



MILWAUKEE PUBLIC SCHOOLS

Milwaukee, Wisconsin

2008

Comprehensive

Annual

Financial

Report

For the Year Ended June 30, 2008

149th EDITION

149th 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, 2008

PETER BLEWETT, President

WILLIAM G. ANDREKOPOULOS, Superintendent

Prepared by:

The Department of Finance

Chief Financial and Operations Officer

Michelle J. Nate, CPA

This page intentionally left blank.

MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2008

Table of Contents

I. Introductory Section (Unaudited)

Letter of Transmittal	iii
Board of School Directors and Standing Committees	xvi
Milwaukee School Board Districts	xvii
Administrative Officers	xviii
Organization Chart	xix
Certificate of Achievement	xx

II. Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet—Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22
Notes to Basic Financial Statements	23
Required Supplementary Information:	
Budgetary Comparison Schedule for the General Fund	70
Budgetary Comparison Schedule for the Nutrition Fund	72
Schedules of Funding Progress	73
Notes to Required Supplementary Information	75
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet—Nonmajor Governmental Funds	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Nonmajor Governmental Funds	78

MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2008

Table of Contents, Continued

II. Financial Section, Continued

Combining and Individual Fund Statements and Schedules, Continued:

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

Actual:

TEACH Wisconsin Programs Fund	79
Categorically Aided Programs Fund	80
Debt Service Fund	81
Combining Statement of Net Assets—Pension Trust Funds	83
Combining Statement of Changes in Net Assets—Pension Trust Funds	84
Schedule of Changes in Assets and Liabilities—Agency Fund	85

Statistical Section (Unaudited)

I. Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	87-90
---	-------

II. Revenue Capacity

These schedules contain information to help the reader assess the significant local revenue sources, the sales tax and the property tax, as well as other revenue sources.	91-96
--	-------

III. Debt Capacity

These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	97-99
---	-------

IV. Demographic and Economic Information

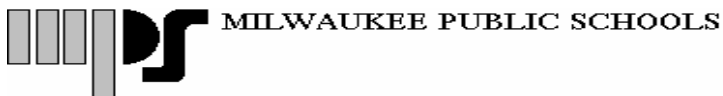
These schedules offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.	100-104
--	---------

V. Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	105-115
--	---------

Milwaukee Public Schools





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

December 12, 2008

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, 2008. The Comprehensive Annual Financial Report is management’s financial report to taxpayers, governing board, oversight bodies, voters, employees, and intergovernmental grantors. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District (“District”). To the best of our knowledge and belief, the information presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of MPS. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

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

REPORTING ENTITY

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 603,000 based on U. S. Census Bureau Data. The District operates more than 160 sites, has over 83,000 students, and employs over 10,900 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 2008 Economic Trends, August's seasonally unadjusted unemployment rate of 5.3% is higher than the 5.2% rate posted one year ago. Currently, the metro Milwaukee area's jobless rate ranks higher than the state's 4.7% but lower than the 6.1% rates posted nationally.

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

MAJOR INITIATIVES

The Milwaukee Board of School Directors adopted the following vision, mission, and goals on July 26, 2007:

Vision Statement:

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

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

Mission Statement:

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

Goals:

The goals of the Milwaukee Public Schools are:

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

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) continues to improve its performance in many areas. Measurable success relative to supporting the mission, vision, and goals of MPS for 2007-08 is evident in many areas including the high school graduation rate, standardized test data and survey results.

The MPS high school graduation rate has steadily risen over each of the last seven years, from 52% in 1999-00 to 69% in 2006-07 (as reported by the Wisconsin Department of Public Instruction), an increase of 17 percentage points. The District has closed the graduation rate gap with the state from 37 points to 22 points. However, there are still significant achievement gaps in graduation rates between white students and African-American and Hispanic students.

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 being applied are producing positive outcomes overall. Some of these strategies are continued curriculum alignment, professional development sessions for learning teams, principals, literacy coaches and mathematics lead teachers, the identification and implementation of research-proven teaching practices in all classrooms, and a model for evaluating Educational Plans and identifying/providing appropriate support.

MPS has reduced the achievement gap (percent of students enrolled scoring at/above the proficient level) with the state in mathematics on the annual WKCE in four of the seven grades assessed over a three-year period (from 2005-06 to 2007-08). The District's investment to improve math teaching and learning was supported by a National Science Foundation (NSF) grant.

The District is focusing more of its scarce resources on its lowest performing schools. It identified 23 schools for targeted assistance three years ago. Collectively, these schools recorded improvements in grades four and eight reading and mathematics on the annual WKCE, which exceeded the District from 2005-06 to 2007-08.

Responding to the need to better engage students to achieve higher academic performance, the District is continuing to expand the number of K-8 schools. Nine years ago, 12 K-8 schools accounted for less than 10% of all middle grade enrollment. In 2007-08, 62 K-8 schools account for nearly 50%. Students in K-8 schools have generally higher attendance rates and lower behavioral incident levels.

Further responding to the needs at the high school level, the District is continuing to develop smaller learning environments for students to better engage them to higher performance. Nine years ago, 15 large high schools accounted for over 90% of all high school enrollment. In 2007-08, 33 small high schools and small learning centers in three comprehensive high schools account for 44% of all high school enrollment. Smaller high

schools have generally higher attendance rates and lower levels of behavioral incidents than comparable schools.

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

The Milwaukee Public Schools strategic plan – Working Together, Achieving More – Action Plan to Improve Milwaukee Public Schools, 2007-2012, and the corresponding major initiatives support the belief that ***all children can learn and will achieve***. The strategic plan was adopted by the Milwaukee Board of School Directors in July 2007, and continues to serve as a blueprint for a system-wide effort to improve instruction and increase student achievement.

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 2007-08 progress report relative to those District initiatives that represent the major priorities and direction of the District.

1. ***Student Achievement*** – District leadership continued to build upon prior efforts to support the MPS core beliefs, capacity builders, strategic plan, collaborative partnerships, and No Child Left Behind Act (NCLB) requirements to increase student learning. The Milwaukee Partnership Academy (MPA) priorities have evolved to support mathematics, literacy, and science. Learning teams, literacy coaches, and math teacher leaders (MTL) play a critical role in supporting identified approaches.

In January 2008, the deployment of math teacher leaders (MTL) was altered in over 100 schools, facilitating their release time of approximately 80% of the day. This allows the MTL to provide embedded professional development, modeling, and assistance to school staff for the Mathematics Continuum developed by the Milwaukee Mathematics Partnership (MMP). This was a major shift resulting in more direct support to mathematics teachers. The new model allowed a continued and deepened focus on understanding and implementing learning targets, alignment of instruction to the state assessment framework, ongoing use of formative assessment including Classroom Assessments Based on Standards (CABS), examining and discussing student work, and providing descriptive feedback directly to students. The learning team provides support for this focused work.

Through close examination of District data and a survey of research and best practice, strengthening Academic Vocabulary and use of the District Reading Curriculum Pacing Guide were identified as high leverage strategies by the Wisconsin Department of Public Instruction. Support to 164 schools was provided through professional development. This number represents schools that sent teams to District training and also the 31 schools that received on-site professional development for the entire staff. In addition, literacy specialists provided ongoing support to literacy coaches for implementation of key strategies.

Fall 2007 marked the introduction of *MY Access!*, an online writing instruction and assessment tool for students in grades four through eight. This tool is one of three components of the District-adopted resources for English Language Arts. Implementation began with 16 schools with 30 additional schools being added each year. Students are able to access this resource 24 hours a day, 7 days a week. In addition to providing students with instant feedback during the writing process, the program generates a variety of reports that can be used to plan next steps for student learning. Teachers can access information to assist them in meeting students' needs in the various components of writing. Local and District administrators are able to view data at the classroom, school, and/or District level.

The first District-wide Science Fair took place on April 24, 2008. The community supported MPS by providing 63 judges. Many parents and community members came to view the 68 projects entered. As a result of this successful event, discussions within the Milwaukee Partnership Academy relative to including science as a focus for MPA work are underway. In addition, MPS and UW-Milwaukee were awarded \$836,092 grant from the Wisconsin Department of Public Instruction to support professional development in science.

On June 5, 2008, a collaborative professional development opportunity for MPS parents took place at Discovery World. The Discovery World staff provided a learning experience for parents based on the District's learning targets and the use of their state-of-the-art facility. The goal of the training was to better equip parents to make use of resources within their student's school, and within the community to further support student learning. Forty-three schools and 99 participants were involved. This opportunity will continue in 2008-09 to assure increased parent participation.

The District's Library Automation System implemented in 2007-08 will enhance student learning. This Web-based program gives students, families, staff, and community partners remote access 24 hours a day, 7 days a week to view collections across the District and reserve materials to facilitate learning.

2. ***Leadership Support and Development*** – Processes and support systems to assure quality leadership in Milwaukee Public Schools continued to be effective throughout 2007-08. Leadership support and development in Milwaukee Public Schools are essential to the District becoming a high achieving urban school District and ensuring quality leadership in the Professional Learning Community (PLC) of a school. Leadership development is guided by the knowledge of curriculum and instruction, assessment of learning, effective instructional strategies that are best practices or research-proven, and teamwork. Leadership supports are designed to directly impact student learning and achievement.

In order to support the District's goal of developing, recruiting and retaining high quality principals, the administration continued to collaborate with 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 collective responsibility. Six candidates were chosen as a result of the interview and selection processes of the organization and placed as assistant principals in MPS schools in 2007-08. Currently, 14 New Leaders have been placed in key administrative roles within MPS (four principals, six assistant principals, and four District curriculum generalists).

The 2007-08 monthly principals' meeting, sponsored and planned by the Office of Instructional and Leadership Support, focused on developing the instructional leadership skills and strategies of all school leaders while continuing to delve deeper into analyzing research-based instructional practices to actively engage students at higher levels of thinking. The meetings focused primarily on the characteristics of the high performing urban classroom, Robert Marzano's research on effective instructional strategies, and a District-designed "walkthrough" tool regarding levels of student engagement, levels of understanding and application of the knowledge presented, assessment of understanding, and identification of effective instructional strategies. Further, school leaders were provided with practical models and demonstrations to assist them in providing support at their school.

The strategic plan was the focus of three professional development days planned for MPS principals and school leaders in August 2007 at Vincent High School. Sectionals focused on the strategic plan in relation to curriculum and instruction, instructional leadership, collaboration, data analysis and mental health resources and supports for schools and students.

In addition to the professional development that took place prior to the beginning of the 2007-08 school year, the Department of Administrative Accountability held monthly workshops entitled, *Hot Topics for Beginning School Principals*, to assist and train beginning principals. From September 2007 through May 2008, approximately 25 new principals learned from presentations by experienced principals about topics such as effective instructional practices, budget, special education, classroom observations and the Educational Plan. In addition to the coach that each new principal received from the District, a mentor was also provided.

Principals were invited to attend workshops throughout the year to enhance their knowledge and skills as building managers. Many central services departments/divisions also provided ongoing training to principals and school leaders. For example, principals can enroll in a class entitled, Fundamentals of Finance. This class gave principals hands-on training on the District's financial systems and procedures. Principals were also able to enroll in training to understand the District's Data Warehouse system. At the end of the school year, *Hot Topics for School Principals* was offered. This institute provides school leaders training on effective instructional practices in reading and mathematics education.

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. In 2008-09, Leadership, Equity, and Accountability in Districts and Schools (LEADS) will be studying how school leaders spend their day to determine what percentage of time is spent on instructional or management operations.

3. ***Special Services Programs and Supports*** – Each year, the Department of Special Services conducts District-wide professional development opportunities to increase the District's capacity to support the special learning needs of all students with disabilities in the general curriculum as well as to support students identified as at-risk in academic skill development. During the 2007-08 school year, the department offered targeted professional development and ongoing support opportunities for teachers who support the unique needs of students with significant cognitive disabilities, severe emotional behavioral disabilities, autism spectrum disorders and early childhood. Additional special support was offered to teachers of bilingual students. The department supported professional development throughout the District in reading intervention strategies for students with special needs, as well as training and support relative to the Wisconsin Knowledge and Concepts Examination (WKCE) assessment and administration of the Wisconsin Alternate Assessment (WAA). District-wide training and support was offered for regular and special education teachers in the development of academic accommodations/modifications and supports for students with special needs and in supporting the implementation of functional behavioral assessments and behavioral intervention planning for students with challenges in this area. Targeted training and support for paraprofessionals and handicapped children's assistants was focused on providing positive behavior support to students.

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

Training opportunities were widely offered to increase the capacity of staff and effectiveness of regular and special education classroom routines and social-emotional behavioral interventions to maximize student outcomes in all areas. School-wide support was offered in over 95 MPS schools through the Optimizing Support through Problem Solving (OSPS) program. Supports to building staff included training regarding processes for data collection and analysis of education issues (achievement, behavioral, etc.), development of plans for research and scientifically based interventions to address identified issues, and specific strategies for measuring and monitoring progress. Staff supported suspension reduction and alternatives to suspension activities for students with disabilities.

The District continues to contract with Milwaukee County Wrap Around to support three MPS-dedicated Mobile Urgent Treatment Teams (MUTT) which support students in schools that are having significant mental health crisis issues. MUTT services include face-to-face crisis intervention, telephone consultation and support, professional development in the area of mental health intervention, and follow up crisis stabilization support. The partnership with Milwaukee County Wrap Around was extended by the implementation of the REACH program, which provides wrap around services for up to 300 MPS students and families.

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

MPS identified a research-based reading curriculum called Language! that is designed to target special education students who are performing below proficient on statewide assessments. Training was initiated for 2008-09 implementation. Collaboration with the Division of Teaching and Learning focused on the development and implementation of mathematics accommodations and supports.

The Special Education Oversight Action Plan (SOAP) includes multiple requirements for effective monitoring strategies of the District's compliance to the requirements of the Individuals With Disabilities Education Act (IDEA-2004). The following activities were successfully implemented during 2007-08: Continuous Improvement Focused Monitoring (CIFM), IEP timeline oversight, school-based service delivery and staff caseload review, and the Parent Dispute Monitoring System (PDRS), which incorporates training and accountability through a technology-based monitoring system. The Parent Dispute Resolution System (PDRS) supports the resolution of parent concerns and issues, with new reports developed to assist principals with follow through on parent concerns.

Collaboration between the Department of Special Services and the Wisconsin Department of Public Instruction (DPI) during 2007-08 supported the mission of the District. MPS and DPI worked to revise the 2007-08 continuous improvement focused monitoring (CIFM) system to align with new IDEA-2004 standards. Results continue to demonstrate significant increases in District-wide compliance to both state and federal requirements. DPI continues to work with MPS and other Districts across the state to modify the statewide assessments for students with disabilities and to include life skills as part of the extended alternate state standards for students with disabilities.

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

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

Milwaukee Public Schools continues to monitor grant resources to assure that the benefit of those dollars outweigh 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*** – The Milwaukee High School Redesign Initiative continued to focus on the development of a portfolio of high school options through which each student in Milwaukee is able to find a high school that meets their interests and needs. This focus continued with the development of small learning communities in large high schools using the First Things First (FTF) framework. These efforts continued at Bradley Tech and Pulaski, and implementation was launched at James Madison Academic Campus. By the middle of second semester, the implementation of the FTF framework accelerated with external reviews identifying practices typical in second year schools.

Efforts of innovation to create new and more successful high school options for all young people in Milwaukee continued with positive outcomes. For the third year, Community High School graduated 100% of its grade 12 students with 100% of these students enrolled in college or accepted into the military at the time of graduation. Marshall Montessori International Baccalaureate (MMIB) High School also noted the same accomplishment. In addition, MMIB outperformed all but two MPS high schools on WKCE tests. Ronald Reagan College Preparatory High School graduated its second class of International Baccalaureate students and continues to achieve significant growth on grade 10 WKCE tests.

As the Milwaukee High School Redesign Initiative moves forward, the District continues to focus on supporting the new, small high schools, and the schools implementing the First Things First framework. MPS joined the Stanford University Leadership, Equity, and Accountability in Districts and Schools (LEADS) network to better support the changes and the development of a collaborative leadership team to build capacity for sustainability. A \$4.8 million grant from the U.S. Department of Labor to improve high schools in Milwaukee was awarded to Milwaukee Public Schools. One of the activities associated with the grant focused on developing a new, small high school to support students returning to high school after a period of adjudication or expulsion. Transition High School opened as part of this effort and enrolled 40 students in the second semester of the 2007-08 school year. Students engage in online courses and experiential learning to accelerate their learning and to build resiliency and capacity to move forward.

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

During the 2007-08 school year, efforts to plan for successful implementation of Safe Schools/Healthy Students programming took place. The initial training of school staff and students in several of the selected programs began during the second semester. Over 200 staff and 100 students received training in restorative practices. Approximately 225 staff received Teaching with Love and Logic training and 14 parent facilitators received intense training to become facilitators for the Parenting with Love and Logic class, scheduled for fall 2008. Over 250 staff received COMP training during the spring and summer as well. A plan was developed and presented to the Milwaukee Board of School Directors regarding developing alternatives to suspensions and expulsions. Implementation plans are being coordinated for the upcoming school year.

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

community. Students will resolve their own problems and build the skills necessary to be successful in their future. Through the circle process, schools build a sense of caring, respect and community.

Project Staying Alive, developed collaboratively by the Milwaukee Fire Department, Project Ujima, Milwaukee Public Schools and Children's Hospital, teaches grade six students how to resolve conflicts and eliminate unintentional injuries. Fire fighters support conflict resolution curriculum by working with teachers and teaching two lessons in the classroom. In 2007-08, over 250 sixth-grade students successfully completed Project Staying Alive.

The Center for Neighborhood Enterprise – Violence Free Zones youth advisors work at developing relationships with students, mentoring and encouraging them to focus on school. The youth advisors focus on working with the most disruptive students. They often work with students in grade nine, which data shows to be one of the most challenging years for students. The 2007-08 data shows that schools with CNE have decreased suspensions, which means students are in school more to develop the skills and knowledge necessary for graduation.

The Behavioral Health Social Worker Liaison worked with school staff to support mental health services and behavioral needs. In 2007-08, nine students participated in the REACH program (a non-court ordered wraparound support program) as a result of the Social Worker Liaison. Members of the Mobile Urgent Treatment Team also worked with the schools and supported training for central services personnel who work with families and students. Efforts continue to be made to connect with community resources to develop better mental health services for children.

The Milwaukee Police Department has increased collaboration with Milwaukee Public Schools. Along with the rest of the SS/HS partners, members of the Milwaukee Police Department attend the monthly Core Management Team meetings to discuss safety and climate concerns and supports. Two school resource officers were trained to start providing service at Northwest Secondary School for the 2008-09 school year. The evaluation of this initiative, led by the University of Wisconsin-Milwaukee, will help determine the successes for continued implementation.

7. ***Student Healthcare Initiative*** – Students become healthy, life-long learners when they have access to health and wellness care that reduces health-related barriers to learning. Health Services continues to work with both internal and external partners to standardize services, evaluate processes and outcomes, build capacity for health services, and align with the MPS mission, vision, core beliefs and strategic plan to reduce health-related barriers to learning.

Many of the health initiatives begun in the last few years have grown, while others have emerged to meet the growing health disparities that affect student achievement. The Milwaukee Student Health Initiative (MSHI) provided nursing services at a level comparable to the *Healthy People 2010* recommended ratios in 40 schools during 2007-08, and is projected to serve a total of 58 in 2008-09. This expansion of nursing along with additional social work and psychology services creates interdisciplinary teams that effectively assess and meet complex student health needs. Significant successes include: improved immunization rates; an 87% return-to-class rate for students receiving nursing intervention for a health issue; and the improvement of the overall MPS nurse-to-student ratio to 1:2,647 from 1:8,500 (2003). A rigorous formal evaluation is in progress to assess the MSHI impact on attendance and achievement, as well as indicators for process improvement over the long term.

