



*Milwaukee Public Schools*  
*Milwaukee, Wisconsin*

2012

*Comprehensive*

---

*Annual*

---

*Financial*

---

*Report*

---

For Year Ended June 30, 2012

153<sup>rd</sup> Edition

**153rd 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, 2012**

**MICHAEL BONDS, President**

**GREGORY E. THORNTON, Ed.D, Superintendent**

**Prepared by:**

**The Office of the Chief Financial Officer**

**Gerald J. Pace, Esq.**

This page intentionally left blank.

# MILWAUKEE PUBLIC SCHOOLS

## Comprehensive Annual Financial Report

Year Ended June 30, 2012

### Table of Contents

#### I. Introductory Section (Unaudited)

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

#### 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	79
Budgetary Comparison Schedule for the School Nutrition Services Fund	81
Schedules of Funding Progress and Schedules of Employer Contributions	82
Notes to Required Supplementary Information	84
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet—Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances —Nonmajor Governmental Funds	87

# MILWAUKEE PUBLIC SCHOOLS

## Comprehensive Annual Financial Report

Year Ended June 30, 2012

### Table of Contents, Continued

#### II. Financial Section, Continued

Combining and Individual Fund Statements and Schedules, Continued:

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

Actual:

Categorically Aided Programs Fund	88
Debt Service Fund	89
Combining Statement of Net Assets—Pension and Other Post Employment Benefits Trust Funds	91
Combining Statement of Changes in Net Assets—Pension and Other Post Employment Benefits Trust Funds	92
Schedule of Changes in Assets and Liabilities—Agency Fund	93

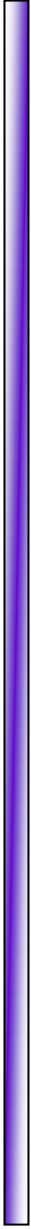
#### III. Statistical Section (Unaudited)

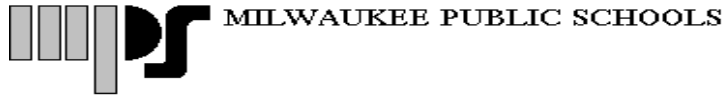
Statement of Net Assets	95
Changes in Net Assets	96
Fund Balance, Governmental Funds	97
Changes in Fund Balance, Governmental Funds, and Debt Service Ratios	98
Assessed and Equalized Valuation-City of Milwaukee	99
Property Tax Rates-Direct and Overlapping Government	100
Tax Rates for School Purposes	101
Principal Property Taxpayers	102
Property Tax Levies and Collections	103
Assessed Value and Estimated Actual Value of Taxable Property	104
Computation of Direct and Overlapping Debt-City of Milwaukee	105
Ratios of Outstanding Debt by Type	106
Pledged Revenue Coverage	107
Demographic and Economic Statistics	108
Principal Employers	109
Comparative per Capita Cost Statistics	110
Comparative Statement of Annual School Census	111
Annual Enumeration of Children Residing in the City of Milwaukee	112
Government-wide Expenses by Function	113
Government-wide Revenues	114
Governmental Fund Expenditures by Function	115
General Governmental Revenues by Source	116
School Accommodations	117
Number and Distribution of Instructional Staff	118
Population and Pupils Residing in the City of Milwaukee	119
Operating Statistics	120
School District Employees – Full Time Staff & Part Time	121
Nutrition Services – Facts and Figures	122
Capital Asset Information	123

**INTRODUCTORY SECTION**



*Milwaukee Public Schools*





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

December 17, 2012

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, 2012. The Comprehensive Annual Financial Report is management’s financial report to taxpayers, governing board, oversight bodies, voters, employees, and intergovernmental grantors. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District (“District”). To the best of our knowledge and belief, the information presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of MPS. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

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

### **REPORTING ENTITY**

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

The City is located 70 miles north of the city of Chicago on the western shores of Lake Michigan. The City has a population estimate of approximately 598,000 based on 2011 U. S. Census Bureau Data. The District operates more than 160 school sites, has over 78,000 students, and employs over 9,300 educators, administrators, and staff. The Superintendent, appointed by the Board, is the senior official representing MPS.

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

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

## LOCAL ECONOMIC ANALYSIS

Milwaukee is the state's largest urban and economic center. The City has a diversified economy with strong service and manufacturing sectors. Finance, insurance, entertainment, communication, health care, and other personal and business service activities account for over half of all employment within the City.

Based upon the Metropolitan Milwaukee Association of Commerce's August 2012 Economic Trends, August's seasonally unadjusted unemployment rate average of 7.9% is lower than the 8.0% rate posted one year ago. Currently, the metro Milwaukee area's jobless rate ranks higher than the state's 7.1% but lower than the 8.2% rates posted nationally.

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

### MAJOR INITIATIVES

District leadership has developed a *theory of action* that is built on the following goal areas: student achievement, family and community engagement, and effective and efficient operations. These goal areas are consistent with those of the *MPS Strategic Plan*. Contained within each goal area are a series of themes aligned to achieve the overall District objective of supporting our students so they are prepared to compete in an ever changing global economy. Much of the work associated with accomplishing this is well underway. An overview of each goal area and the corresponding themes and work completed in 2011-12 follows.

