087	11,093	5,542	1,872	3,679
Total 4 – 19	81,024	78,390	159,414	111,685	27,171	20,558
Grand total	97,303	94,065	191,368	112,032	27,445	51,891

MILWAUKEE PUBLIC SCHOOLS

Construction, Bank Deposits, and Property Value—
City of Milwaukee

Last Ten Years

(in thousands)

Calendar year	Commercial construction		Residential construction		Bank deposits	Real property value		
	Number of permits	Value	Number of units	Value		Equalized		Nontaxable
						Commercial	Residential	
1996	77	\$ 37,780	183	\$ 12,122	\$ 16,205,221	\$ 5,388,417	\$ 8,246,386	\$ 3,497,462
1997	86	161,479	345	27,512	17,921,013	5,409,709	8,501,628	3,525,520
1998	79	68,042	589	45,257	20,832,537	5,475,827	8,859,451	3,566,982
1999	95	128,344	203	20,442	15,975,126	6,221,962	9,683,606	3,456,294
2000	88	99,968	352	35,184	17,926,606	6,241,899	10,187,868	3,384,708
2001	99	106,537	542	99,106	23,185,907	7,011,654	11,364,344	3,422,534
2002	89	87,778	697	72,252	20,513,650	7,221,024	12,179,233	3,368,493
2003	96	61,825	825	111,861	22,674,292	7,614,584	13,236,433	3,400,762
2004	89	63,485	747	78,243	22,131,059	8,159,591	14,496,333	3,881,313
2005	106	166,426	693	147,465	23,854,180	8,939,395	16,481,060	3,901,583

Sources: Construction data from the City of Milwaukee Department of Neighborhood Services. Bank deposits at year-end, as reported to U.S. Federal Reserve, Chicago. Equalized property value is determined by the State of Wisconsin. Nontaxable property value is estimated by the city of Milwaukee Assessor's Office

MILWAUKEE PUBLIC SCHOOLS
 Government-wide Expenses by Function
 Last Five 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	Other	Total
2002	\$ 589,461	18,606	106,354	103,023	154,804	28,672	1,374	5,148	479	1,007,921
2003	623,386	21,757	128,558	110,764	179,310	29,348	3,920	8,734	1,190	1,106,967
2004	644,448	18,155	105,549	116,816	140,825	31,249	6,250	-	1,433	1,064,725
2005	652,166	20,561	110,035	108,743	162,748	32,165	16,245	-	548	1,103,211
2006	664,464	23,271	117,139	112,658	155,889	32,793	20,176	-	346	1,126,736

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 Five 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

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

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

Fiscal year	Instruction	Community services	Pupil & staff services	General and school building administration	Business services	School nutrition	Debt service	Other	Total
2002	\$ 562,781	18,312	106,273	82,822	188,826	28,602	4,128	53,253	1,044,997
2003	610,676	21,442	127,129	115,847	216,988	29,210	7,666	1,486	1,130,444
2004	631,558	18,191	106,348	116,969	238,808	31,098	18,088	1,384	1,162,444
2005	631,518	20,591	109,425	108,423	220,731	32,006	24,840	1,162	1,148,696
2006	645,109	23,128	93,314	111,228	151,130	—	21,107	799	1,045,815

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 Five Fiscal Years
 (amounts expressed in thousands)

<u>Fiscal year</u>	<u>Property tax levy</u>	<u>Lunchroom sales</u>	<u>Other local sources</u>	<u>State aid</u>	<u>Federal aid</u>	<u>Intergovernmental aid</u>	<u>Other federal aid</u>	<u>Interest and investment earnings</u>	<u>Total</u>
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

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	
1970 – 1971	5,556	157	124,783	(c)
1971 – 1972	5,811	158	123,365	(c)
1972 – 1973	5,825	160	123,432	(c)
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	