Partnerships continue to provide added value for health services. Partners include Aurora Health Care, Aurora Visiting Nurse Association, Children's Hospital and Health System, Columbia-St. Mary's Madre Angela Dental Clinic, Froedtert Memorial Lutheran Hospital, Medical College of Wisconsin, Milwaukee Health Department, UWM College of Nursing, and many other colleges, universities and community partners. School nursing services were provided in 107 schools in conjunction with partners. In addition, School Nutrition Services has supported student health with the Student Nutrition and Wellness policy, as well as universal free breakfast in the classroom.

Improving service and leveraging partnerships to impact student health has resulted in an expansion of the oral health prevention program to include restorative care, a “universal” electronic health record that follows students between schools and school health providers, and an expansion of the Heartsafe Schools program that will have all MPS locations equipped with an automatic external defibrillator (AED) by the end of the 2008-2009 school year. The Heartsafe Schools program was responsible for saving three lives in 2007-08 alone, and added an extra dimension of health and safety for our entire community.

In addition, MPS school nurses will be working with the health education staff at ten schools to reinforce students’ understanding of asthma and its management. Each school nurse will meet with students with a history of asthma at least twice, coordinating their care with parents and health care providers. In addition, school staff will be inserviced by Fight Asthma Milwaukee staff. This is a five-year grant with ten schools being added each year.

Milwaukee Public Schools received \$2 million from Governor Doyle’s budget to increase the number of school nurses in Milwaukee Public Schools. It is anticipated that school nurses will be added through August 2009 until an additional 24 school nurses have been hired to assist students in at least 30 new schools.

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, 2008, 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. Additionally, at year-end, both encumbrance and budgetary authority necessary to offset the encumbrance may be automatically carried over to the next year. Annual Board approval for carryover of encumbrances is not required.

AUDIT SERVICES

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

LONG TERM FINANCIAL PLANNING

The District long-term financial target is to increase resources used to support instruction and instructional support to 65% compared to state-wide average of 62.97% by 2012. Each half percent of the District's budget equals approximately \$5.8 million. Additionally, the District will work with local, state and federal lawmakers to ensure appropriate funding for K-12 education in general and for specific programs including Student Achievement Guarantee in Education program (SAGE), 21st Century Community Learning Centers and special education; and work to protect Milwaukee taxpayers from inequitable fiscal policies, such as the funding flaw in the Milwaukee Parental Choice Program.

CASH MANAGEMENT

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

- Time deposits with maturities of not more than 3 years.
- Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- The state of Wisconsin local government pooled investment fund.
- Bonds or securities of any county, city, drainage District, vocational or technical college, village, town, school District in Wisconsin, local exposition District, local professional baseball park District, or the University of Wisconsin Hospitals and Clinics Authority.
- Fully collateralized repurchase agreements.
- Any security that matures within 7 years and has a credit rating which is the highest or second highest rating assigned by Standard & Poor's corporation, Moody's investor service, or other similar nationally recognized rating agencies.
- No-load securities of open-end, registered, management investment companies or investment trusts.

The District has funds invested in overnight repurchase agreements, money market funds, U.S. Treasury 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.

RISK MANAGEMENT

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

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

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

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

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

DEBT ADMINISTRATION

The City school bonds, notes and capital lease obligations outstanding at June 30, 2008 totaled \$418,343,863. Of this total, \$84,878,985 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 \$333,464,878 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

INDEPENDENT AUDIT

The financial records of the Milwaukee Board of School Directors have been audited by 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, 2008, 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, 2007. We believe that our current report conforms to the Certificate program requirements. Accordingly, we are submitting it to GFOA to determine its eligibility for certification.

ACKNOWLEDGMENTS

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

Respectfully submitted,

WILLIAM G. ANDREKOPOULOS
SUPERINTENDENT OF SCHOOLS

MICHELLE J. NATE, CPA
CHIEF FINANCIAL AND OPERATIONS OFFICER

BOARD OF SCHOOL DIRECTORS

DISTRICT	NAME	ADDRESS	TERM EXPIRES
1	Tim Petersons	12023 W. Rio Street (53225)	April, 2011
2	Jeff Spence	3180 N. Colonial Drive (53222)	April, 2011
3	Michael Bonds	3519 N. 50 th Street (53216)	April, 2011
4	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 (53219)	April, 2009
8	Terrence Falk	2978 S. Wentworth Avenue (53207)	April, 2011
At-Large	Bruce Thompson	2837 N. Marietta Avenue (53211)	April, 2011

President – Peter Blewett
 Vice President – Michael Bonds
 Superintendent of Schools – William G. Andrekopoulos
 Director, Office of Board Governance/Board Clerk – Lynne A. Sobczak

STANDING COMMITTEES

INNOVATION/SCHOOL REFORM COMMITTEE

Directors Morales (Chair), Goldberg (Vice-chair), Bonds, Falk, Hardin

LEGISLATION, RULES AND POLICIES COMMITTEE

Directors Blewett (Chair), Morales (Vice-chair), Bonds, Goldberg, Thompson

FINANCE/PERSONNEL COMMITTEE

Directors Bonds (Chair), Hardin (Vice-chair), Blewett, Morales, Petersons

STRATEGIC PLANNING AND BUDGET COMMITTEE

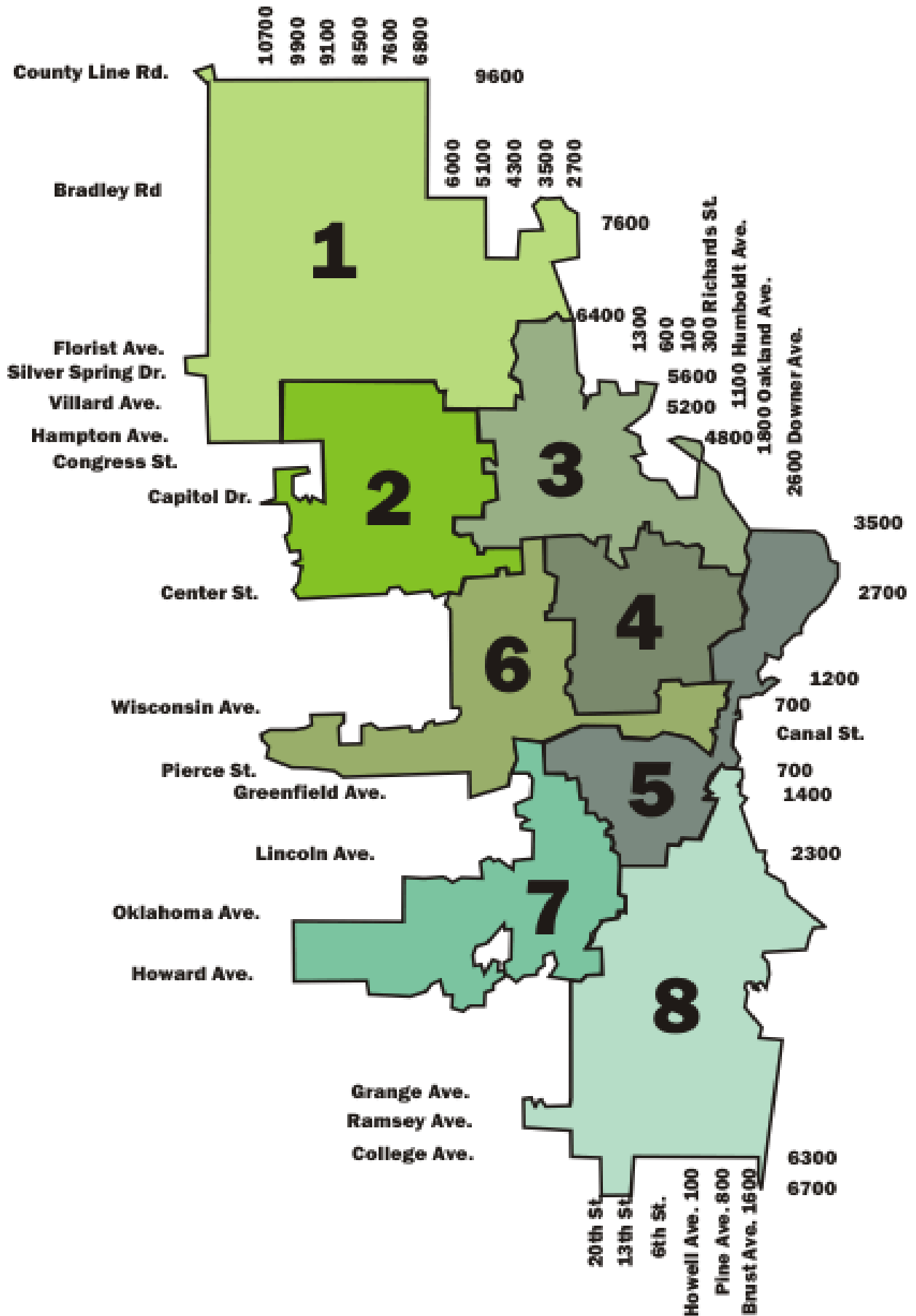
Directors Falk (Chair), Petersons (Vice-chair), Blewett, Bonds, Goldberg, Hardin,
Morales, Spence, Thompson

SPECIAL EDUCATION COMMITTEE

Directors Spence (Chair), Thompson (Vice-chair), Falk, Goldberg, Petersons

SAFETY AND CLIMATE COMMITTEE

Directors Hardin (Chair), Bonds (Vice-chair), Blewett, Spence, Thompson



**MILWAUKEE PUBLIC SCHOOLS
ADMINISTRATIVE OFFICERS**

SUPERINTENDENT OF SCHOOLS

Executive Director, Human Resources

Chief Financial and Operations Officer

Director, Instructional Leadership and Support

Director of Special Services

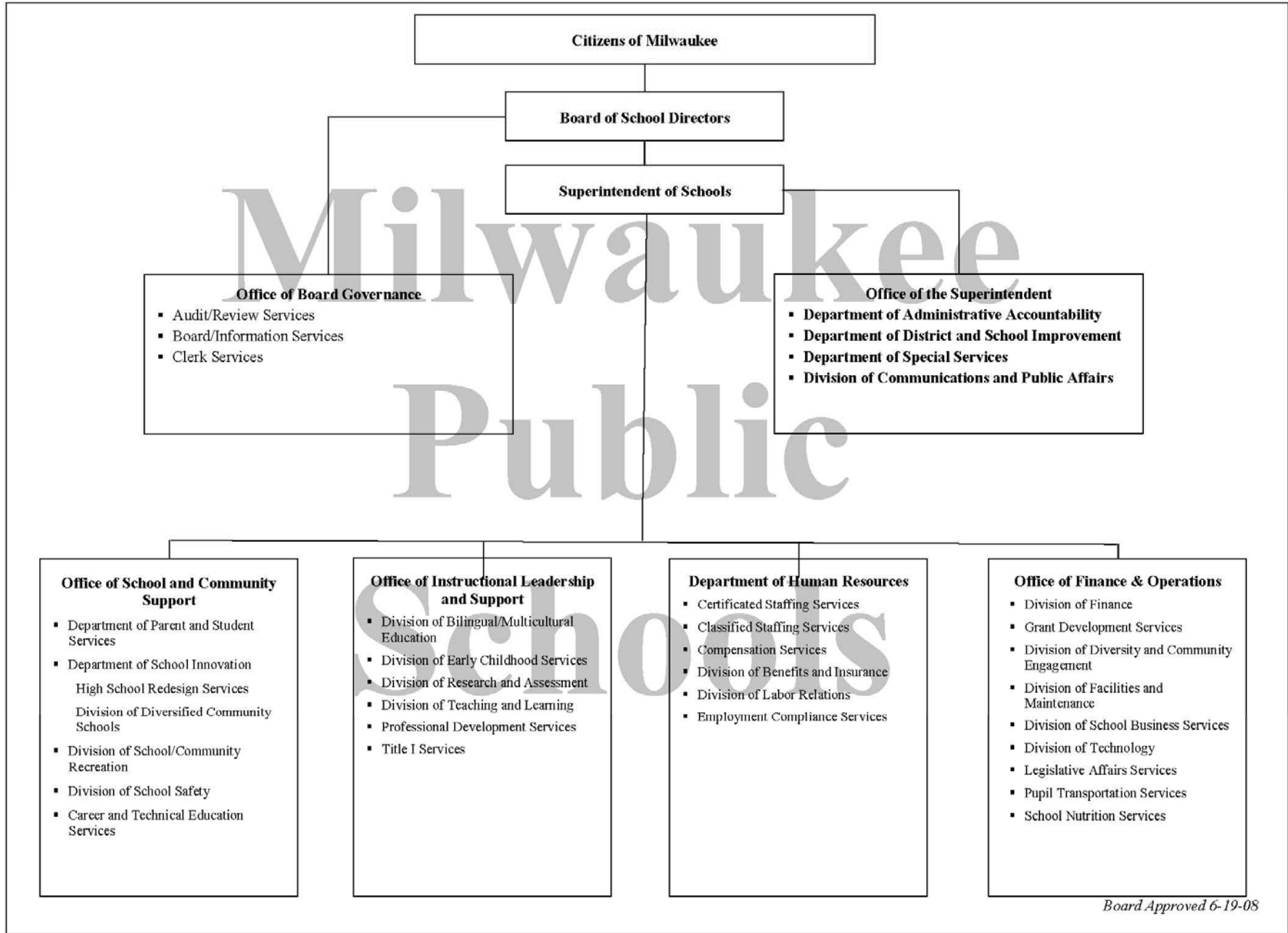
Mr. William G. Andrekopoulos

Ms. Deborah Ford

Ms. Michelle J. Nate

Ms. Arleen Dansby

Ms. Patricia Yahle



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, 2007.

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, 2007

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.



Clare S. Cox

President

Jeffrey R. Emer

Executive Director

This page intentionally left blank.



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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1(q), the District adopted the provisions of Government Accounting Standards Board Statement No 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
Milwaukee Public Schools

The management's discussion and analysis and budgetary comparison information and schedules of funding progress on pages 3 through 14 and pages 70 through 75 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.

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

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

Vicklow, Krause & Company, LLP

Milwaukee, Wisconsin
December 12, 2008

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(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, 2008. The intent of the management discussion and analysis is to look at the financial performance of MPS as a whole. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

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

- Total net assets of MPS decreased to \$250.3 million at June 30, 2008, from \$387.5 million at June 30, 2007, a decline of approximately \$137.2 million, or 35.4%. Of this decrease, \$131.0 million is attributable to the District's Other Post Employment Benefits (OPEB) liability at year-end. Fiscal year 2008 is the first year MPS is reporting its OPEB obligation.
- Total revenues increased to \$1.192 billion in fiscal year 2008, up from \$1.146 billion in fiscal year 2007, an increase of approximately 4.0%.
- Total expenses increased to \$1.329 billion, up from \$1.147 billion for the year ended June 30, 2007, an increase of 15.9%. The increase is largely attributable to the cost of the District's OPEB obligation.

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

- Total fund balances of the District's governmental funds decreased \$14.9 million in fiscal year 2008. This decrease included a \$12.4 million decline in the General Fund, a \$1.1 million decrease in the Construction Fund, a \$0.4 million decrease in the School Nutrition Fund, and a \$1.0 million decrease in the Nonmajor Governmental Funds.
- The decrease in the General fund balance is primarily the result of a decrease in the equalization aid of \$15.8 million. The decrease in the Construction fund balance is attributable to timing differences between when revenues are received and expenditures are made. In fiscal year 2008 the District received debt proceeds of \$6.0 million from the City of Milwaukee for construction projects begun in fiscal year 2007, and received \$3.0 million in insurance proceeds as reimbursement for costs associated with a fiscal year 2007 fire at Franklin School.
- The decrease in the School Nutrition fund balance is attributable to larger than expected participation levels in the breakfast and lunch programs as well as increases in food costs. Management expects School Nutrition surpluses in future years to eliminate the fund balance deficit. The decrease in the Nonmajor Governmental fund balance is attributable to a \$1.0 million principal payment on an outstanding TEACH loan from the State of Wisconsin.
- Total fund balances for all governmental funds at June 30, 2008 were \$106.0 million. Of this amount, \$25.6 million was reserved for encumbrances, \$0.7 million was reserved for inventories, \$22.5 million was reserved for self-insurance and prepaid expenditures, \$6.8 million was reserved for the School Nutrition deficit, \$27.1 million was reserved for debt service, and \$23.3 million remains unreserved.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

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

3. Required Supplementary Information (RSI)

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

The **Management's Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2008. 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, 2008

(Unaudited)

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

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

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

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

Required supplementary information (RSI) includes a budget-to-actual comparison that provides readers with information about the accuracy with which management was able to project the District’s revenue and expenditure categories. In addition, RSI includes information concerning MPS’ employee pension

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

plan costs and OPEB. Two pension-related schedules are included. One schedule shows the District's progress toward funding its *past* service liability. The other is a schedule of employer contributions that focuses on payment of *current* pension fund costs.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

Total net assets decreased from the prior year by \$137.2 million. This decrease is largely the result of the District's Other Post-Employment Benefit (OPEB) liability. The Government Accounting Standards Board Statement 45 requires MPS to report its OPEB liability beginning with the 2008 fiscal year. The District's OPEB obligation at June 30, 2008 was \$131.0 million. This amount reflects the unfunded portion of the fiscal year 2008 cost of healthcare benefits owed to current and future MPS retirees. The District's total OPEB liability as actuarially determined at July 1, 2007 is \$2.223 billion.

MPS ended its fiscal year with net assets of \$250.3 million, of which \$483.9 million was invested in capital assets (net of related debt), \$16.0 million was restricted for debt service, and (\$249.6) million was an unrestricted deficit. The unrestricted deficit is the result of the OPEB liability note above as well as the District's pension liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of \$168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2008 the balance of the outstanding pension debt grew to \$171.1 million due to the fact the pension financing included capital appreciation securities which accrete over time.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Table 2

Condensed Statement of Net Assets

(in thousands)

	Government-wide Activities		
	2008	2007 (restated)	Difference
Capital assets, net	\$ 643,539	\$ 641,008	\$ 2,531
Noncapital assets	195,294	199,143	(3,849)
Total assets	<u>838,833</u>	<u>840,151</u>	<u>(1,318)</u>
Current liabilities	104,713	88,425	16,288
Noncurrent liabilities	483,776	364,184	119,592
Total liabilities	<u>588,489</u>	<u>452,609</u>	<u>135,880</u>
Net assets:			
Invested in capital assets, net of related debt	483,878	473,613	10,265
Restricted	16,045	14,473	1,572
Unrestricted (deficit)	<u>(249,579)</u>	<u>(100,544)</u>	<u>(149,035)</u>
Total net assets	<u>\$ 250,344</u>	<u>\$ 387,542</u>	<u>\$ (137,198)</u>

Capital Assets increased by \$2.5 million. Increases occurred in all categories including buildings, software, furniture, and equipment. Notable changes in Noncapital Assets occurred in the areas of Cash and Investments, Prepaid Expenses, and Restricted Cash and Investments. Cash and Investments were up \$12.4 million, which is attributable to a decrease in Prepaid Expenses of \$10.5 million. The District prepays expenses in the current year to maximize state equalization aid in the following year. Fewer prepayments were made in fiscal year 2008. Restricted Cash and Investments declined \$8.1 million due to cost reimbursements for debt-funded projects.