#### Student Achievement

The foundation on which this goal will be achieved is the development and implementation of the system-wide Comprehensive Literacy Plan (CLP) and the Comprehensive Mathematics and Science Plan (CMSP), both of which are aligned to the Common Core State Standards (CCSS). In 2011-12, these efforts were supported in various ways, including providing quality professional development for school-level personnel and a differentiated approach to learning using tiered supports and interventions. Additionally, the offices of School Administration and Family Services worked to create the conditions for schools to be successful through interventions and services designed to increase attendance and decrease suspensions.

There is a focus on creating a college-going culture for all students enrolled in Milwaukee Public Schools. Examples of this include implementation of the \$14 million Gear-Up Grant and the development of a College Access Center, with a second location identified and opened at the start of the 2012-13 school year. The business community raised \$800,000 to send seven MPS seniors to Morehouse College.

The District's commitment to student achievement was exemplified in many accomplishments such as *US News & World Report's* national and state ranking of high schools: King and Reagan were #130 and #197 in the national ranking; King, Reagan and Milwaukee School of Languages were #1, #2 and #7 in the publication's state ranking.

#### Family and Community Engagement

Emphasis on providing meaningful parental involvement and community outreach opportunities continued in 2011-12. The parent involvement coordinator reported that attendance remained steady and feedback forms indicated overall satisfaction with the types of parent training and engagement opportunities. We continue to strive to identify and implement programs and strategies to respond to the needs of our families. As a result of listening to parental feedback, parent specialists that were previously located at MPS Central Services were moved to five newly established Parent Resource Centers located in District schools to provide greater access throughout Milwaukee for parents.

Community engagement was a priority in 2011-12. The administration and the Milwaukee Board of School Directors collaborated to develop the *Call for Action* initiative as a response to the unnecessary violence taking the lives of our young people. *Call for Action* committees populated by community members and co-chaired by District staff and Mayoral appointees continued work in such areas as mentoring, celebrating student success, and health/safety and safe passages to achieve the initiative's goal of reducing violence in our city to provide a safe environment for Milwaukee's students/citizens.



In response to community input, the District merged the 68<sup>th</sup> Street Early Childhood School and 81<sup>st</sup> Street K-8 School and created an additional Montessori program known as Howard Avenue Montessori School. Both have the dual distinction of having allowed the community a chance to become truly invested in the district while potentially increasing the District's market share.

### **Effective and Efficient Operations**

This goal area is integral to assuring as many resources as possible flow to schools and that the District's core beliefs, especially *Children Come First* and *The Classroom is The Most Important Place in the District* remain a reality. To this end, the Long-range Facilities Master Plan (LRFMP) was completed in 2011-12, providing guidance as to the right sizing of the District from a facilities standpoint. Actions to achieve this during the year included the merging of two schools, the closing of two schools, relocation of six schools, and the sale of three properties.

Changes to health care benefits and Other Post Employment Benefits (OPEB) will help further stabilize the District's finances. Freezing the supplemental pension will result in an additional \$5 million annually beginning in 2013-14. Other savings/cost avoidance includes a potential savings of \$2.7 million once the first round of Six Sigma projects are completed. While the District was on track in 2011-12 to realize \$2 million in transportation savings, unexpected increases in fuel costs added back \$1.2 million in costs.

Tough-but-necessary financial decisions that cut roughly \$1.4 billion from Milwaukee Public Schools OPEB is helping stabilize District finances and provide opportunities to focus on the future. The actions undertaken by MPS have cut the District's long-term health and life insurance benefit liabilities by \$1.4 billion, which includes cost reductions of more than \$117.2 million annually as of fiscal year 2012.

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

The Administration is appreciative of the Milwaukee Board of School Directors' support in achieving the successes realized on behalf of students in 2011-12 and will continue to celebrate our successes and collaborate in addressing our challenges.

## **ACCOUNTING SYSTEM**

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

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

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

## **BUDGETARY CONTROL**

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

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

Board policy requires that all annual appropriations lapse at year-end except for the following: Excess budgetary authority for capital projects funds lapse when a specific project is completed; schools, with Board approval, are allowed to carry over appropriations into the following year up to a maximum of 1.5% of the total revised school budget each year up to a total accumulated carryover of 3%; deficits incurred by schools, offices, and programs automatically reduce subsequent year's budget appropriations; and, with Board approval, appropriations for special projects or planned purchases can be carried into the subsequent year. Additionally, at year-end, both encumbrance and budgetary authority necessary to offset the encumbrance may be automatically carried over to the next year. Annual Board approval for carryover of encumbrances is not required.

## **AUDIT SERVICES**

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

## **LONG TERM FINANCIAL PLANNING**

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

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

## **FINANCIAL POLICIES**

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

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

The FY12 Proposed Budget was one of the most challenging budgets that has been issued by a Milwaukee Public Schools Superintendent. Unprecedented cuts to public education are contained in the 2011-2013 state budget proposed by Wisconsin's Governor. The FY12 cuts for MPS total \$81.6 million – including \$66.6 million in school operations and construction funds and \$15 million in categorical funds. In addition to the state revenue cuts, the

District lost an additional \$95.5 million in grant funding. The majority of this, \$82,061,109, was budgeted with American Recovery and Reinvestment Act (ARRA) funding that was not available in FY12.