(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>1996 – 1997</u>	<u>1997 – 1998</u>	<u>1998 – 1999</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>
Senior high and middle schools:										
Principals	37	37	37	37	37	38	36	38	29	31
Assistant principals	118	120	119	111	116	113	111	108	100	82
Teachers	2,434	2,456	2,491	2,425	2,320	2,291	2,352	2,409	1,936	1,915
Total	<u>2,589</u>	<u>2,613</u>	<u>2,647</u>	<u>2,573</u>	<u>2,473</u>	<u>2,442</u>	<u>2,499</u>	<u>2,555</u>	<u>2,065</u>	<u>2,028</u>
Elementary schools:										
Principals	113	113	115	107	120	117	108	107	108	105
Assistant principals	77	81	85	79	86	84	70	71	68	66
Teachers	3,310	3,381	3,544	3,599	3,705	3,762	3,736	3,750	3,652	3,575
Total	<u>3,500</u>	<u>3,575</u>	<u>3,744</u>	<u>3,785</u>	<u>3,911</u>	<u>3,963</u>	<u>3,914</u>	<u>3,928</u>	<u>3,828</u>	<u>3,746</u>
Special schools and classes:										
Principals	3	3	3	1	1	1	1	2	2	4
Assistant principals	2	2	2	2	2	2	2	3	5	11
Teachers	691	812	791	753	741	746	721	778	612	631
Total	<u>696</u>	<u>817</u>	<u>796</u>	<u>756</u>	<u>744</u>	<u>749</u>	<u>724</u>	<u>783</u>	<u>619</u>	<u>646</u>
Summary:										
Principals	153	153	155	145	158	156	145	147	139	140
Assistant principals	197	203	206	192	204	199	183	182	173	159
Teachers	6,435	6,649	6,826	6,777	6,766	6,799	6,809	6,937	6,200	6,121
Total	<u>6,785</u>	<u>7,005</u>	<u>7,187</u>	<u>7,114</u>	<u>7,128</u>	<u>7,154</u>	<u>7,137</u>	<u>7,266</u>	<u>6,512</u>	<u>6,420</u>
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors										
	711	747	763	766	708	735	674	665	426	428
Grand total	<u><u>7,496</u></u>	<u><u>7,752</u></u>	<u><u>7,950</u></u>	<u><u>7,880</u></u>	<u><u>7,836</u></u>	<u><u>7,889</u></u>	<u><u>7,811</u></u>	<u><u>7,931</u></u>	<u><u>6,938</u></u>	<u><u>6,848</u></u>

MILWAUKEE PUBLIC SCHOOLS

Population and Pupils
Residing in the City of Milwaukee

Last Ten Fiscal Years

	<u>1996- 1997</u>	<u>1997- 1998</u>	<u>1998- 1999</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>
Total number of school age children according to city-wide child census	151,027	153,227	154,328	154,977	150,256	149,992	162,011	164,641	180,706	191,368
Enrollment for state aid:*										
Third Friday	103,507	106,337	104,249	103,660	101,744	101,618	101,715	102,033	100,403	98,209
Summer school	255	196	1,516	1,819	1,585	1,113	964	333	247	322
Total	<u>103,762</u>	<u>106,533</u>	<u>105,765</u>	<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>
Average number enrolled:										
Senior high	25,618	25,851	25,433	26,009	25,157	25,389	26,766	28,003	27,642	27,438
Junior high/middle	21,863	21,992	21,860	22,039	22,841	23,974	23,670	23,432	21,554	21,048
Elementary	58,320	58,866	58,375	57,567	55,571	53,940	52,683	51,699	49,354	48,042
Total	<u>105,801</u>	<u>106,709</u>	<u>105,668</u>	<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>
Average number attending:										
Senior high	19,188	19,758	19,382	20,463	19,396	19,727	20,936	22,251	22,127	22,046
Junior high/middle	18,758	18,746	18,603	19,168	19,848	20,927	20,843	20,968	19,225	18,736
Elementary	53,888	54,510	53,848	53,880	51,846	50,240	48,858	48,078	45,745	44,311
Total	<u>91,834</u>	<u>93,014</u>	<u>91,833</u>	<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>

* Non-resident and choice students not included.

**Milwaukee School District
Operating Statistics
Last 5 Years**

Fiscal Year	Enrollment	Operating Expenses	Cost Per Pupil	Teaching Staff	Pupil/Teacher Ratio
2006	93,516	\$ 1,126,736,506	\$ 12,049	6,974	13.41:1
2005	95,600	1,103,211,327	11,540	7,177	13.32:1
2004	97,359	1,064,725,561	10,936	7,541	12.91:1
2003	97,293	1,106,967,386	11,378	7,917	12.29:1
2002	97,749	1,007,921,116	10,311	8,299	11.78:1

Milwaukee School District
School District Employees - Full Time Staff & Part Time
Last 5 Years