Current liabilities rose \$16.3 million in the current year due to increases in operating cost and changes in timing of payments. Recording of the OPEB liability materially affected the noncurrent liabilities which rose \$119.6 million.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2008 with a decrease in net assets of \$137.2 million, compared to a decrease of \$266,000 in fiscal year 2007.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

	Government-wide Activities		
	2008	2007	Difference
Program revenues:			
Charges for services	\$ 16,989	\$ 15,447	\$ 1,542
Operating grants and contributions	268,075	230,623	37,452
Capital grants and contributions	10,907	5,371	5,536
Total program revenues	295,971	251,441	44,530
General revenues:			
Property taxes	251,077	230,346	20,731
Other taxes	134	2,370	(2,236)
Federal and state aid	641,414	657,837	(16,423)
Interest and investment earnings	2,496	3,536	(1,040)
Miscellaneous	818	916	(98)
Total general revenues	895,939	895,005	934
Total revenues	1,191,910	1,146,446	45,464
Expenses:			
Instruction	826,043	676,036	150,007
Community services	19,658	20,110	(452)
Pupil and staff services	132,463	122,203	10,260
General administration	117,405	111,430	5,975
Business services	176,007	162,219	13,788
School nutrition	40,654	36,516	4,138
Interest on long-term debt	16,771	18,131	(1,360)
Other	108	67	41
Total expenses	1,329,109	1,146,712	182,397
Increase (decrease) in net assets before restatement	(137,199)	(266)	(136,933)
Restatement	-	1,568	(1,568)
Increase (decrease) in net assets after restatement	\$ (137,199)	1,302	(138,501)

- Total revenues increased \$45.0 million, or 4.0% over the prior year. The largest increase, \$37.5 million, came in the area of operating grants and contributions including increases in Title I and Title II revenues of \$16.1 million and \$15.3 million respectively, and a \$2.7 million rise in revenues from the SAGE program. The rise in property taxes of \$20.7 million offset a reduction in state equalization aid of \$15.8 million. State equalization aid and local property tax levy are the two principal elements of the state-imposed revenue limit. As one decreases, the other must increase in order to maximize revenues. Although the property tax levy increased in fiscal year 2008, the tax levy was \$15.1 million below the maximum allowed under the revenue limit.
- Capital grants and contributions increased \$5.5 million, a 103% increase over the prior year. This increase is attributable to \$6.0 million in proceeds from City of Milwaukee debt issued on behalf of MPS, and \$3.0 million insurance proceeds received as a result of a fire at Franklin School in fiscal year 2007.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

- Total expenses grew by \$182.4 million, or 15.9%. This growth in expenses is primarily attributable to a \$150.0 million increase in instruction costs, a \$10.3 million rise in pupil and staff services, and an increase of \$13.8 million in business services. The large rise in instruction costs is attributable to a \$124.0 million allocation of the District's Other Post-Employment Benefits (OPEB) obligation and a \$17.8 million increase in the fiscal year 2008 budget for instruction costs. The increase in pupil and staff services is the result of a budget increase primarily in the areas of salaries, wages, and benefits. The increase in business services was distributed across the board including a \$3.0 million increase in transportation expense, a \$2.1 million increase in compensated absences, and a \$1.1 million increase in workers' compensation.

Capital Assets

Table 4 shows that at June 30, 2008, MPS had \$1.068 billion invested in capital assets including land, buildings, leasehold improvements, furniture and equipment, and software. This amount represents a net increase of \$23.7 million from the previous year. Net increases occurred in the areas of buildings and software. The \$26.2 million rise in the value of the buildings account matched the decrease in the construction in progress account. Construction work in progress included various construction and cyclical maintenance projects. No new buildings or building additions were constructed.

Software increases totaled \$3.3 million while software decreases were only \$0.2 million. The increases reflect upgrades to existing software systems. With respect to the furniture and equipment account, increases were only \$0.9 million while decreases were \$1.4 million. The District's declining enrollment led to fewer furniture and equipment purchases. More detailed information can be found in Table 4 and in Note 5 to the District's financial statements.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Table 4

Change in Capital Assets (in thousands)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets:				
Land	\$ 31,498	\$ —	\$ —	\$ 31,498
Construction in progress	14,190	21,065	26,158	9,097
Buildings	918,169	26,158	—	944,327
Leasehold improvements	6,083	7	—	6,090
Furniture and equipment	48,193	919	1,402	47,710
Software	26,390	3,267	166	29,491
Total capital assets	<u>1,044,523</u>	<u>51,416</u>	<u>27,726</u>	<u>1,068,213</u>
Accumulated depreciation	<u>(403,514)</u>	<u>(22,642)</u>	<u>(1,482)</u>	<u>(424,674)</u>
Totals	<u>\$ 641,009</u>	<u>\$ 28,774</u>	<u>\$ 26,244</u>	<u>\$ 643,539</u>

Long-term Debt

Long-term debt at June 30, 2008 was \$333.5 million. Debt retirements totaled \$8.6 million, and no new debt was issued during fiscal year 2008.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Table 5

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

	<u>July 1, 2007</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2008</u>
Governmental activities:				
Americans with Disabilities				
Act loans	\$ 9,600	\$ —	\$ 861	\$ 8,739
TEACH loan	6,511	—	1,991	4,520
Neighborhood School				
Initiative bonds	108,181	—	1,733	106,448
Qualified Zone Academy bonds	9,898	—	1,528	8,370
Financial and Student				
Tracking note	2,396	—	1,331	1,065
Pension refinancing debt	168,703	—	(2,397)	171,100
Capital leases	36,470	—	3,300	33,170
Other intergovernmental debt	290	—	237	53
Total debt	<u>\$ 342,049</u>	<u>\$ —</u>	<u>\$ 8,584</u>	<u>\$ 333,465</u>

The proceeds from Americans with Disabilities Act loans are used to make modifications to MPS facilities to accommodate people with disabilities. These activities are ongoing and additional loans are anticipated.

The District reduced TEACH loans outstanding in the 2008 fiscal year by \$2.0 million. The TEACH wiring loan program is sponsored by the state of Wisconsin and provides loans to schools and libraries for the purpose of installing the telecommunications wiring infrastructure necessary to provide local area networking and internet connections. This program offers a significant benefit to MPS in that one-half the amount borrowed is immediately forgiven by the state. MPS has entered into two TEACH loan agreements with the state totaling \$15,144,033.

The NSI debt is part of a state of Wisconsin-sponsored program intended to increase the capacity and improve the quality of Milwaukee's neighborhood schools. The outstanding debt is in the form of revenue bonds issued by the Redevelopment Authority of the City of Milwaukee on behalf of MPS, and is secured through bond insurance and a moral obligation pledge by the state of Wisconsin. A total of \$112,040,000 of NSI debt was issued, with the first tranche issued in February 2002 (Series 2002A) in the amount of \$33,300,000, and the second tranche sold on November 5, 2003 (Series 2003A) in the amount of \$78,740,000. On February 1, 2007 MPS completed an advance refunding of \$29,260,000 of the second tranche (Series 2003A) and also retired \$5.1 million of bonds from that same tranche. Approximately \$1.7 million of NSI debt was retired in fiscal year 2008.

The Qualified Zone Academy Bond (QZAB) debt is in the form of lease-purchase agreements collateralized by the assets purchased with the proceeds. The QZAB program is sponsored by the Internal Revenue Service (IRS) and provides interest-free capital for the purpose of promoting academic programs

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

in partnership with the business community. QZAB debt has been used to support the purchase of furniture and equipment, and to make building improvements at several MPS schools. Interest on the debt is paid by the IRS via tax credits to the lender. QZAB debt decreased by \$1.5 million in fiscal year 2008.

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

In December 2003, the city of Milwaukee, in connection with an intergovernmental cooperation agreement, issued \$168,051,136 in bonds on behalf of the District to refund pension-related debt for the Wisconsin Retirement System totaling \$165,505,293. In June 2006, MPS spent \$5.9 million to retire \$8.5 million of face value pension-related capital appreciation notes. The fiscal year 2008 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

MPS has entered into capital leases for the purpose of making major modifications to five school facilities. The five include the Milwaukee Education Center (MEC), Grand Avenue School, Congress School, Craig Montessori School, and Fratney Street School. The financing vehicle for all capital leases is lease revenue bonds. The MEC and Grand Avenue debt will be retired in 2014, while the Congress, Craig, and Fratney debt will be retired in 2026.

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

FUND FINANCIAL STATEMENTS

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

- The year-end General fund balance decreased \$12.4 million over the prior year-end. The decrease is primarily the result of a decrease in the amount of equalization aid the District received by \$15.8 million.
- The Construction fund balance decreased \$1.1 million due to timing differences between when revenues are received and expenditures are made. In fiscal year 2008 the District received debt proceeds of \$6.0 million from the City of Milwaukee for construction projects begun in fiscal year 2007, and received \$3.0 million in insurance proceeds as reimbursement for costs associated with a fiscal year 2007 fire at Franklin School.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

NOTES TO BASIC FINANCIAL STATEMENTS

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

BUDGETARY HIGHLIGHTS

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

In May 2007, the MPS Board of School Directors (the Board) adopted the District's fiscal 2008 budget (July 1, 2007 – June 30, 2008). The adopted budget by necessity used a *projection* of the fiscal 2008 student enrollment. In October 2007, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2007, as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state general aids and property taxes, are predicated on actual MPS enrollment.

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

In October 2007 the Board approved a revised fiscal year 2008 (FY08) General Fund expenditure budget in the amount of \$1,176,443,354. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures came within 2.2% of the FY08 adopted budget.

Current Economic Facts and Next Year's Budget

The District adopted a long-range strategic plan in July 2007. The FY09 budget reflects the themes of the plan. The budget also relates performance measures, district objectives and the dollars that support them.

District enrollment declined 1.8% in fiscal year 2009 due to demographics and competition from both private and public schools. Student participation in the Milwaukee Parental Choice Program (school vouchers) is a major factor in declining enrollments. As a result of the enrollment decline and excess building capacity, the MPS Board of School Directors closed two schools in fiscal year 2009. In the previous year MPS closed four schools.

In October 2008 the MPS Board approved a revised FY09 General Fund budget of \$1,213,336,666 including prior year encumbrances and carryover authority. This represents a 5.4% increase over the revised 2008 general fund budget.

The state-imposed revenue limit for FY09 increased to \$877,606,667, a 0.7% rise over FY08. State general aids decreased 2.6% to \$596,889,478 as factors included in the state's equalization aid formula negatively affected MPS. In October 2008, the Board of School Directors voted to increase the District's

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

property tax levy by the full amount allowed under the revenue limit. The Board adopted a FY09 all funds property tax levy of \$287,778,700, a 14.6% increase over the FY08 levy.

The fiscal year 2009 budget process started earlier than it did in past years which allowed the District to assess and address its staffing needs earlier. Milwaukee Public Schools is now able to compete better with other school districts for the best professionals available.

The FY09 budget added 24 registered nurses funded through a \$1.5 million state grant. Since 2001, the District has been able to improve its nurse-to-student ratio from 1 to 8,500 to a projected 1 to 1,280 in FY09. Data shows that 87% of students requiring health services are able to return to class after nursing intervention.

MPS is committed to supporting the arts and arts education. For FY09, \$1.9 million will provide students access to art, music and physical education services that would otherwise be unavailable because of school funding issues. In addition, the highly successful "Partnership for the Arts" is funded at \$1.2 million in the FY09 budget. The program is designed to expand arts opportunities in the community while increasing resources and arts education. The money requires a dollar for dollar match from outside sources.

The District's efforts to improve reading and math skills continues in FY09. The proposed budget fully implements a \$2.3 million comprehensive literacy curriculum designed specifically for students in grades 3 to 12 who are two or more grades behind in reading or scoring at or below the 40th percentile on standardized tests. MPS in FY09 will review how it spends its resources on reading to identify the best ways to provide a more systematic and predictable approach to teaching vital reading skills. The District is also continuing its math initiative in FY09. The state is providing \$10 million to maintain 112 math teacher leader positions and MPS is contributing \$2.1 million for related professional development.

REQUESTS FOR INFORMATION

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

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

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

**BASIC FINANCIAL
STATEMENTS**

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2008

		<u>Governmental activities</u>
Assets		
Current assets:		
Cash and investments (note 2)	\$	69,116,882
Accounts receivable, net (note 3)		7,410,745
Due from other governments (note 3)		59,860,282
Inventory (note 1(g))		739,425
Prepaid expenses (note 1(g))		18,807,391
Total current assets		<u>155,934,725</u>
Noncurrent assets:		
Restricted cash and investments (note 1(d))		33,088,526
Deposits for self-insurance (note 1(l))		3,665,896
Deferred charges—bond issuance costs (note 1(m))		2,605,215
Capital assets not being depreciated (note 5)		40,594,955
Capital assets being depreciated, net (note 5)		602,943,857
Total noncurrent assets		<u>682,898,449</u>
Total assets		<u>838,833,174</u>
Liabilities		
Current liabilities:		
Accounts payable and other current liabilities		75,665,163
Accrued interest payable on long-term liabilities		4,273,262
Unearned revenue (note 1(i))		2,637,552
Current portion of long-term obligations (note 7)		22,137,748
Total current liabilities		<u>104,713,725</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		483,775,624
Total liabilities		<u>588,489,349</u>
Net Assets		
Invested in capital assets, net of related debt		483,877,761
Restricted for debt service		16,045,169
Unrestricted		(249,579,105)
Total net assets	\$	<u><u>250,343,825</u></u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2008

Functions/programs	Expenses	Program revenues		Net (expenses) revenues and changes in net assets	
		Charges for services	Operating grants and contributions		Capital grants and contributions
Governmental activities:					
Instruction	\$ 826,043,487	9,168,741	211,544,865	10,906,976	(594,422,905)
Support services:					
Community services	19,658,453	2,333,636	6,389,186	—	(10,935,631)
Pupil and staff services	132,463,255	—	10,811,749	—	(121,651,506)
General, administration, and central services	117,404,599	—	—	—	(117,404,599)
Business services	176,006,641	1,571,882	6,867,633	—	(167,567,126)
School nutrition services	40,654,079	3,915,031	32,462,000	—	(4,277,048)
Interest on long-term debt	16,771,008	—	—	—	(16,771,008)
Other	107,547	—	—	—	(107,547)
Total support services	503,065,582	7,820,549	56,530,568	—	(438,714,465)
Total school district	\$ 1,329,109,069	16,989,290	268,075,433	10,906,976	(1,033,137,370)
General revenues:					
Taxes:					
Property taxes levied for general purposes					223,761,147
Property taxes levied for construction					16,975,373
Property taxes levied for community services					10,340,610
Other Taxes					133,509
Federal and state aid not restricted to a specific purpose:					
General (equalization aid)					570,812,646
Other					70,601,690
Miscellaneous					817,921
Interest and investment earnings					2,496,060
Total general revenues					895,938,956
Change in net assets					(137,198,414)
Net assets—Beginning of Year (restated)					387,542,239
Net assets—Ending of Year					\$ 250,343,825

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2008

Assets	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	\$ 43,664,386	25,452,496	—	—	69,116,882
Receivables, net:					
Accounts (note 3)	7,410,745	—	—	—	7,410,745
Due from other governmental units (note 3)	49,466,774	—	4,900,797	5,492,711	59,860,282
Due from other funds (note 4)	37,593,343	—	—	1,182,960	38,776,303
Total receivables	94,470,862	—	4,900,797	6,675,671	106,047,330
Restricted cash and investments (note 1(d))	20,393,319	12,695,207	—	—	33,088,526
Inventories (note 1(g))	739,425	—	—	—	739,425
Prepaid expenditures (notes 1(g))	18,807,391	—	—	—	18,807,391
Deposits for self-insurance (note 1(l))	3,665,896	—	—	—	3,665,896
Total assets	\$ 181,741,279	38,147,703	4,900,797	6,675,671	231,465,450
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 16,835,537	486,013	1,009,088	1,120	18,331,758
Contracts payable	93,635	1,393,310	—	—	1,486,945
Accrued salaries and wages	12,757,099	—	—	—	12,757,099
Deferred revenue (note 1(j))	10,701,096	—	—	334,065	11,035,161
Accrued claims for self-insurance (note 9)	39,465,203	—	—	—	39,465,203
Accrued pension payable (note 10)	3,613,989	—	—	—	3,613,989
Other accrued expenditures	10,169	—	—	—	10,169
Due to other funds (note 4)	—	22,915,635	10,703,142	5,157,526	38,776,303
Total liabilities	83,476,728	24,794,958	11,712,230	5,492,711	125,476,627
Fund balances:					
Reserved for:					
Encumbrances	19,783,832	5,796,829	—	—	25,580,661
Inventories	739,425	—	—	—	739,425
Self-insurance deposits and prepaid expenditures	22,473,287	—	—	—	22,473,287
School Nutrition	6,811,433	—	—	—	6,811,433
Debt service	20,393,319	6,697,794	—	—	27,091,113
Unreserved:					
Designated by board for subsequent year's expenditures (note 8)	28,063,255	—	—	—	28,063,255
Undesignated, reported in:					
Capital projects fund	—	858,122	—	—	858,122
Special revenues funds	—	—	(6,811,433)	1,182,960	(5,628,473)
Total fund balances	98,264,551	13,352,745	(6,811,433)	1,182,960	105,988,823
Total liabilities and fund balances	\$ 181,741,279	38,147,703	4,900,797	6,675,671	231,465,450

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, 2008

Total fund balances—governmental funds		\$	105,988,823
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			2,605,215
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	\$	1,068,212,131	
Accumulated depreciation		(424,673,319)	
Net capital assets		643,538,812	
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			8,397,610
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		(409,252,000)	
Bonds premium and discounts		1,307,130	
Discount on capital appreciation bonds		107,649,991	
Capital leases payable		(33,170,000)	
Accrued bond interest payable		(4,273,262)	
Compensated absences payable (vacation and sick leave)		(32,613,810)	
OPEB liability		(131,035,465)	
Workers' compensation claims payable		(5,412,730)	
Self-insurance claims payable		(1,153,775)	
Life insurance benefits and other long-term liabilities		(2,232,714)	
Total long-term debt liabilities		(510,186,635)	
Total net assets—government activities		\$	250,343,825

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, 2008

	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property tax levy	\$ 234,101,757	16,975,373	—	—	251,077,130
Other taxes	88,839	—	—	—	88,839
Lunchroom sales	—	—	3,774,957	—	3,774,957
Other local sources	15,376,699	1,448,693	142,175	169	16,967,736
State aid:					
Equalization aid	570,812,646	—	—	—	570,812,646
Special classes	42,288,233	—	—	—	42,288,233
Integration	41,864,808	—	—	—	41,864,808
Other state aid	53,695,405	8,817	1,020,258	995,535	55,720,015
Federal aid:					
Education Consolidation Improvement Act	81,727,901	—	—	—	81,727,901
School nutrition services	—	—	31,387,925	—	31,387,925
Erate refunds	3,638,805	—	—	—	3,638,805
Other federal aid	54,167,075	—	53,816	25,241,622	79,462,513
Intergovernmental aid from the City of Milwaukee	—	6,000,000	—	—	6,000,000
Miscellaneous	816,009	—	—	—	816,009
Interest and investment earnings	1,187,660	1,308,400	—	—	2,496,060
Total revenues	1,099,765,837	25,741,283	36,379,131	26,237,326	1,188,123,577
Expenditures:					
Instructional services:					
Undifferentiated curriculum	420,350,045	—	—	—	420,350,045
Regular and other curriculum	139,085,524	—	—	—	139,085,524
Special curriculum	124,508,207	—	—	4,250,317	128,758,524
Total instructional services	683,943,776	—	—	4,250,317	688,194,093
Community services	19,337,638	—	—	—	19,337,638
Pupil and staff services	109,023,100	—	—	20,991,474	130,014,574
General and school building administration	112,066,634	—	—	—	112,066,634
Business services	169,019,755	23,671,448	—	—	192,691,203
School nutrition services	—	—	38,476,566	—	38,476,566
Debt service:					
Principal	3,537,425	1,790,000	—	5,710,493	11,037,918
Interest	1,446,457	4,373,834	—	7,877,949	13,698,240
Bond administrative fees	471,133	—	—	9,428	480,561
Total expenditures	1,098,845,918	29,835,282	38,476,566	38,839,661	1,205,997,427
Excess of revenues over (under) expenditures	919,919	(4,093,999)	(2,097,435)	(12,602,335)	(17,873,850)
Other financing sources (uses):					
Transfers In (Out)	(13,285,576)	—	1,678,776	11,606,800	—
Insurance Proceeds from Fire	—	2,997,170	—	—	2,997,170
Total other financing sources (uses), net	(13,285,576)	2,997,170	1,678,776	11,606,800	2,997,170
Net change in fund balances	(12,365,657)	(1,096,829)	(418,659)	(995,535)	(14,876,680)
Fund balances (deficit):					
Beginning of year (restated)	110,630,208	14,449,574	(6,392,774)	2,178,495	120,865,503
End of year	\$ 98,264,551	13,352,745	(6,811,433)	1,182,960	105,988,823