The proposed budgets in previous years were normally based on the prior year's revenues. Due to the extreme cuts in the Governor's proposed budget, the FY12 budget had been adjusted to be consistent with the Governor's provisions of the proposed state revenue cuts. Due to better than expected health care cost savings from employee contracts negotiated in 2010, which included selecting a new third-party health plan administrator, better pricing and employee premium contributions, the District achieved approximately \$40 million benefit cost savings in FY12 and projects another \$10 million in benefit cost in FY13.

### **DEBT ADMINISTRATION**

The City school bonds, notes and capital lease obligations outstanding at June 30, 2012 totaled \$398,285,958. Of this total, \$48,449,892 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 \$349,836,066 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

### **INDEPENDENT AUDIT**

The financial records of the Milwaukee Board of School Directors have been audited by Baker Tilly Virchow Krause, LLP, independent auditors. The auditors' opinion is unqualified. Such an opinion states the basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The auditors' report on the basic financial statements and schedules is included in the financial section of this report.

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

### **REPORTING ACHIEVEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Milwaukee Public Schools for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. We believe that our current report conforms to the Certificate program requirements. Accordingly, we are submitting it to GFOA to determine its eligibility for certification.

### **ACKNOWLEDGMENTS**

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

Respectfully submitted,

GREGORY E. THORNTON, Ed.D  
SUPERINTENDENT OF SCHOOLS

GERALD J. PACE, Esq.  
CHIEF FINANCIAL OFFICER

## BOARD OF SCHOOL DIRECTORS

DISTRICT	NAME	ADDRESS	TERM EXPIRES
1	Mark Sain	5225 W. Vliet Street (53208)	April, 2015
2	Jeff Spence	3180 N. Colonial Drive (53222)	April, 2015
3	Michael Bonds	3519 N. 50 <sup>th</sup> Street (53216)	April, 2015
4	Annie Woodward	1920 W. McKinley Avenue (53205)	April, 2013
5	Larry Miller	2584 N. Farwell Avenue (53211)	April, 2013
6	Peter Blewett	2750 N. 45 <sup>th</sup> Street (53210)	April, 2013
7	David Voeltner	5311 W. Jerelyn Place (53219)	April, 2013
8	Meagan Holman	5225 W. Vliet Street (53208)	April, 2015
At-Large	Terrence Falk	2978 S. Wentworth Avenue (53207)	April, 2015

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

### STANDING COMMITTEES

#### STUDENT ACHIEVEMENT AND SCHOOL INNOVATION COMMITTEE

Directors Miller (Chair), Falk (Vice-chair), Holman, Voeltner, Woodward

#### LEGISLATION, RULES AND POLICIES COMMITTEE

Directors Blewett (Chair), Holman (Vice-chair), Falk, Spence, Woodward

#### ACCOUNTABILITY, FINANCE AND PERSONNEL COMMITTEE

Directors Bonds (Chair), Voeltner (Vice-chair), Blewett, Sain, Spence

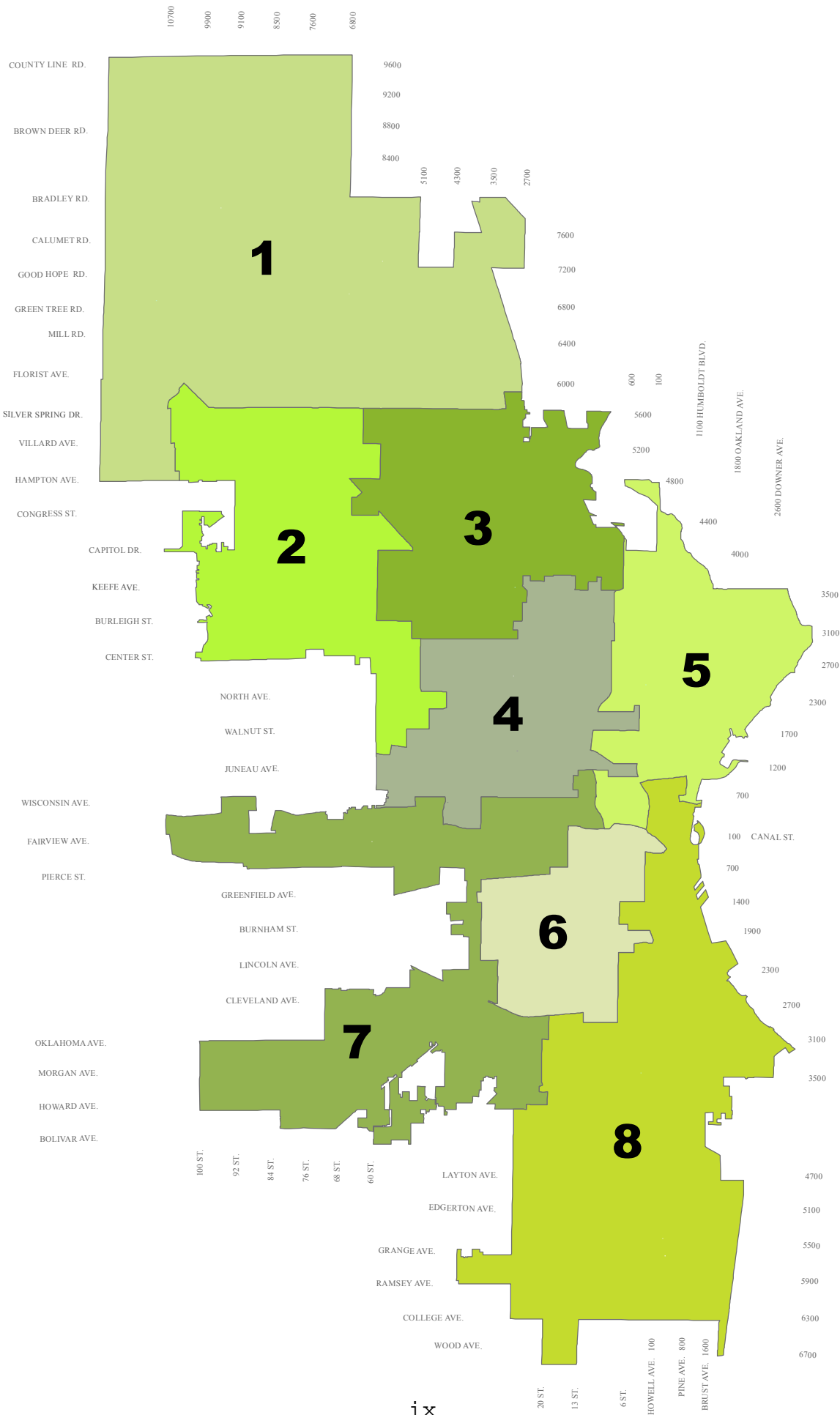
#### STRATEGIC PLANNING AND BUDGET COMMITTEE