	Year Ending June 30,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Supervisory					
Officials, Admin., Mgrs.	66	49	54	49	51
Principals	136	136	142	157	153
Part time profess/Ins.	601	546	574	781	966
Total supervisory	<u>803</u>	<u>731</u>	<u>770</u>	<u>987</u>	<u>1,170</u>
Instruction					
Asst. Prin. - Teach	153	161	165	167	186
Elementary Clsrn. Teach	3,673	3,678	3,736	3,877	4,025
Secondary Clsrn. Teach	1,717	1,862	2,008	2,171	2,270
Other Clsrn. Teach	498	489	589	599	591
Other Prof. Staff	406	397	397	401	377
Teacher Aides	527	590	646	702	850
Total instruction	<u>6,974</u>	<u>7,177</u>	<u>7,541</u>	<u>7,917</u>	<u>8,299</u>
Student Services					
Guidance	51	50	49	62	77
Psychological	150	140	145	148	144
Librarian/Audiovisual	44	41	32	45	67
Consultants/Supervisors	86	87	80	80	77
Technicians	71	64	64	67	57
Total student services	<u>402</u>	<u>382</u>	<u>370</u>	<u>402</u>	<u>422</u>
Support and Administration					
Clerical/Secretarial	550	558	583	612	612
Service Workers	426	440	433	432	440
Craft Workers - Skilled	408	429	448	454	467
Laborers - Unskilled	88	88	95	103	115
All other Part-time	4,848	5,206	5,984	5,283	4,736
Total support and administration	<u>6,320</u>	<u>6,721</u>	<u>7,543</u>	<u>6,884</u>	<u>6,370</u>
Total	<u>14,499</u>	<u>15,011</u>	<u>16,224</u>	<u>16,190</u>	<u>16,261</u>

**Milwaukee School District
Nutrition Services - Facts and Figures
Last 5 Years**

	Year Ending June 30,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Number of schools participating in:					
Lunch - regular schedule	185	191	187	198	185
Breakfast program	167	161	164	127	162
Snack program	78	76	55	53	39
Student lunches served:					
Free	7,327,709	7,310,144	7,475,361	7,538,727	7,419,564
Reduced	944,894	995,673	1,007,752	1,072,252	1,115,031
Fully paid	1,559,910	1,400,897	1,443,572	1,602,201	1,715,607
Total	<u>9,832,513</u>	<u>9,706,714</u>	<u>9,926,685</u>	<u>10,213,180</u>	<u>10,250,202</u>
Adult lunches served	264,314	277,116	318,878	350,769	355,662
Student breakfasts/snacks served:					
Free	2,887,277	2,508,130	2,433,390	2,134,116	2,165,639
Reduced	139,254	108,782	91,969	89,587	88,435
Fully paid	189,842	115,767	101,722	79,611	75,030
Total	<u>3,216,373</u>	<u>2,732,679</u>	<u>2,627,081</u>	<u>2,303,314</u>	<u>2,329,104</u>
Number of serving days:					
Regular schedule	204	199	195	198	176
Average daily participation:					
Student lunch	48,199	48,777	50,906	51,582	58,240
Adult lunch	1,296	1,393	1,635	1,772	2,021
Student breakfast	11,837	10,150	9,680	9,632	10,541
Student snacks	3,930	3,583	3,793	2,000	2,692
September 15 pupil count	93,516	95,600	97,359	97,293	97,749
Percentage of students daily eating school lunch	51.54%	51.02%	52.29%	52.98%	59.58%

**Milwaukee School District
Capital Asset Information
Last 5 Years**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Elementary Schools					
Number of Buildings	121	121	119	119	118
Square Footage	8,479,854	8,424,438	8,183,648	8,107,618	7,911,920
Capacity	66,416	66,036	64,083	63,310	61,247
Enrollment	52,211	52,226	52,788	52,954	53,730
Middle Schools					
Number of Buildings	16	16	16	16	16
Square Footage	2,782,081	2,782,081	2,782,081	2,782,081	2,782,081
Capacity	12,420	12,420	12,420	12,420	12,420
Enrollment	11,370	13,225	15,316	17,026	16,805
High Schools					
Number of Buildings	14	14	14	14	14
Square Footage	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365
Capacity	20,539	20,539	20,539	20,539	20,539
Enrollment	23,692	23,428	23,154	21,840	22,375
Other Schools					
Number of Buildings	9	9	9	9	9
Square Footage	1,918,916	1,918,916	1,918,916	1,918,916	1,918,916
Capacity	8,630	8,630	8,630	8,630	8,630
Enrollment	6,243	6,721	6,101	5,473	4,839
Administrative/Service					
Number of Buildings	55	55	55	55	55
Square Footage	705,268	705,268	705,268	705,268	705,268
Athletics					
Football Fields*	35	35	35	35	35
Soccer Fields**	21	21	21	21	21
Running Tracks	1	1	1	1	1
Baseball/Softball***	72	72	72	72	72
Swimming Pools	1	1	1	1	1
Playgrounds	147	147	147	147	147

*22 Recreation+13 High School

**8 Recreation+13 High School

***All Recreation

Note: Excludes leased sites