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, 2008

Net change in fund balances—total governmental funds		\$ (14,876,680)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense		
Capital outlay reported in governmental fund statements	\$ 25,257,915	
Depreciation expense reported in the statement of activities	<u>(22,642,089)</u>	
Amount by which capital outlays are greater than depreciation in the current period		2,615,826
The net effect of miscellaneous transactions involving capital assets donated to the District that increases net assets		(39,592)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to increase net assets		(45,886)
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		823,499
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.		
Repayments:		
Bonds and notes		11,037,919
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Net decrease in accrued interest payable	34,220	
Accretion of interest on capital appreciation bonds	(2,397,256)	
Amortization of bond premium and discount	(57,039)	
Amortization of bond issuance costs	(172,132)	
Net increase in compensated absences payable (vacation and sick pay)	(2,136,428)	
Net increase in workers' compensation claims payable	(1,083,932)	
Net increase in OPEB liability	(131,035,465)	
Net increase in general insurance claims payable	(17,370)	
Net decrease in life insurance benefits payable	<u>151,902</u>	
Net adjustment		<u>(136,713,500)</u>
Change in net assets of governmental activities		<u>\$ (137,198,414)</u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2008

	Pension trusts	Private purpose trust
Additions:		
Employer contributions	\$ 17,675,417	—
Private donations	—	654,096
Interest income	—	101,059
Investment loss, net of expenses	(7,386,813)	—
Total additions	10,288,604	755,155
Deductions:		
Benefits paid to participant's or beneficiaries	16,247,375	—
Distribution of participant contribution accounts	343,440	—
Administrative expenses	191,804	—
Scholarships and awards	—	602,358
Total deductions	16,782,619	602,358
Changes in net assets	(6,494,015)	152,797
Net assets—beginning of year	156,137,997	2,265,035
Net assets—end of year	\$ 149,643,982	2,417,832

See accompanying notes to the basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(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, 2008

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, 2008

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, 2008

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, 2008

(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, 2008

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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(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 \$3,665,896 at June 30, 2008 to provide for payment of future claims.

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

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

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

(n) *Net Assets*

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Restricted—This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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

(o) *Fund Balance Reservations and Designations*

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

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

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

(p) *Use of Estimates*

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

(q) *New Accounting Pronouncements*

In July 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. During fiscal year 2008, the District implemented Statement No. 45.

In July 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, waters rights, timber rights, patents, trademarks, and computer software. The District will implement Statement No. 51 during the year ended June 30, 2010.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(2) **Deposits and Investments**

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	\$ 64,662,799	\$ 64,662,799
Demand deposits	8,742,145	7,145,636
Repurchase Agreement	3,000,000	25,545,346
Money market funds	28,321,533	20,933,693
U.S. Treasury Notes	871,001	871,001
U.S. Treasury Strips	3,907,389	3,907,389
Mortgage-backed securities	697,623	697,623
Certificate of Deposit	20,000	20,000
Total Cash and Investments	\$ 110,222,490	\$ 123,783,487
Reconciliation to financial statements		
Per statement of net assets		
Unrestricted cash and investments	\$ 69,116,882	
Restricted cash and investments	33,088,526	
Per statement of net assets – Fiduciary Funds		
Private purpose trust	2,417,832	
Agency	5,599,250	
Total Cash and Investments	\$ 110,222,490	

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

- Time deposits with maturities of not more than 3 years.
- Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- The state of Wisconsin local government pooled investment fund.
- Bonds or securities of any county, city, drainage district, vocational or technical college, village, town, school district in Wisconsin, local exposition district, local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

- 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 \$20,933,693 invested in money market funds, \$13,745,464 is invested in U.S. Treasury securities with an implied triple-A credit rating, while the remaining \$7,188,229 is invested in U.S. government securities also with a triple-A credit rating. The District's \$871,001 investment in Treasury notes is rated triple-A. The District's \$3,907,389 investment in U.S. Treasury strips is rated triple-A. The \$697,623 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, 2008 the District had the following investments, shown with their maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Repurchase Agreement	\$25,545,346	\$ 25,545,346	-	-
Money market funds	20,933,693	20,933,693	-	-
U.S. Treasuries	871,001	117,848	753,153	-
U.S. Treasury strips	3,907,389	117,738	3,789,651	-
Mortgage-backed securities	697,623	123,400	574,223	-
	<u>\$51,955,052</u>	<u>46,838,025</u>	<u>5,117,027</u>	<u>-</u>

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

At year-end the District's demand deposit balance (exclusive of funds held and controlled by the treasurer of the City) was \$32,690,982, of which \$25,545,346 was invested in overnight repurchase agreements. Of the \$32,690,982 bank balance, \$6,955,567 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Guarantee Fund, \$25,045,346 was uninsured and collateralized at 125% by the bank, and \$690,060 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' deposits with the City Treasurer for investments are all insured or collateralized on June 30, 2008.

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

The Trustees of the Plan have adopted a Statement of Investment Policy (the "Policy"). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds ("SWIB funds"), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at M&I Investment Management Corp. ("M&I"), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of: (1) assets invested as part of the 1989 bond dedication program; and (2) six months benefit payments, net of payments from the employee contribution account and payments from the 1989 bond dedication program, plus six months administrative expense and (3) assets relating to employee contributions. On July 1, 2007, the 1989 bond dedication fund was unwound and the assets transferred to the non-dedicated fund. After the asset transfer, all benefits except payments from the employee contribution account were paid from the non-dedicated fund at M&I. The portfolio is rebalanced toward the Policy targets quarterly. For 2008, 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. 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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, 2008.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	28% of the combined SWIB funds are invested in the fixed income by investment type with durations ranging from 0.0 to 8.0 years. Additional detail on the SWIB fixed income investments is included below.	\$ 40,416,590
Money market accounts	0.1	\$ 1,846,840
U.S. Treasuries, Agencies, and Government Bonds	5.1	\$ 1,035,207
Mortgage-backed securities	3.8	\$ 223,578
Non-government obligations	3.2	\$ 1,498,002

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	5.2	\$ 145 Million
Certificate of Deposit	0.2	\$ 2 Million
Commerical Paper	0.1	\$ 156 Million
Commerical Paper	N/A	\$ 7 Million
Corporate Bonds	5.2	\$ 3,125 Million
Corporate Bonds	N/A	\$ 4 Million
Government Agency	3.9	\$ 906 Million
Commercial Mortgages	3.6	\$ 158 Million
Municipal Bonds	8.0	\$ 3 Million
Pooled Investments	0.0 to 6.8	\$17,198 Million
Private Placements	5.7	\$ 444 Million
Private Placements	N/A	\$ 1 Million
Repurchase Agreements	0.0	\$ 141 Million
Sovereign Debt	6.3	\$ 3,545 Million
Sovereign Debt	N/A	\$ 14 Million
United States Treasuries	8.0	\$ 3,473 Million

On June 30, 2008, SWIB's Core Fund and Variable Fund had \$74.0 Billion and \$5.9 Billion in assets, respectively. As of June 30, 2008, the Plan's assets were invested 77% in the SWIB Core Fund, 13% in the SWIB Variable Fund, and 10% 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, 2008. 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

<u>Ratings*</u>	<u>SWIB</u>	<u>M&I</u>
P-1	3%	N/A
AAA	26%	68%
AA	10%	6%
A	9%	13%
BBB	3%	11%
BB	2%	0%
B	1%	0%
CCC	0%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Commingled or Pooled Funds	41%	N/A
Not-Rated	5%	2%

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

For SWIB's Core Fund's U.S. Fixed Income Portfolios, 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. Non-Investment Grade securities may not exceed 5% of the portfolio's 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 Plan does not have a deposit or investment policy specifically related to custodial credit risk. The Plan's assets are restricted to investments in the SWIB Core and Variable Funds and in portfolios at M&I.

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. On June 30, 2008, SWIB had uninsured and uncollateralized deposits totaling \$194.7 million that were held in foreign currencies or margin accounts in SWIB's custodian's nominee name. In addition, SWIB held a number of time deposits with foreign financial institutions with a fair value of \$140.0 million, all of which were uncollateralized and uninsured. In total, these deposits represented 0.4% of the combined assets of the SWIB Core and Variable Funds.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. As of June 30, 2008, SWIB's Retirement Funds held 16 tri-party repurchase agreements totaling \$1 Billion. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 1.3% 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 (excluding U.S. Government and Agency Securities) that generally restrict concentrations in any one company to 5% (investment grade) and 3% (non-investment grade) of the market value of each portfolio. Securities sold to SWIB under Rule 144A may not exceed 20% of a portfolio's market value. 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, 2008, \$14.7 billion of the SWIB Core and Variable Funds' \$81.0 billion in currency exposure was denominated in foreign currency. For the M&I managed portfolios, there was no foreign currency exposure.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at M&I Investment Management Corp. ("M&I"), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of: (1) assets invested as part of the 1989 bond dedication program; and (2) six months benefit payments, net of payments from the 1989 bond dedication program, plus six months administrative expense. On July 1, 2007, the 1989 bond dedication fund was unwound and the assets transferred to the non-dedicated fund. After the asset transfer, all benefits were paid from the non-dedicated fund at M&I. The portfolio is rebalanced toward the Policy targets quarterly. For 2008, 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. 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2008.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	28% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 8.0 years. Additional detail on the SWIB fixed income investments is included below.	\$ 98,985,366
Money market accounts	0.1	\$ 4,296,426
U.S. Treasury notes, and agency securities	5.2	\$ 1,706,187
Mortgage-backed securities	2.6	\$ 35,110
Non-government obligations	2.7	\$ 923,991

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	5.2	\$ 145 Million
Certificate of Deposit	0.2	\$ 2 Million
Commerical Paper	0.1	\$ 156 Million
Commerical Paper	N/A	\$ 7 Million
Corporate Bonds	5.2	\$ 3,125 Million
Corporate Bonds	N/A	\$ 4 Million
Government Agency	3.9	\$ 906 Million
Commerical Mortgages	3.6	\$ 158 Million
Municipal Bonds	8.0	\$ 3 Million
Pooled Investments	0.0 to 6.8	\$17,198 Million
Private Placements	5.7	\$ 444 Million
Private Placements	N/A	\$ 1 Million
Repurchase Agreements	0.0	\$ 141 Million
Sovereign Debt	6.3	\$ 3,545 Million
Sovereign Debt	N/A	\$ 14 Million
United States Treasuries	8.0	\$ 3,473 Million

On June 30, 2008, SWIB's Core Fund and Variable Fund had \$74.0 Billion and \$5.9 Billion in assets, respectively. As of June 30, 2008, the Plan's assets were invested 86% in the SWIB Core Fund, 8% in the SWIB Variable Fund, and 6% in portfolios managed by M&I Investment Management Corp. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolios for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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, 2008. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations. Obligations of the United States and obligations explicitly guaranteed by the U.S. government have been included in the AAA rating below although they are considered to be without risk.

<u>Ratings*</u>	<u>SWIB</u>	<u>M&I</u>
P-1	3%	N/A
AAA	26%	88%
AA	10%	5%
A	9%	5%
BBB	3%	2%
BB	2%	0%
B	1%	0%
CCC	0%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Commingled or Pooled Funds	41%	N/A
Not-Rated	5%	0%

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

For SWIB's Core Fund's U.S. Fixed Income Portfolios, 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. Non-investment grade securities may not exceed 5% of the portfolio's 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 Plan does not have a deposit or investment policy specifically related to custodial credit risk. The Plan's assets are restricted to investments in the SWIB Core and Variable Funds and in portfolios at M&I.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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, 2008, SWIB had uninsured and uncollateralized deposits totaling \$194.7 million that were held in foreign currencies or margin accounts in SWIB's custodian's nominee name. In addition, SWIB held a number of time deposits with foreign financial institutions with a fair value of \$140.0 million, all of which were uncollateralized and uninsured. In total, these deposits represented 0.4% of the combined assets of the SWIB Core and Variable Funds.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. As of June 30, 2008, SWIB's Retirement Funds held 16 tri-party repurchase agreements totaling \$1 Billion. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 1.3% of the combined assets of the SWIB Core and Variable Funds.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a fund's investment in a single issuer. SWIB limits concentrations of credit risk by establishing investment guidelines for individual portfolios or groups of portfolios (excluding U. S. Government and Agency Securities) that generally restrict issuer concentrations in any one company to 5% (investment grade) and 3% (non-investment grade) to the market value of each portfolio. Securities sold to SWIB under Rule 144A may not exceed 20% of a portfolio's market value. 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, 2008, \$14.7 billion of the SWIB Core and Variable Funds' \$81 billion in currency exposure was denominated in foreign currency. For the M&I managed portfolios, there was no foreign currency exposure.

The risk definitions noted above are from the Governmental Accounting Standards Board. The data, risk descriptions, and guidelines for the SWIB Funds were provided by SWIB and the data and risk information for the other investment types was provided by M&I Investment Management Corp.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(3) Receivables

Receivables as of June 30, 2008 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>School Nutrition Services Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 7,683,805	—	—	7,683,805
Intergovernmental-federal	33,537,624	4,900,797	5,492,711	43,931,132
Intergovernmental-state	<u>15,929,150</u>	<u>—</u>	<u>—</u>	<u>15,929,150</u>
Gross receivables	57,150,579	4,900,797	5,492,711	67,544,087
Less allowance for uncollectibles	<u>(273,060)</u>	<u>—</u>	<u>—</u>	<u>(273,060)</u>
Total receivables, net	\$ <u>56,877,519</u>	<u>4,900,797</u>	<u>5,492,711</u>	<u>67,271,027</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, 2008 represent due to/from balances among all funds:

	<u>Due from other funds</u>			<u>Due In More Than One Year</u>
	<u>General Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>	
Due to other funds:				
Construction fund	\$ 22,915,635	—	22,915,635	—
Nutrition fund	9,520,182	1,182,960	10,703,142	6,811,433
Nonmajor funds	<u>5,157,526</u>	<u>—</u>	<u>5,157,526</u>	<u>—</u>
Total	\$ <u>37,593,343</u>	<u>1,182,960</u>	<u>38,776,303</u>	<u>6,811,433</u>

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

The following balances as of June 30, 2008 represent transfer in/out balances among all funds:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Reason</u>
Debt Service Fund	General Fund	\$11,606,800	To fund current year debt service
School Nutrition Services Fund	General Fund	1,678,776	To reduce fund deficit

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,497,852	—	—	31,497,852
Construction in progress	<u>14,189,914</u>	<u>21,065,172</u>	<u>26,157,983</u>	<u>9,097,103</u>
Total capital assets, not being depreciated	<u>\$ 45,687,766</u>	<u>21,065,172</u>	<u>26,157,983</u>	<u>40,594,955</u>
Capital assets, being depreciated:				
Buildings	\$ 918,168,982	26,157,983	—	944,326,965
Leasehold improvements	6,082,852	7,480	—	6,090,332
Furniture and equipment	48,193,011	918,725	1,401,754	47,709,982
Software	<u>26,390,076</u>	<u>3,266,538</u>	<u>166,717</u>	<u>29,489,897</u>
Total capital assets, being depreciated	<u>\$ 998,834,921</u>	<u>30,350,726</u>	<u>1,568,471</u>	<u>1,027,617,176</u>
Less accumulated depreciation for:				
Buildings	\$ (338,261,305)	(18,886,539)	—	(357,147,844)
Leasehold improvements	(982,986)	(263,005)	—	(1,245,991)
Furniture and equipment	(42,999,328)	(1,291,014)	(1,316,277)	(42,974,065)
Software	<u>(21,270,605)</u>	<u>(2,201,531)</u>	<u>(166,717)</u>	<u>(23,305,419)</u>
Total accumulated depreciation	<u>(403,514,224)</u>	<u>(22,642,089)</u>	<u>(1,482,994)</u>	<u>(424,673,319)</u>
Total capital assets, being depreciated	<u>595,320,697</u>	<u>7,708,637</u>	<u>85,477</u>	<u>602,943,857</u>
Capital assets, net	<u>\$ 641,008,463</u>	<u>28,773,809</u>	<u>26,243,460</u>	<u>643,538,812</u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Depreciation expense for governmental activities for the year ended June 30, 2008 was charged to functions/programs as follows:

Governmental activities:	
Instruction	\$ 13,485,411
Community services	374,114
Pupil and staff services	2,533,172
General, administration and central services	2,016,983
Business services	3,437,601
School nutrition	723,147
Other	71,661
Total depreciation	<u>\$ 22,642,089</u>

(6) Short-term Borrowings

The City issued short-term revenue anticipation notes on behalf of the District in the amount of \$188,000,000 in September, 2007. These notes were issued with interest rates of 4.5%, priced to yield 3.64%. The notes matured September 2008. The debt was repaid in June 2008 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, 2008 totaled \$418,343,863. Of this total, \$84,878,985 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 \$333,464,878 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, 2008

Long-term obligations of the District are as follows:

	<u>Original amount</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee:						
American with Disabilities Act loans:						
4.5% – 4.65%, due in annual install- ments to December 2007	\$ 2,000,000	240,000	—	240,000	—	—
3.5% – 4.25%, due in annual install- ments to December 2008	605,000	142,175	—	69,575	72,600	72,600
4.75% – 5.375%, due in annual install- ments to June 2009	300,000	140,000	—	20,000	120,000	20,000
4.74% – 5.625%, due in annual install- ments to September 2015	2,000,000	1,199,728	—	133,304	1,066,424	133,304
3.59%, due in annual installments to September 2016	3,095,000	1,650,032	—	206,254	1,443,778	206,254
3.74%, due in annual installments to March 2017	1,205,000	401,745	—	80,446	321,299	80,466
4.0 – 5.0%, due in annual installments to September 2017	660,000	439,880	—	44,042	395,838	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	469,000	—	67,000	402,000	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 install- ments to March 2012	15,144,033	6,511,466	—	1,991,071	4,520,395	2,090,624
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	109,545,000	—	1,790,000	107,755,000	2,980,000
Plus: Premium on issuance	1,357,121	524,318	—	70,151	454,167	—
Less: Discount on 2007A issuance	(338,503)	(317,143)	—	(21,360)	(295,783)	—
Less: Deferred amount of refunding	(1,677,174)	(1,571,344)	—	(105,830)	(1,465,514)	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	9,897,583	—	1,527,994	8,369,589	1,327,400
Financial & Student Tracking Systems— 3.74% – 6.24% note, due in annual installments to September 2008	8,000,000	2,395,808	—	1,330,808	1,065,000	1,065,000
Pension debt refinancing:						
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	37,375,000	—	—	37,375,000	—
Less: Discount	(25,232,986)	(19,114,524)	—	(1,132,648)	(17,981,876)	—
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)	(90,932,723)	—	(1,264,608)	(89,668,115)	—
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	289,825	—	237,425	52,400	52,400
Capital lease—MEC/Grand Avenue & CCF	46,890,000	36,470,000	—	3,300,000	33,170,000	3,710,000
Total intergovernmental cooperation agreement debt		\$ 342,048,502	—	8,583,624	333,464,878	11,849,090

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	\$ 342,048,502	—	8,583,624	333,464,878	11,849,090
Accrued compensated absences	30,477,382	9,814,552	7,678,124	32,613,810	7,600,000
Accrued OPEB Obligation	—	175,418,900	44,383,435	131,035,465	—
Workers' compensation claims	4,328,798	2,819,034	1,735,102	5,412,730	2,299,481
General insurance claims	1,136,405	805,509	788,139	1,153,775	51,408
Life insurance benefits	2,099,565	—	151,902	1,947,663	337,769
Liability for other long-term benefits	285,051	—	—	285,051	—
Total long-term obligations	\$ 380,375,703	188,857,995	63,320,326	505,913,372	22,137,748

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

The District has recognized workers' compensation claims liability in the governmental funds of approximately \$2.3 million as of June 30, 2008. Accordingly, the total liability for workers' compensation claims was approximately \$7.7 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2009	\$ 8,139,090	12,214,865	20,353,955
2010	6,680,655	12,008,863	18,689,518
2011	6,663,148	11,828,007	18,491,155
2012	6,834,661	11,626,944	18,461,605
2013	6,307,932	11,403,421	17,711,353
2014 – 2018	51,813,598	53,091,453	104,905,051
2019 – 2023	70,557,913	43,931,099	114,489,012
2024 – 2028	48,560,000	33,109,264	81,669,264
2029 – 2033	58,240,001	24,118,325	82,358,326
2034 – 2038	80,605,001	15,356,440	95,961,441
2039 – 2043	58,725,000	6,645,513	65,370,513
2044	6,125,000	114,538	6,239,538
Total	\$ 409,251,999	235,448,732	644,700,731

The above schedule of future payments reflects the variable rate pension debt adjusted for the interest rate swap agreement. Interest on the \$130,850,000 variable rate pension debt (index-linked bonds) 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 2.46% as of June 30, 2008.