Directors Falk (Chair), Spence (Vice-chair), Blewett, Bonds, Holman, Miller,  
Sain, Voeltner, Woodward

#### PARENT AND COMMUNITY ENGAGEMENT COMMITTEE

Directors Woodward (Chair), Sain (Vice-chair), Bonds, Holman, Miller

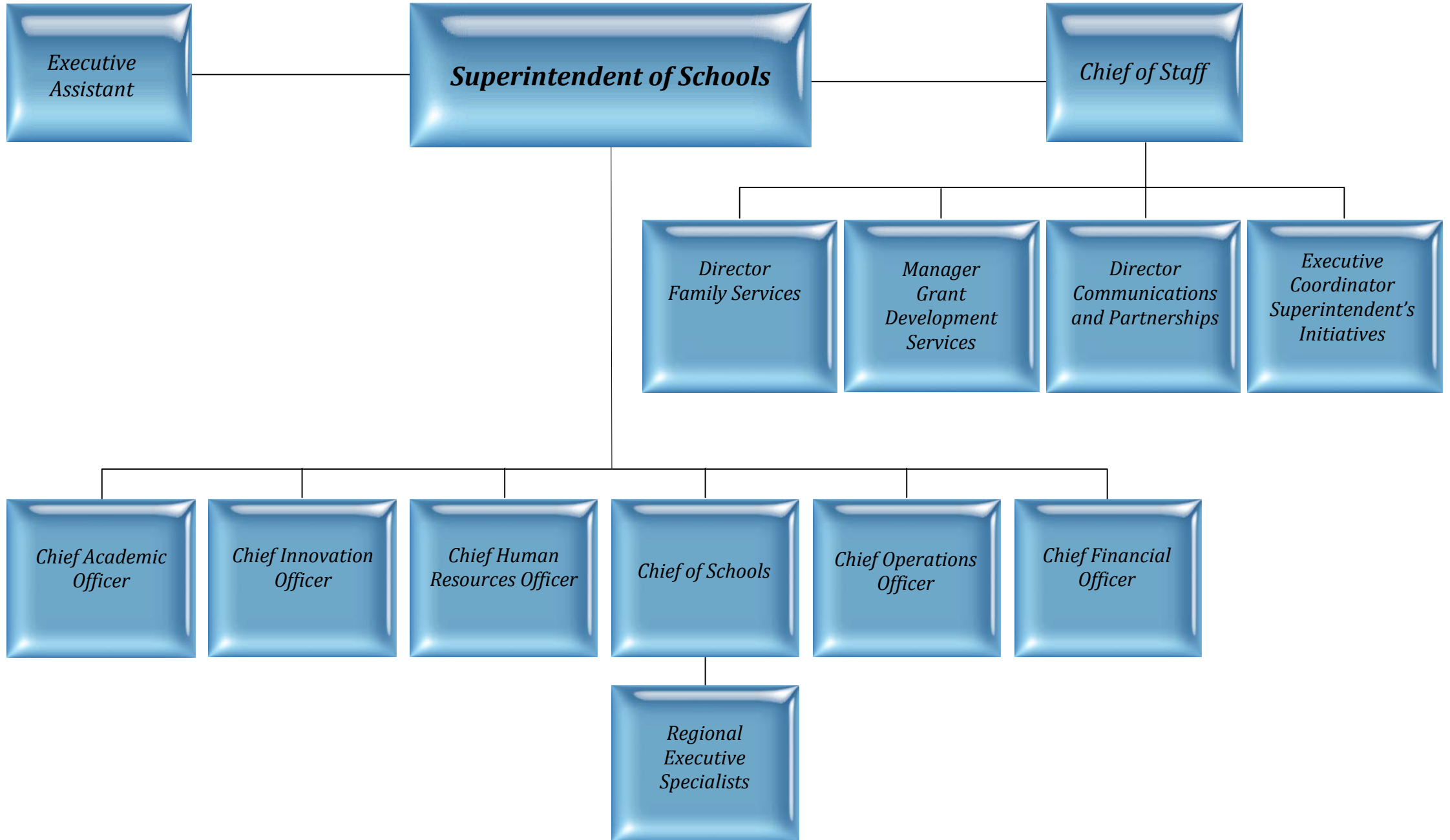
# MILWAUKEE SCHOOL BOARD DISTRICTS



**MILWAUKEE PUBLIC SCHOOLS  
ADMINISTRATIVE OFFICERS**

**SUPERINTENDENT OF SCHOOLS**

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



TX

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, 2011.

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, 2011

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.



*Linda C. Davison*

President

*Jeffrey R. Emmer*

Executive Director

This page intentionally left blank.

**FINANCIAL SECTION**



*Milwaukee Public Schools*



## 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 ("District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, 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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milwaukee Public School District's basic financial statements. The "Introductory Section" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Milwaukee, Wisconsin  
December 17, 2012

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(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, 2012. 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 (\$132.5 million) at June 30, 2012, from (\$126.1 million) at June 30, 2011, a decline of approximately \$6.3 million, or 5.0%. Of this decrease, \$4.0 million is attributable to a loss on the sale of school buildings. The remaining \$2.3 million results from an increase of \$2.8 million in the District's Other Post Employment Benefit liability at year-end.
- Total revenues decreased to \$1.176 billion in fiscal year 2012, down from \$1.296 billion in fiscal year 2011, a decrease of approximately 9.3% or \$120 million. The decrease is primarily attributable to declines of \$48 million in equalization aid, \$55 million in grant and ARRA funds and \$8 million in high poverty aid and integration aid.
- Total expenses decreased to \$1.182 billion, down from \$1.401 billion for the year ended June 30, 2011, a decrease of 15.6%. The decrease in expenditures is largely attributable to the decline in revenues in equalization aid, grants and ARRA funds.

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

- Total fund balances of the District's governmental funds decreased \$13.4 million in fiscal year 2012. This decrease included a \$4.7 million increase in the General Fund, a \$16.7 million decrease in the Construction Fund, a \$1.5 million decrease in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The increase in the General fund balance is primarily the result of favorable experience in district medical costs plus unexpected revenues in Medicaid revenue and handicap aid.
- The decrease in the Construction fund balance is the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In FY10, MPS, through the city of Milwaukee, issued \$48 million of Qualified School Construction Bonds to fund school related projects. During FY12, MPS spent \$16.9 million of Qualified School Construction Bond proceeds on projects.
- The \$1,535,772 decrease in the School Nutrition fund balance is attributable to variances from budgeted commodity costs and to less than projected revenues.
- Total fund balances for all governmental funds at June 30, 2012 were \$120.5 million. Of this amount, \$6.5 million was nonspendable, \$21.9 million was restricted for self-insurance, debt service, and flex spending, \$27.0 million was committed for construction, \$4.9 million was assigned, and \$60.1 million remains unassigned.

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(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, 2012. 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, 2012

(Unaudited)

**Table 1**

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

	Government-Wide	Fund Statements	
	Statements	Governmental Funds	Fiduciary Funds
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>- Statement of net assets</li> <li>- Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>- Balance sheet</li> <li>- Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>- Statement of fiduciary net assets</li> <li>- Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resource focus
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	All revenues and expenses occurring during the year, regardless when cash is received or paid	Revenues when cash is received by year-end, or soon after; expenditures when goods and services have been received and payment is due by year-end, or soon after	All revenues and expenses occurring during the year, regardless of when cash is received or paid

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

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

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



# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

#### Statement of Net Assets

Total net assets decreased from the prior year by \$6.3 million. This decrease is largely the result of the \$4.0 million loss on sale of three school buildings: Robinson, Lloyd and 38<sup>th</sup> Street. MPS received \$3.1 million for the three properties, which had a total net book value of \$6.9 million. MPS also retired \$.2 million of investment in two leaseholds, Starms Monumental, associated with 27<sup>th</sup> Street School, and Community Village Ltd., associated with the Hi-Mount school.

MPS ended its fiscal year with net assets of (\$132.5 million), of which \$495.8 million was invested in capital assets (net of related debt), \$13.5 million was restricted for debt service, and (\$641.7) million was an unrestricted deficit. The unrestricted deficit is the result of the OPEB liability noted above as well as the District's pension liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability, which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of \$168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2012 the balance of the outstanding pension debt grew to \$182.3 million due to the fact the pension financing includes capital appreciation securities which accrete over time.

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

**Table 2**

### Condensed Statement of Net Assets

(in thousands)

	Governmental Activities		
	2012	2011	Difference
Capital assets, net	\$ 627,013	\$ 625,418	\$ 1,595
Noncapital assets	331,244	286,614	44,630
Intangible assets	14,418	12,985	1,433
Total assets	<u>972,675</u>	<u>925,017</u>	<u>47,658</u>
Current liabilities	193,930	137,288	56,642
Noncurrent liabilities	911,212	913,866	(2,654)
Total liabilities	<u>1,105,142</u>	<u>1,051,154</u>	<u>53,988</u>
Net assets:			
Invested in capital assets, net of related debt	495,794	499,760	(3,966)
Restricted	13,472	11,248	2,224
Unrestricted (deficit)	<u>(641,733)</u>	<u>(637,145)</u>	<u>(4,588)</u>
Total net assets	<u>\$ (132,467)</u>	<u>\$ (126,137)</u>	<u>\$ (6,330)</u>

Capital Assets increased by \$1.6 million. The increase is the net result of Land and Construction in Progress decreasing by \$8.3 million, Buildings, Leasehold Improvements, and Furniture increasing by \$26.9 million, and Accumulated Depreciation increasing by \$17.0 million.