The District leases land and buildings with a historical cost and accumulated amortization of \$48,472,061 and \$5,397,445 respectively, under capital lease arrangements.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Future minimum lease payments under these capital leases at June 30, 2008 are as follows:

Fiscal year ended June 30:	
2009	\$ 4,900,111
2010	4,896,685
2011	4,899,676
2012	4,894,744
2013	4,894,503
2014 – 2018	8,839,092
2019 – 2023	4,922,029
2024 – 2026	2,908,672
	<hr/>
Total minimum lease payments	41,155,512
Less amount representing interest	<hr/> (7,985,512)
Present value of minimum lease payments	\$ <hr/> <hr/> 33,170,000

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 2008 was \$32,238,573,100 and the 5% debt limit was \$1,611,928,655. No referendum-approved debt is outstanding at June 30, 2008.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2008, \$29.3 million of bonds outstanding are considered defeased. The bonds are callable on August 1, 2013.

Interest Rate Swap Agreement

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in December 2003, the District entered into 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%.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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 the variable-rate bonds. The swaps were entered into at the same time the bonds were issued in December 2003, and continue to remain in effect after the conversion to index-linked bonds on July 7, 2005. Starting in fiscal year 2024, the notional value of the swap and the principal amount of the bonds decline until the debt is completely retired. Under the swap agreements, the District pays the counterparty a fixed payment of 5.56% and receives a variable payment computed as the London Interbank Offered Rate (LIBOR) plus 20 basis points (.20%). Conversely, the District pays the bond's index-linked coupon rate of LIBOR plus 25 basis points (.25%).

	<u>Terms</u>	<u>Rates</u>
Interest rate swap (as of 6/30/2008):		
Fixed payment to counterparty	Fixed	5.56%
Variable payment from counterparty	LIBOR + 20 bps	<u>(2.66)%</u>
Net interest rate swap payments		2.90%
Index-linked bond coupon payments	LIBOR + 25 bps	<u>2.71%</u>
Synthetic interest rate on bonds		<u>5.61%</u>

Fair value. As of June 30, 2008, the swaps had an aggregate negative fair value of \$8,699,537 because interest rates have decreased since execution of the swaps. The swap's negative fair value may be countered by decreases in total interest payments required on the index-linked bonds. Because the coupons on the index-linked bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2008, the District's exposure to credit risk is as follows: 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+

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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, 2008, debt service requirements of the variable-rate index-linked bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (as rates vary, variable-rate interest payments and net swap payments will vary):

	Variable-rate bonds		Interest rate	Total
	Principal	Interest	swaps, net	
Fiscal year ended June 30:				
2009	\$ —	3,545,224	3,795,461	7,340,685
2010	—	3,545,224	3,795,461	7,340,685
2011	—	3,545,224	3,795,461	7,340,685
2012	—	3,545,224	3,795,461	7,340,685
2013	—	3,545,224	3,795,461	7,340,685
2014 – 2018	—	17,726,119	18,977,306	36,703,425
2019 – 2023	—	17,726,119	18,977,306	36,703,425
2024 – 2028	31,325,000	15,885,208	17,006,456	64,216,664
2029 – 2033	31,250,000	11,648,076	12,470,249	55,368,325
2034 – 2038	31,150,000	7,416,476	7,939,964	46,506,440
2039 – 2043	31,000,000	3,209,486	3,436,026	37,645,512
2044	6,125,000	55,317	59,221	6,239,538
Totals	\$ 130,850,000	91,392,921	97,843,833	320,086,754

(8) Fund Balance

Designated for Subsequent Year's Expenditures—The unreserved fund balance of the general fund is \$28,063,255 at June 30, 2008. This unreserved balance is designated to partially fund school operating expenditures during the period July 1 through December 31, 2008.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Based on recent operating experience, management anticipates that approximately \$462,458,000 will be required to fully cover the anticipated school operations operating expenditures during the period July 1 through December 31, 2008. In addition to the fund balance designated for subsequent year's expenditures, revenue anticipation notes and approximately \$293,513,000 of state aids will be used to fund operating expenditures through December 31, 2008.

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, 2008, is as follows:

General fund unreserved fund balance	\$ 28,063,255
Amount required to fund six months of the school operation's property tax levy:	
Subsequent year's school operations school levy (\$259,634,156)	
multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (74) to total calendar school year days (180)	<u>106,738,486</u>
General fund undesignated fund balance deficiency	\$ <u><u>(78,675,231)</u></u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(9) Restatement of Fund Balance/Net Assets

The District has restated its fund balance to properly report investment securities at market value.

Below are the related restatements as of June 30, 2007:

<u>Fund Statements</u>	Construction Fund
Fund balance - June 20, 2007 (as reported)	\$ 12,881,415
Market value adjustment	1,568,159
Fund balance - June 30, 2007 (restated)	<u>\$ 14,449,574</u>

<u>Government-wide Statements</u>	Governmental Activities
Net assets - June 20, 2007 (as reported)	\$ 385,974,080
Market value adjustment	1,568,159
Net assets - June 30, 2007 (restated)	<u>\$ 387,542,239</u>

(10) Risk Management

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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.

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

	Year ended June 30	
	2008	2007
Beginning of year liability	\$ 42,706,747	41,365,214
Current year claims and changes in estimate	207,764,022	197,821,001
Claim payments	(207,016,075)	(196,479,468)
End of year liability	\$ 43,454,694	42,706,747

The District has recognized the liability for health and dental benefits, which totaled \$32,355,994 and \$34,132,849 as of June 30, 2008 and 2007, respectively, in the general fund. The District has also recognized a liability of \$2,299,481 and \$724,079 as of June 30, 2008 and 2007, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include \$4.8 million of other insurance related liabilities. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

(11) 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

Wisconsin Retirement System—All eligible District employees (certificated employees, principally teachers) participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit public employee retirement system (PERS). All permanent certificated employees expected to work over 440 hours a year (teachers) are eligible to participate in the WRS. Covered employees in the general/teacher category are required by statute to contribute 6.0% of their salaries to the plan for calendar year 2007. The District pays all employer and principally all employee (with the exception of some substitute teachers up to June 30, 2007) 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, 2007 was approximately \$401,833,000; the District's total payroll was \$533,197,000. The total required contribution for the year ended December 31, 2007 was approximately \$42,594,000, which consisted of \$18,484,000, or 4.6% of payroll, from the District and \$24,110,000, or 6.0% of payroll, from the District on behalf of the employees. The District issued bonds in the amount of \$168.051 million through the Redevelopment Authority of the City and the City to fund the pension-related debt to the WRS for the unfunded accrued liability for pension service, which reduced the WRS contribution rate effective January 1, 2004 by 2%. The amount contributed equaled the required contribution. Total contributions for the years ending December 31, 2006 and 2005 were \$40,978,000 and \$39,467,000, 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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

are reflected in the determination of the normal cost. Employer's pension-related debt for prior service cost was being amortized over a 40-year period beginning January 1, 1990. As per WRS's annual financial report—GASB Statement No. 27 note disclosure for the year ended December 31, 2003, the District's pension-related debt to the WRS for the unfunded accrued actuarial liability for prior service has been paid in full. The payoff resulted from issuance of \$168.051 million pension bonds by the District through the Redevelopment Authority of the City and the City.

Employees' Retirement System of the City of Milwaukee—All eligible District employees (classified employees, principally non-teachers) participate in the Employees' Retirement System of the City (the System), a cost-sharing, multiple-employer, defined benefit public employee retirement system (PERS). Part-time classified employees (defined by the System as 12-month employees who work less than 1,040 hours per year and 10-month employees who work less than 760 hours per year) who are eligible under adopted rules and regulations and who have evidenced their intent to join the System and all full-time classified employees (defined by the System as employees who work 2,080 hours a year for non-teachers and 1,520 hours for 10-month school year teachers) are eligible to participate in the System. Covered employees in the general employee category are required to contribute 5.5% of specified rates of compensation without overtime as agreed upon in past labor negotiations. The District pays all employer and substantially all of the employee required contributions to the System, as stipulated in Chapter 36 of the City charter. Due to the global pension settlement, employees eligible for enrollment on or after January 1, 2000 may consent to the global pension settlement and participate in the System combined fund. The consenting employees are required to pay 1.6% of their pensionable earnings for the first eight years from the enrollment date. Also, employees 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, 2007 was \$108,373,000; the District's total payroll was \$533,197,000. The total required contribution including retroactive adjustments for the year ended December 31, 2007 was \$6,390,000, or 5.9% of covered payroll, from the District on behalf of the employees and equaled the required contribution. Total contributions for the years ending December 31, 2006 and 2005 were \$6,531,000 and \$6,089,000, 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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

year of the employee's retirement or death. Upon completion of eight years of service, employees terminating covered employment may withdraw their funds and forfeit all rights to any subsequent benefit. The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 36 of the City charter.

The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 1000 North Water Street, Suite 1550, Milwaukee, WI 53202.

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

a maximum benefit for this plan and either the System or WRS of 70% of average monthly compensation. The benefit paid under this plan for a participant whose benefit is related to the WRS shall be reduced by the amount of the WRS benefit paid. Wisconsin Act 11 directly affects the plan by decreasing the benefits paid and increasing the funded status of the plan.

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

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

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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.

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

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

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

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

The plan issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report can be obtained by writing

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

the Milwaukee Public Schools, Department of Human Resources—Benefits and Insurance Services Division, 5225 West Vliet Street, Milwaukee, WI 53208-2698.

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

To be eligible for participation, an employee must be a teacher of the District who is in the collective bargaining unit represented by the MTEA and who is participating as an active employee in the WRS. Such employees shall become participants in the plan on the later of the effective date of the plan or the date they become a participant in the WRS. Employees who first became participants before July 1, 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).

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.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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

(b) Annual Pension Costs and Actuarial Assumptions Used

The District's annual pension costs for the year ended June 30, 2008 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
Contribution rates as a percentage of payroll:			
District	7.820%	4.515%	
Plan participants	—	—	
Annual required contribution	\$ 2,576,104	15,408,267	17,984,371
Interest on net pension obligation	2,212	—	2,212
Adjustment to annual required contribution	<u>6,185</u>	<u>(4,445)</u>	<u>1,740</u>
Annual pension cost	2,584,501	15,403,822	17,988,323
Contributions made	<u>2,370,916</u>	<u>15,304,501</u>	<u>17,675,417</u>
Increase (decrease) in net pension obligation	<u>213,585</u>	<u>99,321</u>	<u>312,906</u>
Net pension prepayment, beginning of year	<u>(2,532,824)</u>	<u>(15,375,539)</u>	<u>(17,908,363)</u>
Net pension prepayment, end of year	\$ <u><u>(2,319,239)</u></u>	\$ <u><u>(15,276,218)</u></u>	\$ <u><u>(17,595,457)</u></u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

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

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial valuation date	July 1, 2007	July 1, 2007
Actuarial cost method	Projected unit credit	Entry age normal
Amortization method	7- year closed, level dollar	The loss at July 1, 2006, due to the valuation of deferred vested temporary benefits is amortized over a 15-year closed period commencing July 1, 2006, on a level dollar basis. Unfunded liabilities not attributable to the loss due to valuation of deferred vested temporary benefits are amortized using a 25- year closed period, level-dollar amortization commencing July 1, 2007. The resulting amortization period is 24.17 and is in accordance with GASB 25 and 27 requirements.
Actuarial Valuation Method	5-year smoothed market	5-year smoothed market
Investment rate of return	8.0%	8.0%

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Projected salary increases:		
Certificated participants	Wage inflation of 3.0% per year with additional service-based increases of up to 3.5% per year.	Wage inflation of 3.0% per year plus additional service-based increases of up to 4.80%
Classified participants	4.0% per year	N/A
Cost of Living Increases	0.0% per year	0.0% per year

(c) Three-Year Trend Information

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

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

	Annual required contribution	% of annual pension cost contributed	Net pension prepayment
Fiscal year beginning July 1:			
2007	\$ 2,576,104	100%	\$ (2,319,239)
2006	3,094,247	100%	(2,532,824)
2005	2,814,526	126%	(2,904,366)

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	Annual required contribution	% of annual pension cost contributed	Net pension prepayment
Fiscal year beginning July 1:			
2007	\$ 15,408,267	100%	\$ (15,276,218)
2006	14,113,631	135%	(15,375,539)
2005	13,440,927	124%	(13,489,538)

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(12) Post-Employment Life and Healthcare Insurance Benefits

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

Employee and retiree contribution requirements are established through collective bargaining agreements and Board policy. Contributions may be amended only through negotiations between the District and the union in the case of represented employees and by Board policy, as may be amended by action of the governing body, in the case of non-represented employees.

An employee with 70 percent or more of the maximum accumulated sick leave at the time of retirement, in accordance with collective bargaining agreements and Board policy, will receive a monthly Board subsidy at the Board’s share of the PPO/Indemnity active single plan or family plan premium rate in effect as of the employee’s date of retirement. (Certain bargaining units and certain non-represented employees who submit a retirement notice by either March 1 or April 1 will receive the greater of the June 30th or July 1st premium rate as their monthly Board subsidy in accordance with their collective bargaining agreement and Board policy.) Generally, the Board subsidy for health insurance remains fixed for the lifetime of the retiree while the retiree continues enrollment in an MPS health plan. MPS will reimburse the retiree for the retiree’s Medicare Part B premium in an amount not to exceed the Board subsidy. Employees who meet all other eligibility requirements, but do not meet the 70 percent maximum accumulated eligibility requirement for the Board subsidy, may continue coverage in an MPS health plan as a retiree on a self-paid basis at the group premium rate. There are also disability retirement provisions that provide for lifetime health coverage for the disabled retiree and eligible dependents. The surviving spouse coverage provisions for death of an employee in active service or after retirement for certain collective bargaining units and non-represented employees provide lifetime health coverage for the surviving spouse and limited coverage for eligible dependents at the established Board subsidy rate.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

The District provides an explicit subsidy for healthcare benefits that is not indexed for healthcare inflation once the member retires. However, because premiums for pre-Medicare retiree and active coverage are rated in one pool, the District is also providing an implicit subsidy after retirement that is indexed for inflation. Consequently, healthcare inflation impacts the implicit subsidy and the explicit subsidy of future retirees.

In general and in accordance with collective bargaining agreements and Board policy, retirees who meet the age and service requirements for retiree life insurance pay the premium contribution at the group rate until age 65 after which the District pays the premium. Certain collective bargaining units and non-represented employees who meet the age requirement and have 30 or more years of service receive life insurance benefits fully paid by the District. Certain other bargaining units have retiree life insurance benefits that are fully paid by the retiree at the group premium rate. Once retirees attain age 65, the life insurance coverage is reduced by 25 percent of the original coverage for each year following their 65th birthday. Coverage is not reduced below 25 percent of the original coverage in effect at time of retirement.

For fiscal year ending June 30, 2008, the District contributed \$41,150,614 to the Retiree Plan. For fiscal year ending June 30, 2008, total member contributions to the Retiree Plan were \$13,302,936.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the district's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$175,418,900
Interest on net OPEB obligation	—
Adjustment to annual required contribution	—
	<hr/>
Annual OPEB cost	175,418,900
Medicare Part D contributions	(3,232,821)
MPS Contributions made	(41,150,614)
	<hr/>
Net OPEB obligation, beginning of year	—
	<hr/>
Net OPEB obligation, end of year	\$131,035,465
	<hr/> <hr/>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2008 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	\$175,418,900	25.3%	\$131,035,465

The funded status of the plan as of July 1, 2007, the most recent actuarial valuation date, was as follows:

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

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

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

In the July 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return that reflects the District's pay-as-you-go funding policy and an annual healthcare cost trend rate of 10 percent initially, reduced by

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

decrements to an ultimate rate of 4.5 percent after 10 years. Both rates include a 3 percent inflation assumption. The Retiree Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. In accordance with the GASB No. 45 standard, the unfunded actuarial liability is amortized over a 30 year period. The remaining amortization period at June 30, 2008 was 29 years.

(13) 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, 2008, the District was under its revenue limitation by approximately \$15,052,000.

(14) School Nutrition Deficit

The School Nutrition Services Fund had a deficit of \$6,811,433. The deficit is anticipated to be funded through future operations or operating transfers from the General Fund which has been reserved for the full amount of the deficit.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

(15) Excess Expenditures Over Appropriations

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2008:

Fund	Excess Expenditures
General Fund:	
Middle Schools	\$ 1,103,894
MATC Alternative Programs	217,656
Contracted Kindergarten	7,343
Peer Evaluation & Mentor Teachers	26,364
Special Education Buyback Services	56,950
Dept. of Parent & Student Services	33,233
Transportation	4,259,378
Employee Benefits (undistributed)	1,585,044
Debt Service	5,455,015
Utilities	148,364
Division of Recreation and Community	
Services Employee Benefits	1,819,804
CAMP	3,303,427
School Nutrition Services Fund	6,211,703
TEACH Wisconsin Program Fund	995,535

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

(16) Commitments and Contingencies

(a) Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2008 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, 2008

(b) *Operating Leases*

The District leases certain computer equipment with a carrying value of approximately \$2,263,129. For fiscal year 2008, total operating lease expense of the District was \$2,107,320. The aggregate minimum legal commitments for the five fiscal years subsequent to June 30, 2008 and thereafter for the computers and property are as follows:

Fiscal years:		
2009	\$	1,500,577
2010		492,532
2011		270,020
		<hr/>
Total	\$	<u>2,263,129</u>

(c) *Contractual Commitments*

The District has \$25.6 million of contractual commitments outstanding as of June 30, 2008.