Notable changes in Noncapital Assets occurred in the areas of Cash and Investments, Deferred Cash Flow Hedges-Unrealized Loss on Derivatives, and Restricted Cash and Investments. Cash and Investments increased by \$44.7 million because the District placed \$40.6 million in the District's OPEB Trust Fund in July 2012 due to favorable experience in the District's medical costs.

Deferred Cash Flow Hedges-Unrealized Loss on Derivatives is reported as the District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, a decrease in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net assets. For the

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

reporting period, all the District's derivatives met the effectiveness test. The current asset component of the decrease in fair value is \$36.3 million and the noncurrent asset component is \$27.9 million.

**Restricted Cash and Investments-** The decrease in Restricted Cash and Investments is generally the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In FY10, MPS, through the city of Milwaukee, issued \$48 million of Qualified School Construction Bonds to fund school-related projects. During FY12, MPS spent \$16.9 million of those proceeds on projects.

Current liabilities increased \$56.6 million in the current year. This was due to an increase of \$28.6 million in Accounts Payable and Other Current Liabilities, an increase in Derivative instruments liability of \$26.6 million, an increase in the Current Portion of Long-Term Obligations of \$3.2 million, and a decrease in Unearned Revenue of \$1.5 million. The increase in Accounts Payable and Other Current Liabilities was caused by an increase in accounts payable of \$40.8 million for the \$40.6 million contribution to the Other Post Employment Benefits Trust Fund, a decrease in contracts payable of \$3.4 million, and a decrease in accrued claims for self-insurance of \$9.6 million. The decrease of \$1.5 million in Unearned Revenue is attributable to a reduction in the amount of Microsoft refunds due as a result of court-ordered settlement. The increase in Current Portion of Long-Term Obligations of \$3.2 million is due to a \$1.9 million increase in compensated absences and a \$2.4 million increase in worker's compensation claims, offset by a \$1.1 million decrease in debt principal. The Derivative instruments liability recognizes the liability associated with the decrease in fair value of the District's hedges.

### **Statement of Activities**

Table 3 shows that on a government-wide basis, the District ended fiscal year 2012 with a decrease in net assets of \$6.3 million, compared to a decrease of \$105.2 million in fiscal year 2011.

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

**Table 3**

### Schedule of Revenues and Expenses

(in thousands)

	Governmental Activities		
	2012	2011	Difference
Program revenues:			
Charges for services	\$ 12,383	\$ 12,448	\$ (65)
Operating grants and contributions	298,422	353,888	(55,466)
Capital grants and contributions	3,245	11,533	(8,288)
Total program revenues	314,050	377,869	(63,819)
General revenues:			
Property taxes	297,787	293,506	4,281
Other taxes	533	1,730	(1,197)
Federal and state aid	560,069	618,077	(58,008)
Interest and investment earnings	224	290	(66)
Miscellaneous	3,286	4,637	(1,351)
Total general revenues	861,899	918,240	(56,341)
Total revenues	1,175,949	1,296,109	(120,160)
Expenses:			
Instruction	685,590	863,185	(177,595)
Community services	26,041	27,499	(1,458)
Pupil and staff services	135,649	160,716	(25,067)
General administration	113,952	117,817	(3,865)
Business services	154,702	169,960	(15,258)
School nutrition	44,527	44,205	322
Interest on long-term debt	17,790	17,927	(137)
Loss on sale of buildings	4,028	-	4,028
Total expenses	1,182,279	1,401,309	(219,030)
Increase (decrease) in net assets	\$ (6,330)	(105,200)	\$ 98,870

Total revenues decreased \$120.2 million, or 9.3% over the prior year. The greatest changes came in the areas of Program-Operating grants and contributions and General-Federal and State Aid. Operating grants and contributions are primarily attributable to a decline in grants and ARRA funds of approximately \$55 million. Federal and State Aid decreased by \$58.0 million primarily as a result of a \$48 million decrease in equalization aid.

Total expenses decreased by \$219.0 million, or 15.6%. This decline in instruction expense is primarily attributable to a \$177.6 million decrease in ARRA funds.

### Capital Assets

Table 4 shows that at June 30, 2012, MPS had \$1.147 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of \$22.5 million from the previous year. The primary driver of this increase is the Buildings, which rose \$22.5 million.

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

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

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital and intangible assets:				
Land	\$ 31,689	\$ 52	\$ 247	\$ 31,494
Construction in progress	13,795	24,683	32,788	5,690
Buildings	979,583	33,595	10,996	1,002,182
Leasehold improvements	9,269	2,950	—	12,219
Furniture and equipment	48,339	2,089	722	49,706
Software	42,175	10,256	6,333	46,098
Total capital and intangible assets	<u>1,124,850</u>	<u>73,625</u>	<u>51,086</u>	<u>1,147,389</u>
Accumulated depreciation and amortization	<u>(486,447)</u>	<u>(24,368)</u>	<u>(4,856)</u>	<u>(505,959)</u>
Total Capital and intangible assets, net	<u>\$ 638,403</u>	<u>\$ 49,257</u>	<u>\$ 46,230</u>	<u>\$ 641,430</u>

### Long-term Debt

Long-term debt at June 30, 2012 was \$349.8 million with debt retirements totaling \$8.3 million.

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

**Table 5**

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

	<u>July 1, 2011</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Governmental activities:				
Americans with Disabilities				
Act loans	\$ 10,524	\$ —	\$ 821	\$ 9,703
TEACH loan	850	—	850	—
Neighborhood School				
Initiative bonds	95,481	—	4,486	90,995
Qualified School Construction Bonds	48,906	—	(28)	48,934
Qualified Zone Academy bonds	4,560	—	879	3,681
Pension refinancing debt	179,243	—	(3,066)	182,309
Capital leases	10,930	—	685	10,245
Other intergovernmental debt	7,612	—	3,643	3,969
<b>Total debt</b>	<b>\$ 358,106</b>	<b>\$ —</b>	<b>\$ 8,270</b>	<b>\$ 349,836</b>

The District retired its outstanding TEACH loans in fiscal year 2012. 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 offered a significant benefit to MPS in that one-half the amount borrowed was immediately forgiven by the state. MPS had entered into two TEACH loan agreements with the state totaling \$15,144,033.

The NSI debt is part of a state of Wisconsin-sponsored program intended to increase the capacity and improve the quality of Milwaukee's neighborhood schools. The outstanding debt is in the form of revenue bonds issued by the Redevelopment Authority of the City of Milwaukee on behalf of MPS, and is secured through bond insurance and a moral obligation pledge by the state of Wisconsin. A total of \$112,040,000 of NSI debt was issued, with the first tranche issued in February 2002 (Series 2002A) in the amount of \$33,300,000, and the second tranche sold on November 5, 2003 (Series 2003A) in the amount of \$78,740,000. On February 1, 2007 MPS completed an advance refunding of \$29,260,000 of the second tranche (Series 2003A) and also retired \$5.1 million of bonds from that same tranche. Approximately \$4.5 million of NSI debt was retired in fiscal year 2012.

The Qualified Zone Academy Bond (QZAB) debt is in the form of lease-purchase agreements collateralized by the assets purchased with the proceeds. The QZAB program is sponsored by the Internal Revenue Service (IRS) and provides interest-free capital for the purpose of promoting academic programs in partnership with the business community. QZAB debt has been used to support the purchase of furniture and equipment, and to make building improvements at several MPS schools. Interest on the debt is paid by the IRS via tax credits to the lender. QZAB debt decreased by \$879,204 in fiscal year 2012.

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 2012 ending balance is

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

MPS has outstanding capital leases that funded major modifications to three school facilities. The three include the Congress School, Craig Montessori School, and Fratney Street School. The financing vehicle for the capital leases was lease revenue bonds. In addition, MPS had capital leases that funded improvements to the Milwaukee Education Center (MEC) and the Grand Avenue School, but were refinanced in fiscal year 2010 through an intergovernmental cooperation agreement with the city of Milwaukee. The city issued general obligation bonds (GO bonds) sufficient to retire the lease revenue bonds associated with the capital leases for MEC and Grand Avenue School. These GO bonds have the same maturity as the refunded debt and will be retired in fiscal year 2014. \$3,969,000 remains outstanding on these bonds. The Congress, Craig, and Fratney debt will be retired in 2026. The amount outstanding at year end 2012 was \$10.25 million, down \$530,000 from the previous year.

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

### FUND FINANCIAL STATEMENTS

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

- The year-end General fund balance increased \$4.7 million over the prior year-end. The increase in the General fund balance is primarily the result of favorable experience in district medical costs plus unexpected revenues in Medicaid revenue and handicap aid.
- The decrease in the Construction fund balance is the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA) funds. In FY10, MPS, through the city of Milwaukee, issued \$48 million of Qualified School Construction Bonds to fund school-related projects. During FY12, MPS spent \$16.9 million of Qualified School Construction Bond proceeds on projects.
- The \$1,535,772 decrease in the School Nutrition fund balance deficit is attributable to variances from budget commodity costs and to less than projected revenues.

### NOTES TO BASIC FINANCIAL STATEMENTS

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

### BUDGETARY HIGHLIGHTS

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

In June 2011, the MPS Board of School Directors (the Board) adopted the District's fiscal 2012 budget (July 1, 2011 – June 30, 2012). The adopted budget by necessity used a *projection* of the fiscal 2012

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

student enrollment. In October 2011, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2011, 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 2011, the Board approved a revised fiscal year 2012 (FY12) General Fund expenditure budget in the amount of \$1,146,371,824. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY12 were over 93% of the FY12 revised General Fund budget.

### **Current Economic Facts and Next Year's Budget**

In October 2012, the MPS Board approved a revised FY13 General Fund budget of \$1,143,879,589. The FY13 budget includes prior year encumbrances and carryover appropriation authority and represents a 0.2% decrease under the revised 2012 General Fund budget.

The state-imposed revenue limit for FY13 decreased to \$822,755,845, a 0.09% decrease under FY12. The virtually unchanged amount is due to:

- a \$50 increase in the per pupil amount;
- declining enrollment exemption decrease of \$2.8 million; from \$13.4 million to \$10.6 million; and
- a \$0.8 million increase in the transfer of service exemption portion of the revenue limit; from \$7.7 million to \$8.5 million.