(d) *Litigation*

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

(e) *Microsoft Corporation Lawsuit*

MPS is a participant in the settlement of a class action lawsuit with Microsoft Corporation. The District cannot provide an estimate of the amount of revenue it stands to gain from the Microsoft Class Action lawsuit because of the degree of uncertainty due to unknown and unknowable information. There are three potential ways MPS can benefit from the Class Action: (1) MPS' Direct Claim; (2) the First Cy Pres Distribution; and (3) the Second Cy Pres Distribution.

1. MPS' Direct Claim

MPS cannot state with any certainty the amount of its claim or when any benefits will be received. MPS has submitted a claim with an estimated value of \$1,634,768. (MPS would not receive cash under the settlement, but rather redeemable consumer vouchers). The Claims Administrator will send two reports to MPS: One report containing eligible purchases made through volume licenses and another report containing eligible purchases listed on MPS' claim. MPS will have 90 days to review the reports, after which the vouchers will be issued. MPS received its first report on October 20, 2008, with an estimated value of \$238,430. MPS has yet to receive its second report. There is no guaranty of the ultimate amount or timing of issuance of the vouchers.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

2. First Cy Distribution

The face value of the Settlement is \$223,896,000. Fifty percent of the difference between that amount and the value of the Consumer Vouchers issued will be distributed in the form of General Purpose Vouchers and Software Vouchers to public schools that have a free or reduced National School Lunch Program (“NSLP”) count of 50% during 2005 on a pro rata share based upon the number of students attending.

MPS has no information as to when the distribution will be made or how much it will entail.

3. Second Cy Pres Distribution

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

(f) Special Education Lawsuit

Special Education Lawsuit has no measurable estimate for the liability. Currently, a decision has not been made as to the amount of liability to the District and the District is undecided as to whether to appeal the decision.

(17) Subsequent Events

- On September 5, 2008 the City issued \$210,000,000 of School Revenue Anticipation Notes, Series 2008 M10 for the purpose of financing MPS’s general operating expenses pending receipt of state school aid payments. The maturity of this issue is September 3, 2009. Interest of 3% is payable at maturity.
- Regarding the pension obligation bond indebtedness of Milwaukee Public Schools.

In December 2003, Milwaukee Public Schools (MPS), in cooperation with the City of Milwaukee (City) and the Redevelopment Authority of the City of Milwaukee (RACM), issued \$168,051,135.20 of debt instruments to fully fund its previously unfunded actuarial accrued liability for employee pensions owed to the Wisconsin Retirement System. Of this amount, \$130,850,000 was issued in the form of variable rate debt. To fix the interest rate relative to this variable rate debt, the City, acting as agent for MPS, entered into agreements with the firms of Lehman Brothers Special Financing, Inc. and Morgan Stanley in the amounts of \$70,850,000 and \$60,000,000 respectively. Each of the agreements expires 10/1/2043, when the last of the variable rate debt is retired.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2008

benefits of the existing agreements and, if possible, lower the overall costs associated with the pension obligation bonds.

- As of June 30, 2008, a dispute was pending in arbitration pursuant to a collective bargaining agreement between the MBSD and the Milwaukee Teachers Education Association as to the calculation of Compensation when determining benefits under the Early Retirement Plan for Teachers (Plan). The ruling from the arbitrator dated September 15, 2008 determines that MBSD failed to utilize WRS “considered compensation” and “average annual compensation” in calculating the supplemental pension benefits of the claimant. Hence, the claimants are successful in obtaining a ruling from the arbitrator that Compensation under the Plan shall include compensation from other employers under the Wisconsin Retirement System, this would result in a loss to the Plan as well as other possible negative consequences. As the other employer payroll information is not readily available, the amount of such a loss cannot be reasonably quantified until each individual retiree file is reviewed and benefits are recalculated, if necessary. However, management does not believe this to be a material amount.
- Subsequent to the date of the statement of fiduciary net assets available for benefits, the investments have seen a significant decline in value. It is highly likely that the values of the investments in the plan have decreased by material amounts during 2008. Additionally, the plan has investments that are issued by Lehman Brothers, which has experienced financial difficulty during 2008. The specific impact on the fair value of those Lehman Brothers investments has not been factored into the values in the financial statements, but management does not believe it to have a material impact on the values of the investments held by either the Supplemental Early Retirement for Teachers Plan or the Early Retirement Supplement and Benefit Improvement Plan.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2008

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
REVENUES:			
Property Tax Levy	\$ 218,467,619	\$ 234,101,757	\$ 234,190,596
Equalization & Integration Aids	648,114,544	605,239,961	612,677,454
Other State Aids	52,710,189	65,659,318	58,034,145
Federal Aids	9,000,000	9,000,000	5,882,267
Other Local Revenues	7,455,028	7,920,440	12,851,907
Applied Surplus/ Reserve for Textbooks	7,660,000	1,360,000	-
SCHOOL OPERATIONS & EXTENSION	943,407,380	923,281,476	923,636,369
CAMP	-	-	3,849,001
GRANTS	161,446,349	210,830,042	172,280,467
Total Revenues	1,104,853,729	1,134,111,518	1,099,765,837
EXPENDITURES:			
PROGRAM ACCOUNTS			
High Schools	176,104,157	179,325,414	176,505,710
Middle Schools	70,614,336	68,306,412	69,410,306
K-8 Schools	237,268,017	245,390,438	239,074,386
Elementary Schools	188,775,776	207,337,019	198,452,605
Charter Schools	108,045,627	111,239,394	109,174,845
School to Work Transition	3,373,538	3,442,502	3,399,210
School Age Parents	1,999,279	2,002,379	1,886,477
Alternative Schools	2,227,743	2,246,272	2,151,353
Agency Programs	28,640,017	26,384,671	25,177,471
Home & Hospital Instruction	815,016	815,051	767,386
MATC Alternative Programs	607,929	607,929	825,585
Milwaukee County Collaborative	1,380,776	1,382,073	1,289,734
Contracted Kindergarten	2,054,318	2,140,651	2,147,994
Summer School	4,400,000	5,456,284	3,073,711
School Special Funds	37,488,004	36,751,957	30,473,575
S.E. Asian/Native American Program	287,150	290,573	264,472
Interscholastic Athletics/Academics	4,268,086	4,957,575	4,748,312
Driver Education	244,155	345,960	216,204
School Safety Operations	4,300,200	4,300,305	4,272,004
Instrumental Music	1,548,029	1,559,265	1,533,815
Schools Program Funds	205,000	387,295	342,223
Science Material/In-service Center	-	-	-
MTEC/Compton	233,755	233,021	116,666
Peer Evaluation & Mentor Teachers	525,260	526,228	552,592
Social Work Services	263,978	264,515	258,525
Special Education Support Services	5,497,237	5,575,937	5,522,158
Special Education Buyback Services	576,106	578,577	635,527
Non-MPS Special Education Costs	3,344,742	3,348,409	3,089,479
TABS Program	733,428	742,723	706,606
TOTAL - PROGRAM ACCOUNTS	\$ 885,821,659	915,938,829	886,068,931

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2008

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
INDIRECT & SUPPORT SERVICES			
Board of School Directors	\$ 434,383	\$ 647,333	\$ 414,204
Office of Board Governance	2,471,720	3,326,350	2,255,487
Office of Superintendent	3,225,862	3,524,395	3,396,694
Dept. of Instruction & Leadership Support	4,873,961	5,128,275	4,621,905
Dept. of School & Community Support	953,900	2,056,161	1,955,733
Dept. of Parent & Student Services	3,588,035	3,201,031	3,234,264
Dept. of Special Services	4,799,117	4,503,750	4,087,959
Dept. of Finance & Operations	49,073,638	54,755,915	53,094,937
Dept. of Human Resources	5,451,063	6,084,476	5,195,826
TOTAL - INDIRECT & SUPPORT	74,871,679	83,227,686	78,257,009
OTHER ACCOUNTS			
Textbook Adoptions	6,575,873	7,113,212	6,733,333
Neighborhood Schools Debt	-	2,363,098	194,276
Crisis Response Initiative	2,000,000	3,300,792	896,887
Project Loan Acq Network	-	6,470,945	-
Music Festival	180,000	180,608	178,006
Transportation	56,614,322	56,927,004	61,186,382
Employee Benefits (undistributed)	18,641,277	8,250,741	9,835,785
School District Insurances	8,405,734	7,806,574	7,111,955
Debt Service (includes NSI)	-	-	5,455,015
Utilities	24,136,838	23,080,234	23,228,598
Special & Contingent Funds	24,964,633	23,780,239	21,727,408
TOTAL - OTHER ACCOUNTS	141,518,677	139,273,447	136,547,645
DIVISION OF RECREATION AND COMMUNITY SERVICES			
Playgrounds & Recreation Centers	10,975,721	9,086,604	6,311,093
WYMS Radio Station	-	2,865	-
Summer School Wrap-around	3,133,077	3,137,279	708,848
Instrumental Music Weekend Program	60,000	-	-
District Insurances	317,663	317,663	218,337
Employee Benefits	20,000	18,515	1,838,319
Special & Contingent Fund	1,110,000	2,130,170	1,131,159
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	15,616,461	14,693,096	10,207,756
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES			
	(190,440,551)	(187,519,746)	(187,819,317)
SCHOOL OPERATIONS & EXT. FUND	927,387,925	965,613,312	923,262,024
CAMP	-	-	3,303,427
GRANTS	161,446,349	210,830,042	172,280,467
Total Expenditures	1,088,834,274	1,176,443,354	1,098,845,918
Excess of revenues over (under) expenditures	16,019,455	(42,331,836)	919,919
Transfer In (Out)	(16,019,455)	(16,159,455)	(13,285,576)
Excess of revenues over (under) expenditures	\$ -	\$ (58,491,291)	(12,365,657)
Fund balance-beginning of year			110,630,208
Fund balance-end of year			\$ 98,264,551

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

Year ended June 30, 2008

	<u>Budgeted amounts</u>		<u>Actual (GAAP basis)</u>
	<u>Adopted</u>	<u>Revised</u>	
Revenues:			
Lunchroom sales	\$ 5,770,427	5,770,427	3,774,957
Other local sources			142,175
State aid:			
School nutrition aid	827,519	827,519	1,020,258
Federal aid:			
School nutrition aid	25,612,637	25,612,637	31,387,925
Other federal aid	54,280	54,280	53,816
Total revenues	<u>32,264,863</u>	<u>32,264,863</u>	<u>36,379,131</u>
Expenditures:			
Current operating:			
School Nutrition Services	32,264,863	32,264,863	38,476,566
Total expenditures	<u>32,264,863</u>	<u>32,264,863</u>	<u>38,476,566</u>
Excess of revenues over(under)			
expenditures	—	—	(2,097,435)
Total other financing sources (uses), net	—	—	1,678,776
Net change in fund balances	\$ <u>—</u>	<u>—</u>	<u>(418,659)</u>
Fund deficit—beginning of year			<u>(6,392,774)</u>
Fund deficit—end of year			\$ <u><u>(6,811,433)</u></u>

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Schedules of Funding Progress

Year ended June 30, 2008

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

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/07	\$ 42,807,076	52,832,971	10,025,895	81.02 %	\$ 32,942,251	30.43 %
7/1/06	40,082,362	50,604,106	10,521,744	79.21	34,756,344	30.27
7/1/05	39,409,013	49,456,069	10,047,056	79.68	37,250,400	26.97

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/07	\$ 82,256,327	210,656,973	128,400,646	39.05 %	\$ 341,271,505	37.62 %
7/1/06	70,897,370	188,159,912	117,262,542	37.68	320,407,690	36.60
7/1/05	60,596,308	174,359,298	113,762,990	34.75	321,226,581	35.42

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS
 Required Supplementary Information
 Schedule of Funding Progress
 Year Ended June 30, 2008

Post-Employment Life and Healthcare Insurance Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age Normal</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age Normal</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2007	-	\$2,222,673,800	\$2,222,673,800	\$2,222,673,800	0%	\$501,134,000	443.5%
7/1/2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7/1/2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS

Notes to Required Supplementary Information

Year ended June 30, 2008

(1) **Budgeting**

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

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

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

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

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

This page intentionally left blank

**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

This page intentionally left blank.

MILWAUKEE PUBLIC SCHOOLS

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used 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, 2008

	<u>Special Revenue</u>			
Assets	TEACH Wisconsin Programs	Categorically Aided Programs	Debt Service	Total
Receivables due from other governmental units	\$ —	5,492,711	—	5,492,711
Due from other funds	1,182,960	—	—	1,182,960
Total assets	\$ 1,182,960	5,492,711	—	6,675,671
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	1,120	—	1,120
Deferred revenue	—	334,065	—	334,065
Due to other funds	—	5,157,526	—	5,157,526
Total liabilities	—	5,492,711	—	5,492,711
Fund balances:				
Unreserved and undesignated	1,182,960	—	—	1,182,960
Total fund balances	1,182,960	—	—	1,182,960
Total liabilities and fund balances	\$ 1,182,960	5,492,711	—	6,675,671

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2008

	<u>Special Revenue</u>			
	<u>TEACH Wisconsin Programs</u>	<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Property taxes	\$ —	—	—	—
Other local sources	—	169	—	169
State aid—other	995,535	—	—	995,535
Federal aid:				
Other federal aid	—	25,241,622	—	25,241,622
Total revenues	<u>995,535</u>	<u>25,241,791</u>	<u>—</u>	<u>26,237,326</u>
Expenditures:				
Instructional services—				
special curriculum	—	4,250,317	—	4,250,317
Pupil and staff services	—	20,991,474	—	20,991,474
Debt service:				
Principal	1,991,070	—	3,719,423	5,710,493
Interest	—	—	7,877,949	7,877,949
Issuance Cost	—	—	9,428	9,428
Total expenditures	<u>1,991,070</u>	<u>25,241,791</u>	<u>11,606,800</u>	<u>38,839,661</u>
Excess of revenues over (under) expenditures	(995,535)	—	(11,606,800)	(12,602,335)
Other financing sources:				
Transfers In	—	—	11,606,800	11,606,800
Total other financing sources (uses), net	<u>—</u>	<u>—</u>	<u>11,606,800</u>	<u>11,606,800</u>
Net changes in fund balances	(995,535)	—	—	(995,535)
Fund balances:				
Beginning of year	2,178,495	—	—	2,178,495
End of year	\$ <u>1,182,960</u>	<u>—</u>	<u>—</u>	<u>1,182,960</u>

MILWAUKEE PUBLIC SCHOOLS

TEACH Wisconsin Programs Fund

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

Year ended June 30, 2008

	<u>Budgeted amounts</u>		<u>Actual</u>
	<u>Adopted</u>	<u>Revised</u>	<u>(GAAP basis)</u>
Revenues:			
State aid:			
Other state aid	\$ —	—	995,535
Total revenues	<u>—</u>	<u>—</u>	<u>995,535</u>
Expenditures:			
Current operating:			
Debt service	995,535	995,535	1,991,070
Total expenditures	<u>995,535</u>	<u>995,535</u>	<u>1,991,070</u>
Net change in fund balance	\$ <u>(995,535)</u>	<u>(995,535)</u>	<u>(995,535)</u>
Fund balance—beginning of year			<u>2,178,495</u>
Fund balance—end of year			<u>\$ <u>1,182,960</u></u>

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

Year ended June 30, 2008

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
Revenues:			
Other local sources	\$ —	—	169
Federal aid:			
Other federal aid	29,137,913	29,468,875	25,241,622
Total revenues	<u>29,137,913</u>	<u>29,468,875</u>	<u>25,241,791</u>
Expenditures:			
Current operating:			
Special curriculum	5,973,115	6,040,960	4,250,317
Pupil and staff services	23,164,798	23,427,915	20,991,474
Total expenditures	<u>29,137,913</u>	<u>29,468,875</u>	<u>25,241,791</u>
Net change in fund balance	\$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			<u>\$ —</u>

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

Year ended June 30, 2008

	Budgeted amounts		Actual (GAAP basis)
	Adopted	Revised	
Revenues:			
Property taxes	\$ —	—	—
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:			
Current operating:			
Debt service	16,019,455	16,159,455	11,606,800
Total expenditures	<u>16,019,455</u>	<u>16,159,455</u>	<u>11,606,800</u>
Excess of revenues over (under) expenditures	(16,019,455)	(16,159,455)	(11,606,800)
Other financing sources (uses)			
Transfers In (Out)	<u>16,019,455</u>	<u>16,159,455</u>	<u>11,606,800</u>
Total other financing sources (uses), net	16,019,455	16,159,455	11,606,800
Fund balance—beginning of year	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance—end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>

MILWAUKEE PUBLIC SCHOOLS

Fiduciary Funds

Pension Trust Funds

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

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

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

Agency Fund

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

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Net Assets—Pension Trust Funds

June 30, 2008

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
	<hr/>	<hr/>	<hr/>
Assets			
Investments			
Money market accounts	\$ 1,846,840	4,296,426	6,143,266
U.S. treasury and agency securities	1,035,207	1,706,187	2,741,394
Mortgage-backed securities	223,578	35,110	258,688
Nongovernment obligations	1,498,002	923,991	2,421,993
Investment in the State of Wisconsin	40,416,590	98,985,366	139,401,956
Receivables-interest and contributions	30,624	30,262	60,886
	<hr/>	<hr/>	<hr/>
Total assets	45,050,841	105,977,342	151,028,183
Liabilities			
Liabilities:			
Accounts payable and accrued expenses	371,395	1,012,806	1,384,201
	<hr/>	<hr/>	<hr/>
Total liabilities	371,395	1,012,806	1,384,201
Net Assets			
Held in trust for supplemental pension benefits	\$ 44,679,446	104,964,536	149,643,982
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Changes in Net Assets—Pension Trust Funds

Year ended June 30, 2008

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
	<hr/>	<hr/>	<hr/>
Additions:			
Employer contributions	\$ 2,370,916	15,304,501	17,675,417
Investment loss, net of expenses	(2,426,301)	—	—
	<hr/>	<hr/>	<hr/>
Total additions	—	10,343,989	10,288,604
	<hr/>	<hr/>	<hr/>
Deductions:			
Benefits paid to participant's or beneficiaries	4,320,397	11,926,978	16,247,375
Distribution of participant contribution accounts	343,440	—	343,440
Administrative expenses	63,760	128,044	191,804
	<hr/>	<hr/>	<hr/>
Total deductions	4,727,597	12,055,022	16,782,619
	<hr/>	<hr/>	<hr/>
Changes in net assets	(4,782,982)	(1,711,033)	(6,494,015)
	<hr/>	<hr/>	<hr/>
Net assets—Beginning of Year	49,462,428	106,675,569	156,137,997
	<hr/>	<hr/>	<hr/>
Net assets—Ending of Year	\$ 44,679,446	104,964,536	149,643,982
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MILWAUKEE PUBLIC SCHOOLS
 Agency Fund
 Schedule of Changes in Assets and Liabilities
 Year ended June 30, 2008

Assets	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Cash and cash equivalents	\$ 5,998,379	15,828,271	(16,227,400)	5,599,250
Total assets	<u>5,998,379</u>	<u>15,828,271</u>	<u>(16,227,400)</u>	<u>5,599,250</u>
Liabilities				
Liabilities:				
Due to student organizations	5,998,379	15,828,271	(16,227,400)	5,599,250
Total liabilities	\$ <u>5,998,379</u>	<u>15,828,271</u>	<u>(16,227,400)</u>	<u>5,599,250</u>

Milwaukee Public Schools

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	87-90
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	91-96
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	97-99
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	100-104
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	105-115

MILWAUKEE PUBLIC SCHOOLS
Statement of Net Assets
Last 7 Years

Governmental activities

	Fiscal Year						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in capital assets, net of related debt	\$ 483,877,761	473,612,564	481,469,344	475,757,763	456,936,816	434,581,357	415,911,456
Restricted for debt service	16,045,169	14,472,771	1,796,177	13,502,378	9,518,692	3,089,752	-
Unrestricted	<u>(249,579,105)</u>	<u>(102,111,255)</u>	<u>(97,025,340)</u>	<u>(122,424,347)</u>	<u>(113,587,990)</u>	<u>(115,140,875)</u>	<u>(56,959,502)</u>
Total net assets	<u>\$ 250,343,825</u>	<u>385,974,080</u>	<u>386,240,181</u>	<u>366,835,794</u>	<u>352,867,518</u>	<u>322,530,234</u>	<u>358,951,954</u>

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

MILWAUKEE PUBLIC SCHOOLS
Changes in Net Assets
Last 7 Years

	Fiscal Years						
	2008	2007	2006	2005	2004	2003	2002
Expenses:							
Instruction	\$ 826,043,487	676,036,401	664,463,808	652,166,070	644,447,634	623,385,686	589,461,207
Support services:							
Community services	19,658,453	20,110,243	23,270,780	20,560,706	18,154,857	21,757,475	18,606,289
Pupil and staff services	132,463,255	122,202,632	117,138,777	110,034,688	105,549,340	128,557,769	106,353,611
General, administration, and central services	117,404,599	111,430,021	112,657,972	108,742,800	116,816,130	110,763,906	108,170,630
Business services	176,006,641	162,219,265	155,889,203	162,748,023	140,825,201	179,310,149	154,803,929
School nutrition services	40,654,079	36,515,840	32,793,305	32,165,131	31,249,035	29,348,112	28,672,131
Interest on long-term debt	16,771,008	18,130,489	20,176,300	16,245,344	6,250,445	3,920,507	1,373,719
Insurance	-	-	-	-	-	8,733,676	-
Other	107,547	67,439	346,361	548,565	1,432,919	1,190,106	479,600
Total support services	\$ 503,065,582	470,675,929	462,272,698	451,045,257	420,277,927	483,581,700	418,459,909
Total expenses	\$ 1,329,109,069	1,146,712,330	1,126,736,506	1,103,211,327	1,064,725,561	1,106,967,386	1,007,921,116
Program revenues:							
Charges for services:							
Instruction	\$ 9,168,741	8,224,655	9,925,797	3,130,444	2,309,821	1,486,516	992,481
Community services	2,333,636	2,934,878	1,906,234	1,930,856	3,246,347	2,876,220	3,634,145
Business services	1,571,882	296,678	103,409	281,329	111,642	143,894	153,322
Nutrition services	3,915,031	3,991,342	4,391,811	4,747,456	4,754,985	4,331,344	4,230,650
Interest on long-term debt	-	-	-	-	296,612	-	-
Operating grants and contributions:							
Instruction	211,544,865	187,252,284	204,453,803	105,071,902	106,964,376	103,818,468	82,443,894
Community services	6,389,186	6,031,898	9,864,927	7,318,142	7,629,273	10,009,747	11,562,944
Pupil and staff services	10,811,749	3,679,418	3,746,360	3,583,626	2,864,019	3,108,062	4,979,715
General, administration, and central services	-	-	-	-	-	-	714,331
Business services	6,867,633	2,779,926	3,511,831	44,078,275	41,609,807	41,786,993	41,114,899
Nutrition services	32,462,000	30,879,192	25,961,118	25,176,146	24,876,913	24,582,985	23,757,262
Capital grants and contributions:							
Instruction	10,906,976	5,371,128	9,759,824	20,355,818	11,334,558	13,918,003	33,847,928
General, administration, and central services	-	-	-	726,957	5,732,070	2,502,693	-
Business services	-	-	-	-	639,448	-	3,118,872
Total program revenues	\$ 295,971,699	251,441,399	273,625,114	216,400,951	212,369,871	208,564,925	210,550,443
Net (expense)/revenue	\$ (1,033,137,370)	(895,270,931)	(853,111,392)	(886,810,376)	(852,355,690)	(898,402,461)	(797,370,673)
General revenues and other changes in net assets:							
Taxes:							
Property taxes levied for general purposes	\$ 223,761,147	192,891,583	183,710,164	180,704,104	168,470,699	168,452,670	166,503,260
Property taxes levied for construction	16,975,373	14,580,539	13,237,040	12,266,054	-	-	-
Property taxes levied for debt service	-	13,546,414	8,843,502	6,469,806	6,723,273	4,644,357	2,773,885
Property taxes levied for community services	10,340,610	9,327,455	8,077,455	8,002,455	8,004,465	8,004,465	5,797,660
Other taxes	133,509	2,369,741	-	-	-	-	-
Federal and state aid not restricted to a specific purpose:							
General (equalization aid)	570,812,646	586,583,661	586,498,521	574,203,749	575,069,738	556,169,239	542,432,938
Other	70,601,690	71,253,170	69,325,745	116,147,856	123,574,539	122,784,828	105,517,681
Interest and investment earnings	2,496,060	3,535,723	2,823,351	1,773,508	761,505	662,490	857,961
Gain on sales of property	817,921	-	-	10,200	-	1,262,537	-
Other	-	916,544	-	1,200,921	88,755	335	-
Total general revenues	\$ 895,938,956	895,004,830	872,515,778	900,778,653	882,692,974	861,980,921	823,883,385
Change in net assets	\$ (137,198,414)	(266,101)	19,404,386	13,968,277	30,337,284	(36,421,540)	26,512,712

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS
Changes in Fund Balance, Governmental Funds
Last Seven Years
(modified accrual basis of accounting)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Revenues:							
Property tax levy	\$ 251,077,130	230,345,991	213,803,808	207,442,419	183,198,437	181,046,160	174,734,593
Other taxes	88,839	291,341	—	—	—	—	—
Lunchroom sales	3,774,957	3,875,772	4,391,811	4,747,456	4,754,985	4,331,344	4,230,650
Other local sources	16,967,736	11,729,344	14,656,297	13,550,964	9,221,099	10,531,728	10,009,451
State aid:							
Equalization aid	570,812,646	586,583,661	586,498,521	574,203,739	575,069,738	556,169,239	542,432,938
Special classes	42,288,233	39,265,952	39,188,603	39,419,557	40,437,993	40,312,755	41,148,872
Integration	41,864,808	45,208,452	43,660,426	38,661,528	39,437,167	38,717,298	38,830,913
Other state aid	55,720,015	51,424,988	53,759,282	52,338,422	52,217,130	54,522,686	56,566,633
Federal aid:							
Education Consolidation Improvement Act	81,727,901	70,566,992	72,246,390	69,124,917	59,694,854	55,238,900	48,563,189
School nutrition services	31,387,925	30,114,964	25,961,118	24,531,108	24,215,335	23,925,082	23,096,314
Erate refunds	3,638,805	1,661,683	—	4,510,353	639,448	857,304	3,118,872
Other federal aid	79,462,513	69,013,674	79,134,117	78,325,787	90,929,422	85,519,496	68,201,403
Intergovernmental aid from the City of Milwaukee	6,000,000	—	9,240,442	14,265,000	11,334,558	8,660,000	23,500,000
Miscellaneous	816,009	916,544	—	—	—	—	—
Interest and investment earnings	2,496,060	3,535,721	2,823,350	1,798,305	1,058,117	662,490	—
Total revenues	\$ 1,188,123,577	1,144,535,079	1,145,364,165	1,122,919,555	1,092,208,283	1,060,494,482	1,034,433,828
Expenditures:							
Instructional services:							
Undifferentiated curriculum	\$ 420,350,045	420,196,158	430,564,038	418,322,709	426,491,163	394,787,592	355,934,282
Regular and other curriculum	139,085,524	113,231,381	105,796,528	99,908,858	103,609,583	113,717,969	111,412,319
Special curriculum	128,758,524	126,898,396	113,370,170	113,285,852	101,456,920	102,170,548	95,433,902
Total instructional services	688,194,093	660,325,935	649,730,736	631,517,419	631,557,666	610,676,109	562,780,503
Community services	19,337,638	20,022,461	23,127,716	20,591,303	18,191,494	21,442,778	18,312,322
Pupil and staff services	130,014,574	120,056,089	115,122,913	109,425,025	106,347,902	127,129,819	106,273,359
General and school building administration	112,066,634	109,867,741	111,227,914	108,422,951	116,968,619	115,847,360	82,821,806
Business services	192,691,203	188,518,597	197,721,249	220,731,210	238,808,436	216,987,708	188,826,472
School nutrition services	38,476,566	35,782,244	32,210,593	32,006,084	31,097,577	29,209,501	28,602,348
Debt service:							
Principal	11,037,918	14,931,291	18,826,401	10,884,355	10,592,638	4,787,763	3,134,930
Interest	13,698,240	14,426,612	14,646,900	13,955,810	4,212,525	2,878,039	992,858
Bond issuance cost	480,561	625,649	—	—	3,282,941	—	—
Other	—	—	799,375	1,162,108	1,383,820	1,485,527	53,253,456
Total expenditures	\$ 1,205,997,427	1,164,556,619	1,163,413,797	1,148,696,265	1,162,443,618	1,130,444,604	1,044,998,054
Excess of revenues over (under) expenditures	\$ (17,873,850)	(20,021,540)	(18,049,632)	(25,776,710)	(70,235,335)	(69,950,122)	(10,564,226)
Other financing sources (uses) (note 7):							
Long-Term Debt Issued	\$ —	—	—	5,889,478	—	—	—
Proceeds from City of Milwaukee general obligation bonds	—	—	—	—	1,005,000	7,060,000	5,900,000
Proceeds from Pension bonds	—	—	—	—	168,051,136	—	—
Payment for refunded pension debt	—	—	—	—	(165,505,293)	—	—
Proceeds from qualified zone academy bonds	—	1,078,100	2,021,000	—	2,650,000	4,979,000	8,590,000
Proceeds from Neighborhood Schools Initiative bonds	—	—	—	—	78,740,000	—	33,300,000
Premium on NSI bonds	—	—	—	—	1,357,121	—	—
Proceeds from Sale of Land	—	—	—	25,200	—	1,306,175	—
Proceeds from Teach Loan	—	—	—	—	—	1,935,677	3,034,883
Proceeds from capital leases	—	—	12,415,000	—	34,475,000	—	—
Insurance proceeds from fire	2,997,170	1,000,000	—	—	—	—	—
Refunding bond debt issued	—	31,865,000	—	—	—	—	—
Payment for refunded bond debt	—	(30,982,607)	—	—	—	—	—
Discount on debt issued	—	(338,503)	—	—	—	—	—
Refunding intergovernmental debt issued	—	—	—	847,676	790,000	—	—
Payment for refunded intergovernmental debt	—	—	—	(847,676)	(790,000)	—	—
Total other financing sources (uses), net	\$ 2,997,170	2,621,990	14,436,000	5,914,678	120,772,964	15,280,852	50,824,883
Net change in fund balance	\$ (14,876,680)	(17,399,550)	(3,613,632)	(19,862,032)	50,537,629	(54,669,270)	40,260,657

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

MILWAUKEE PUBLIC SCHOOLS

Assessed and Equalized Valuation—City of Milwaukee

(in thousands)

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

Year	Assessed valuation	Assessed valuation increase (decrease) over prior years	Equalized valuation
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
2006	28,354,952	3,132,803	30,226,984
2007	29,374,373	1,019,421	31,887,192

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

MILWAUKEE PUBLIC SCHOOLS

Property Tax Rates—Direct and Overlapping Government

Last Ten Years

Levy for year	Milwaukee School Board (B)		City of Milwaukee (A)	Milwaukee Area District Board of Vocational, Technical, and Adult Education			County of Milwaukee		State of Wisconsin		Milwaukee Metropolitan Sewerage District	Total (C)		
TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL														
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
2006	8.35	34.1	8.08	33.0	1.96	8.0	4.43	18.1	0.20	0.8	1.48	6.0	24.50	100.0
2007	7.48	33.4	7.28	32.5	1.89	8.4	4.18	18.7	0.19	0.8	1.39	6.2	22.41	100.0

- (A) State law prohibits the City from raising property taxes more than 2% plus 60% growth of new development.
- (B) Overlapping rates are those of local and county governments that apply to property owners within the City of Milwaukee.
- (C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

Source: City of Milwaukee

MILWAUKEE PUBLIC SCHOOLS

Tax Rates for School Purposes

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

<u>Year</u>		<u>School Operations</u>	<u>Construction</u>	<u>Extension</u>	<u>Total</u>
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	8.56
2005		7.71	0.53	0.32	8.56
2006		7.48	0.53	0.34	8.35
2007		6.67	0.51	0.31	7.48

93

Tax Levies for School Purposes

Last Ten Years

<u>Year</u>		<u>School Operations</u>	<u>Construction</u>	<u>Extension</u>	<u>Total</u>
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
2006		206,437,997	14,580,539	9,327,455	230,345,991
2007		223,761,147	16,975,373	10,340,610	251,077,130

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

Employer	Fiscal Year 2007		Fiscal Year 1998			
	Assessed Value	Percentage of Total Assessed	Assessed Value	Percentage of Total Assessed		
U.S. Bank	\$ 251,923	0.86	%	\$ —	—	%
Northwestern Mutual Life Insurance Company	189,075	0.64		215,305	1.34	
Marcus Corp./Mil. City Center/Pfister	115,918	0.39		64,283	0.40	
Metropolitan Associates	102,999	0.35		—	—	
NNN 411 E. Wisconsin LLC	92,818	0.32		—	—	
Towne Realty	87,959	0.30		82,414	0.51	
M&I Marshall & Isley Bank/Metavante Corp.	84,209	0.29		74,138	0.46	
Geneva Exchange Fund	73,500	0.25		—	—	
Crichton-Hauck/Shoreline/Juneau	72,927	0.25		—	—	
EC Milwaukee Joint Venture	71,573	0.24		160,740	1.00	
Miller Brewing	—	—		99,437	0.62	
100 E. Wisconsin Ave Joint Venture	—	—		—	—	
JMB Realty Corporation	—	—		65,925	0.41	
Teachers Insurance & Annuity Assoc.	—	—		100,078	0.62	
Allen Bradley Company	—	—		69,109	0.43	
Sampson Enterprises	—	—		67,859	0.42	
	\$ 1,142,901	3.89	%	\$ 999,288	6.21	%

Source: City CAFR

MILWAUKEE PUBLIC SCHOOLS
Property Tax Levies and Collections
Last 6 Years
(Amounts expressed in thousands)

Budget Year	Taxes Levied for the Fiscal Year (Original Levy) (D)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy		Collections		Total Collections to Date	Percentage of Adjusted Levy
				Levy Year (B)	Percent Original Levy Collected	Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years		
2002	\$ 222,708	\$ 20,099	\$ 242,807	\$ 217,242	97.55 %	\$ 13,599	\$ 11,219	\$ 242,060	99.69 %
2003	234,485	20,846	255,331	228,345	97.38	12,918	13,056	254,319	99.60
2004	240,643	22,764	263,407	235,012	97.66	15,497	11,335	261,844	99.41
2005	248,267	23,475	271,742	242,587	97.71	14,992	10,090	267,669	98.50
2006	261,685	25,390	287,075	255,818	97.76	15,647	11,084	282,549	98.42
2007	265,319	31,686	297,005	257,350	97.70	18,581	-	275,931	92.90

Milwaukee Public Schools		
Fiscal Year	Total Tax Levy	Percentage of Levy (E)
2002	\$ 174,735	100.00 %
2003	181,046	100.00
2004	183,198	100.00
2005	207,442	100.00
2006	213,804	100.00
2007	230,346	100.00

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

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

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

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

(E) City absorbs all tax delinquencies

Source: City of Milwaukee and MPS

Milwaukee School Schools
Assessed Value and Estimated Actual Value of Taxable Property
Last 6 Years
(Thousand of Dollars)

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

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

Source: City CAFR & 2007 City Assessor's Office

MILWAUKEE PUBLIC SCHOOLS

Computation of Direct and Overlapping Debt—City of Milwaukee

December 31, 2007

(in thousands)

<u>Name of governmental unit</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City of Milwaukee (C)</u>	<u>City of Milwaukee's share of debt</u>
Debt Repaid with property taxes			
Direct debt:			
City of Milwaukee (A)	\$ 671,562	100.00 %	\$ 671,562
Overlapping debt:			
Milwaukee Area Technical College District Board	60,890	41.70	25,391
County of Milwaukee	452,851	47.81	216,508
Milwaukee Metropolitan Sewerage Area (B)	769,559	48.89	375,749
Total overlapping debt			<u>617,648</u>
Total district and overlapping debt			<u>\$ 1,289,210</u>

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

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

(A) Excludes \$65,446 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.

(B) Includes \$520,824 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

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

Source: City CAFR

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

Fiscal Year	General Obligation Bonds	QZAB	Pension Debt		Wisconsin Retirement System (UAAL)	General Bonded Debt Subtotal	Bonded Debt as a Percentage of Equalized Property Value ¹	Bonded Debt Per Capita	Revenue Bonds	Capital Lease	TEACH Loans	Total Debt	Total Debt as a Percentage of Personal Income ²	Total Debt Per Capita
			Capital Appreciation Bonds	Variable Rate Debt										
1999	\$ 13,305,896				153,058,000	166,363,896	1.00 %	274		17,910,447		184,274,343	1.15	303
2000	11,318,305				157,283,000	168,601,305	0.97	278		12,836,818	174,441	181,612,564	1.10	300
2001	11,231,524				161,880,000	173,111,524	0.89	291		6,348,549	1,322,718	180,782,791	1.08	304
2002	15,016,036	8,590,000			166,728,766	190,334,802	0.94	319	33,300,000	1,948,775	4,091,684	229,675,261	1.25	385
2003	19,385,316	12,469,908			167,607,420	199,462,644	0.92	335	33,300,000	1,482,250	5,495,934	239,740,828	1.29	403
2004	16,756,869	13,406,456	38,061,867	130,850,000		199,075,192	0.85	335	113,297,237	34,552,250	4,776,312	351,700,991	1.82	592
2005	17,040,498	11,356,780	39,845,213	130,850,000		199,092,491	0.76	336	113,197,353	31,154,750	10,236,484	353,681,078	N/A	597
2006	14,174,684	11,248,426	35,598,442	130,850,000		191,871,552	0.63	325	113,097,469	40,087,275	8,407,726	353,464,022	N/A	599
2007	11,996,044	9,897,583	37,852,753	130,850,000		190,596,380	N/A	N/A	108,180,831	36,759,825	6,511,465	342,048,501	N/A	N/A
2008	9,804,615	8,369,589	40,250,009	130,850,000		189,274,213	N/A	N/A	106,447,870	33,222,400	4,520,395	333,464,878	N/A	N/A

(1) Equalized Value per the City of Milwaukee

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

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

Fiscal Year	Neighborhood Schools Initiative Bonds				Capital Appreciation Pension Bonds and 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
2007	42,212,564	—	4,897,374	8.62	586,583,661	—	7,340,685	79.91
2008	38,625,243	1,790,000	4,373,834	6.27	570,812,646	—	7,424,930	76.88

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

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

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

Year	<u>County of Milwaukee</u>					
	Population (A)	Personal Income (Thousands of Dollars) (B)	Per Capita Income (C)	Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
1998	610,654	\$24,772,518	\$ 26,286	30.3	105,645	4.8%
1999	608,150	25,533,958	27,149	30.3	105,374	4.9
2000	605,572	26,520,952	28,220	30.6	103,541	5.9
2001	595,508	28,125,424	29,796	30.6	103,397	7.4
2002	595,958	28,737,661	30,354	30.6	103,464	8.9
2003	595,245	29,139,237	30,699	30.6	103,769	7.9
2004	593,920	29,863,926	31,428	30.6	102,309	6.8
2005	592,765	30,895,266	32,538	30.6	100,262	6.5
2006	590,370	32,500,267	34,128	30.6	97,509	6.5
2007	590,190	Not available	Not available	30.6	87,360	6.5

(A) *The December 31, 1998 through 2007 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2006 and 2007 is from the Wisconsin Department of Administration estimates.*

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

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

(D) *Median age of the population is determined only during a census. These figures represent the data collected by the 1990 and 2000 Regular Census.*

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

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

source: City of Milwaukee 2007 CAFR

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

<u>Employer</u>	<u>2007 Estimates (1)</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Aurora Health Care	17,384	1	3.79%	9,186	2	1.90%
Wheaton Franciscan Healthcare	12,000	2	2.62%			
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800	3	2.36%	7,685	4	1.59%
Roundy's Supermarkets	7,532	4	1.64%			
Covenant Health Care				3,689	8	0.76%
City of Milwaukee	7,350	5	1.60%	7,738	3	1.60%
Milwaukee Public Schools	7,137	6	1.56%	11,909	1	2.46%
Quad Graphics	7,000	7	1.53%			
M&I Marshall & Ilsley	6,869	8	1.50%	4,763	7	0.98%
Kohl's Corp.	6,700	9	1.46%			
GE Healthcare	6,462	10	1.41%			
Milwaukee County				6,782	5	1.40%
Northwestern Mutual Life				3,247	10	0.67%
Allen-Bradley (now Rockwell)				3,380	9	0.70%
Horizon Health Care	-		-	<u>6,016</u>	6	<u>1.24%</u>
	<u>89,234</u>		<u>19.47%</u>	<u>64,395</u>		<u>13.31%</u>

(1) Reflects full-time equivalent employees.

Note: Data includes all of Milwaukee County.

Source: *The 2008 Business Journal Book of Lists. City from internal records.*

The 1998 data was from the Department of Administration January 1999 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".

Total employment data (1998=483,801) (2007=458,299) from the State of Wisconsin Workforce Development.

source: City of Milwaukee CAFR

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

	<u>Cost per pupil</u>
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	11,416 *
2005 – 2006	11,808
2006 – 2007	12,174
2007 – 2008	13,055

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

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

Fiscal year	Total number of children	Increase or (decrease) over prior year	Increase or (decrease) over prior year		Increase or (decrease) over prior year	Attending public schools	Attending private schools	Total attending schools	Percent attending schools	
			Males	Females						
1973	179,821	(8,348)	91,643	(4,086)	88,178	(4,262)	124,370	30,840	155,210	86.3
1974	172,258	(7,563)	87,713	(3,930)	84,545	(3,633)	118,890	27,974	146,864	85.3
1975	167,370	(4,888)	85,316	(2,397)	82,054	(2,491)	115,758	27,437	143,195	85.6
1976	161,099	(6,271)	81,963	(3,353)	79,136	(2,918)	113,336	26,475	139,811	86.8
1977	152,435	(8,664)	77,734	(4,229)	74,701	(4,435)	104,619	25,078	129,697	85.1
1978	148,378	(4,057)	75,519	(2,215)	72,859	(1,842)	100,859	26,275	127,134	85.7
1979	133,507	(14,871)	68,491	(7,028)	65,016	(7,843)	93,296	26,011	119,307	89.4
1980	133,639	132	68,245	(246)	65,394	378	91,069	25,436	116,505	87.2
1981	130,215	(3,424)	66,550	(1,695)	63,665	(1,729)	82,520	31,238	113,758	87.4
1982	131,748	1,533	67,085	535	64,663	998	80,683	29,623	110,306	83.7
1983	134,734	2,986	68,642	1,557	66,092	1,429	83,148	31,149	114,297	84.8
1984	140,729	5,995	71,689	3,047	69,040	2,948	87,243	31,601	118,844	84.4
1985	147,347	6,618	75,066	3,377	72,281	3,241	93,406	31,464	124,870	84.7
1986	148,768	1,421	75,391	325	73,377	1,096	96,520	30,961	127,481	85.7
1987	145,593	(3,175)	73,844	(1,547)	71,749	(1,628)	94,744	30,997	125,741	86.4
1988	148,416	2,823	75,196	1,352	73,220	1,471	98,438	31,140	129,578	87.3
1989	150,714	2,298	76,520	1,324	74,194	974	99,988	29,988	129,976	86.2
1990	150,723	9	76,382	(138)	74,341	147	99,079	29,346	128,425	85.2
1991	128,540	(22,183)	65,230	(11,152)	63,310	(11,031)	86,407	27,012	113,419	88.2
1992	144,452	15,912	73,180	7,950	71,272	7,962	100,017	28,346	128,363	88.9
1993	145,499	1,047	73,772	592	71,727	455	100,728	27,956	128,684	88.4
1994	149,545	4,046	75,893	2,121	73,652	1,925	103,452	28,196	131,648	88.0
1995	151,541	1,996	76,471	578	75,070	1,418	106,886	27,816	134,702	88.8
1996	151,710	169	76,778	307	74,932	(138)	106,910	27,931	134,841	88.9
1997	151,027	(683)	76,429	(349)	74,598	(334)	107,121	27,455	134,576	89.1
1998	153,227	2,200	77,533	1,104	75,694	1,096	108,786	27,723	136,509	89.1
1999	154,328	1,101	78,141	608	76,187	493	111,712	27,207	138,919	90.0
2000	154,977	649	78,599	458	76,378	191	110,397	28,342	138,739	89.5
2001	150,256	(4,721)	76,048	(2,551)	74,208	(2,170)	107,905	26,479	134,384	89.4
2002	149,992	(264)	76,142	94	73,850	(358)	109,852	25,066	134,918	90.0
2003	162,011	12,019	82,187	6,045	79,824	5,974	122,631	23,760	146,391	90.4
2004	164,641	2,630	83,399	1,212	81,242	1,418	128,862	21,829	150,691	91.5
2005	180,706	16,065	91,885	8,486	88,821	7,579	131,394	23,046	154,440	85.5
2006	191,368	10,662	97,303	5,418	94,065	5,244	112,032	27,445	139,477	72.9
2007	185,082	(6,286)	93,812	(3,491)	91,270	(2,795)	108,264	26,619	134,883	72.9
2008	184,204	(878)	92,088	(1,724)	92,116	846	103,214	27,912	131,126	71.2

* 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, 2008

<u>Ages</u>	<u>Males</u>	<u>Females</u>	<u>Total</u>	<u>Attended public school</u>	<u>Attended parochial or private school</u>	<u>Did not attend school</u>
1	5,510	5,514	11,024	0	0	11,024
2	5,387	5,191	10,578	0	0	10,578
3	5,294	5,064	10,358	566	65	9,727
Total 1 – 3	16,191	15,769	31,960	566	65	31,329
4	5,265	4,981	10,246	2,470	272	7,504
5	5,262	5,043	10,305	6,218	1,823	2,264
6	5,259	5,090	10,349	6,781	2,009	1,559
7	4,595	4,707	9,302	6,792	2,083	427
8	4,513	4,479	8,992	6,772	2,056	164
9	4,520	4,449	8,969	6,824	1,895	250
10	4,485	4,385	8,870	6,745	1,884	241
11	4,238	4,233	8,471	6,384	1,803	284
12	4,241	4,194	8,435	6,334	1,875	226
13	4,336	4,209	8,545	6,510	1,857	178
14	4,498	4,543	9,041	6,787	1,823	431
15	4,519	4,447	8,966	7,098	1,666	202
16	4,803	4,950	9,753	7,219	1,518	1,016
17	4,756	5,060	9,816	7,319	1,321	1,176
18	5,504	6,177	11,681	6,925	1,470	3,286
19	5,103	5,400	10,503	5,470	2,492	2,541
Total 4 – 19	75,897	76,347	152,244	102,648	27,847	21,749
Grand total	92,088	92,116	184,204	103,214	27,912	53,078

MILWAUKEE PUBLIC SCHOOLS
Government-wide Expenses by Function
Last Seven 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
2007	676,036	20,110	122,203	111,430	162,219	36,516	18,130	-	67	1,146,711
2008	826,043	19,658	132,463	117,405	176,007	40,654	16,771	-	108	1,329,109

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 Seven Fiscal Years

(amounts expressed in thousands)

Fiscal year	Charges for services	Operating grants and contributions	Capital grants and contributions	Property taxes	Federal and state aid not restricted to a specific purpose	Interest and investment earnings	Miscellaneous	Total
2002	\$ 9,011	164,573	36,967	175,075	647,950	858	-	1,034,434
2003	8,838	183,306	16,421	181,101	678,954	662	1,263	1,070,545
2004	10,719	183,944	17,706	183,198	698,644	762	89	1,095,062
2005	10,090	185,228	21,083	207,442	690,350	1,773	1,211	1,117,177
2006	16,327	247,538	9,760	213,868	655,825	2,823	-	1,146,141
2007	15,447	230,623	5,371	232,716	657,837	917	3,535	1,146,446
2008	16,989	268,075	10,907	251,211	641,415	2,496	818	1,191,911

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 Seven Fiscal Years
 (amounts expressed in thousands)

Fiscal year	Instruction	Community services	Pupil & staff services	General and school building administration	Business services	School Nutrition Services	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
2007	660,326	20,022	120,056	109,868	188,519	35,782	29,984	—	1,164,557
2008	688,194	19,337	130,014	112,067	192,691	38,477	25,217	—	1,205,997

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 Seven Fiscal Years
 (amounts expressed in thousands)

Fiscal year	Property tax levy	Lunchroom sales	Other local sources	State aid	Federal aid	Intergovernmental aid	Other federal aid	Interest and investment earnings	Total
2002	\$ 174,734	4,231	10,009	678,979	74,779	23,500	68,201	23,500	1,057,933
2003	181,046	4,331	10,531	689,721	80,021	8,660	85,519	662	1,060,491
2004	183,198	4,755	9,221	707,163	84,549	11,334	90,930	1,058	1,092,208
2005	207,442	4,747	13,551	704,624	98,166	14,265	78,326	1,798	1,122,919
2006	213,804	4,392	14,656	723,107	177,342	9,240	—	2,823	1,145,364
2007	230,346	3,876	12,020	722,482	171,358	—	917	3,536	1,144,535
2008	251,077	3,775	17,056	710,686	196,218	6,000	816	2,496	1,188,124

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	
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	
2006 – 2007	6,033	177	92,224	
2007 – 2008	6,010	178	89,110	

(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>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>	<u>2006 – 2007</u>	<u>2007 – 2008</u>
Senior high and middle schools:										
Principals	37	37	37	38	36	38	29	31	29	32
Assistant principals	119	111	116	113	111	108	100	82	99	74
Teachers	2,491	2,425	2,320	2,291	2,352	2,409	1,936	1,915	1,724	1,701
Total	2,647	2,573	2,473	2,442	2,499	2,555	2,065	2,028	1,852	1,807
Elementary schools:										
Principals	115	107	120	117	108	107	108	105	100	110
Assistant principals	85	79	86	84	70	71	68	66	54	59
Teachers	3,544	3,599	3,705	3,762	3,736	3,750	3,652	3,575	3,497	3,425
Total	3,744	3,785	3,911	3,963	3,914	3,928	3,828	3,746	3,651	3,594
Special schools and classes:										
Principals	3	1	1	1	1	2	2	4	2	3
Assistant principals	2	2	2	2	2	3	5	11	7	4
Teachers	791	753	741	746	721	778	612	631	521	602
Total	796	756	744	749	724	783	619	646	530	609
Summary:										
Principals	155	145	158	156	145	147	139	140	131	145
Assistant principals	206	192	204	199	183	182	173	159	160	137
Teachers	6,826	6,777	6,766	6,799	6,809	6,937	6,200	6,121	5,742	5,728
Total	7,187	7,114	7,128	7,154	7,137	7,266	6,512	6,420	6,033	6,010
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors	763	766	708	735	674	665	426	428	415	418
Grand total	7,950	7,880	7,836	7,889	7,811	7,931	6,938	6,848	6,448	6,428

MILWAUKEE PUBLIC SCHOOLS

Population and Pupils
Residing in the City of Milwaukee

Last Ten Fiscal Years

	1998- 1999	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008
Total number of school age children according to city-wide child census	154,328	154,977	150,256	149,992	162,011	164,641	180,706	191,368	153,233	152,244
Enrollment for state aid:*										
Third Friday	104,249	103,660	101,744	101,618	101,715	102,033	100,403	98,209	95,332	91,947
Summer school	1,516	1,819	1,585	1,113	964	333	247	322	329	428
Total	<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>	<u>95,661</u>	<u>92,375</u>
Average number enrolled:										
Senior high	25,433	26,009	25,157	25,389	26,766	28,003	27,642	27,438	28,966	28,466
Junior high/middle	21,860	22,039	22,841	23,974	23,670	23,432	21,554	21,048	20,698	19,233
Elementary	58,375	57,567	55,571	53,940	52,683	51,699	49,354	48,042	47,845	46,273
Total	<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>	<u>97,509</u>	<u>93,972</u>
Average number attending:										
Senior high	19,382	20,463	19,396	19,727	20,936	22,251	22,127	22,046	22,916	22,205
Junior high/middle	18,603	19,168	19,848	20,927	20,843	20,968	19,225	18,736	18,413	17,047
Elementary	53,848	53,880	51,846	50,240	48,858	48,078	45,745	44,311	44,087	42,465
Total	<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>	<u>85,416</u>	<u>81,717</u>

* Non-resident and choice students not included.

**Milwaukee Public Schools
Operating Statistics
Last 7 Years**

Fiscal Year	Enrollment For State Aid	Operating Expenses	Cost Per Pupil	Teaching Staff	Pupil/Teacher Ratio
2008	92,375	\$1,329,109,069	\$ 14,388	6,944	13.30:1
2007	95,661	1,146,712,330	11,987	6,780	14.11:1
2006	98,531	1,126,736,506	11,435	6,974	14.13:1
2005	100,650	1,103,211,327	10,961	7,177	14.02:1
2004	102,366	1,064,725,561	10,401	7,541	13.57:1
2003	102,679	1,106,967,386	10,781	7,917	12.97:1
2002	102,731	1,007,921,116	9,811	8,299	12.38:1

Milwaukee Public Schools
School District Employees - Full Time Staff & Part Time
Last 7 Years

	Year Ending June 30,						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Supervisory							
Officials, Admin., Mgrs.	54	94	66	49	54	49	51
Principals	142	139	136	136	142	157	153
Part time profess/Ins.	<u>574</u>	<u>556</u>	<u>601</u>	<u>546</u>	<u>574</u>	<u>781</u>	<u>966</u>
Total supervisory	<u>770</u>	<u>789</u>	<u>803</u>	<u>731</u>	<u>770</u>	<u>987</u>	<u>1,170</u>
Instruction							
Asst. Prin. - Teach	165	142	153	161	165	167	186
Elementary Clsrn. Teach	3,697	3,658	3,673	3,678	3,736	3,877	4,025
Secondary Clsrn. Teach	1,680	1,584	1,717	1,862	2,008	2,171	2,270
Other Clsrn. Teach	589	452	498	489	589	599	591
Other Prof. Staff	397	441	406	397	397	401	377
Teacher Aides	<u>416</u>	<u>503</u>	<u>527</u>	<u>590</u>	<u>646</u>	<u>702</u>	<u>850</u>
Total instruction	<u>6,944</u>	<u>6,780</u>	<u>6,974</u>	<u>7,177</u>	<u>7,541</u>	<u>7,917</u>	<u>8,299</u>
Student Services							
Guidance	49	48	51	50	49	62	77
Psychological	145	159	150	140	145	148	144
Librarian/Audiovisual	32	36	44	41	32	45	67
Consultants/Supervisors	80	94	86	87	80	80	77
Technicians	<u>64</u>	<u>70</u>	<u>71</u>	<u>64</u>	<u>64</u>	<u>67</u>	<u>57</u>
Total student services	<u>370</u>	<u>407</u>	<u>402</u>	<u>382</u>	<u>370</u>	<u>402</u>	<u>422</u>
Support and Administration							
Clerical/Secretarial	583	529	550	558	583	612	612
Service Workers	415	415	426	440	433	432	440
Craft Workers - Skilled	448	393	408	429	448	454	467
Laborers - Unskilled	95	77	88	88	95	103	115
All other Part-time	<u>4,786</u>	<u>4,801</u>	<u>4,848</u>	<u>5,206</u>	<u>5,984</u>	<u>5,283</u>	<u>4,736</u>
Total support and administration	<u>6,327</u>	<u>6,215</u>	<u>6,320</u>	<u>6,721</u>	<u>7,543</u>	<u>6,884</u>	<u>6,370</u>
Total	<u><u>14,411</u></u>	<u><u>14,191</u></u>	<u><u>14,499</u></u>	<u><u>15,011</u></u>	<u><u>16,224</u></u>	<u><u>16,190</u></u>	<u><u>16,261</u></u>

**Milwaukee Public Schools
Nutrition Services - Facts and Figures
Last 7 Years**

Year Ending June 30,

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

**Milwaukee Public Schools
Capital Asset Information
Last 7 Years**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Elementary Schools							
Number of Buildings	121	121	121	121	119	119	118
Square Footage	8,479,854	8,479,854	8,479,854	8,424,438	8,183,648	8,107,618	7,911,920
Capacity	66,416	66,416	66,416	66,036	64,083	63,310	61,247
Enrollment	50,275	51,389	52,211	52,226	52,788	52,954	53,730
Middle Schools							
Number of Buildings	14	14	16	16	16	16	16
Square Footage	2,403,230	2,403,230	2,782,081	2,782,081	2,782,081	2,782,081	2,782,081
Capacity	12,420	10,620	12,420	12,420	12,420	12,420	12,420
Enrollment	8,213	9,651	11,370	13,225	15,316	17,026	16,805
High Schools							
Number of Buildings	14	14	14	14	14	14	14
Square Footage	4,080,365	4,080,365	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	20,539	20,539
Enrollment	23,193	23,863	23,692	23,428	23,154	21,840	22,375
Other Schools							
Number of Buildings	12	11	9	9	9	9	9
Square Footage	2,373,065	2,297,767	1,918,916	1,918,916	1,918,916	1,918,916	1,918,916
Capacity	10,673	10,430	8,630	8,630	8,630	8,630	8,630
Enrollment	5,679	6,022	6,243	6,721	6,101	5,473	4,839
Administrative/Service							
Number of Buildings	55	55	55	55	55	55	55
Square Footage	705,268	705,268	705,268	705,268	705,268	705,268	705,268
Athletics							
Football Fields*	35	35	35	35	35	35	35
Soccer Fields**	21	21	21	21	21	21	21
Running Tracks	13	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72
Swimming Pools	13	13	13	13	13	13	13
Playgrounds	147	147	147	147	147	147	147

*22 Recreation+13 High School

**8 Recreation+13 High School

***All Recreation

Note: Excludes leased sites