State general aids decreased 0.6% to \$528.7 million. The change in equalization and integration aids is attributed to declining enrollment that reduced aids.

The MPS FY13 Adopted Budget which includes the General Fund and the Extension Fund budgets totals \$1,189,280,639. This is 0.09% more than the FY12 Final Adopted Budget of \$1,188,160,523.

The cuts that MPS faced in FY12 (fiscal year 2012 or the 2011-2012 school year) will continue in FY13 (fiscal year 2013 or the 2012-2013 school year). Unprecedented cuts to public education were contained in the 2011-2013 state budget. In FY12 the cuts for MPS totaled \$81.6 million. This included \$66.6 million in school operations and construction funds and \$15 million in state categorical funds. The overall FY13 revenue for School Operation is expected to be stable. Even though \$8.2 million additional revenues from the state will be realized in the revenue limit amount and its state categorical match, MPS is expecting to lose \$4.9 million in integration aid and \$2.5 million in refunds in FY13.

Funding from the Elementary and Secondary Education Act (ESEA) for FY13 will decrease by \$11.2 million. This is due to less available carryover from the previous year and a minimum 1.5% Federal funding cut. Since the Federal government is still in the process of reauthorizing this act, the funding cut



# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2012

(Unaudited)

may increase. This includes funding for Title I, Title II, Title III, and School Improvement Grants.

More than 86 cents of every dollar budgeted in the School Operations Fund has been allocated for educating the City of Milwaukee children. Education is provided through MPS traditional and charter schools, open enrollment or with MPS contracted schools. Less than eight cents of every dollar budgeted has been allocated for departments. The remaining six cents of every dollar are for costs that are necessary to run MPS such as utilities, insurance, technology licenses and debt repayment.

District enrollment is estimated to decline 1.32% in FY13 due to demographics and competition from both private and public schools. Student participation in the Milwaukee Parental Choice Program (estimated 10.3% increase in FY13 school vouchers) and Open Enrollment in suburban districts (11% actual increase in FY13 Open Enrollment) are major factors in declining enrollments.

While the budget is extremely challenging, the FY13 budget moves the district ahead in a spirit of collaboration and remains committed to the children of Milwaukee by consistently placing their academic needs first. The FY13 proposed budget has been strategically crafted to arrange key resources to continue supporting academic achievement for all students assuring they have the necessary skills to realize positive futures. The proposed budget:

- A standard of care for every school in the area of art, music or physical education. Every traditional MPS school in FY13 will have an art, music or physical education teacher in their school at least one day per week.
- Continuation of the centralization process that began in FY12. The costs for safety, educational maintenance, substitute teachers, and some special services staff that are centralized for FY13 will enable all schools to spend the same amount on educating children.
- Reorganization of the contract procurement processing.
- Recognition that specialty programs have additional costs. Art, language immersion, Montessori and International Baccalaureate specialty schools received an additional allocation.

### 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](http://www.milwaukee.k12.wi.us)**

**BASIC FINANCIAL  
STATEMENTS**

**MILWAUKEE PUBLIC SCHOOLS**

Statement of Net Assets

June 30, 2012

		<b>Governmental Activities</b>
<b>Assets</b>		
Current assets:		
Cash and investments (note 2)	\$	104,145,887
Accounts receivable, net (note 3)		21,383,059
Due from other governments (note 3)		75,294,945
Inventory (note 1(g))		746,342
Prepaid expenses (note 1(g))		2,011,198
Deferred cash flow hedges-unrealized loss on derivatives (note 7)		36,263,067
Total current assets		239,844,498
Noncurrent assets:		
Restricted cash and investments (note 1(d))		41,914,148
Deposits for self-insurance (note 1(l))		4,454,209
Deferred charges—bond issuance costs (note 1(m))		2,623,437
Deferred cash flow hedges-unrealized loss on derivatives (note 7)		27,883,648
Capital assets not being depreciated (note 5)		37,185,197
Capital assets being depreciated, net (note 5)		589,828,183
Intangible assets, net (note 5A)		14,418,224
Net Pension assets (note 10)		14,523,775
Total noncurrent assets		732,830,821
Total assets		972,675,319
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and other current liabilities		110,625,579
Accrued interest payable on long-term liabilities		4,465,101
Unearned revenue (note 1(j))		16,998,323
Current portion of long-term obligations (note 7)		25,577,946
Derivative instruments liability (note 7)		36,263,067
Total current liabilities		193,930,016
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		883,328,659
Derivative instruments liability (note 7)		27,883,648
Total liabilities		1,105,142,323
<b>Net Assets</b>		
Invested in capital assets, net of related debt		495,794,462
Restricted for debt service		13,472,018
Unrestricted (Deficit)		(641,733,484)
Total net assets (deficit)	\$	(132,467,004)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2012

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	\$ 685,589,990	4,897,115	218,860,380	3,244,501	(458,587,994)
Support services:					
Community services	26,041,483	1,844,915	6,286,075	—	(17,910,493)
Pupil and staff services	135,648,452	—	27,257,411	—	(108,391,041)
General, administration, and central services	113,952,373	—	—	—	(113,952,373)
Business services	154,701,665	2,613,852	6,758,686	—	(145,329,127)
School nutrition services	44,527,282	3,027,221	39,259,843	—	(2,240,218)
Interest on long-term debt	17,790,345	—	—	—	(17,790,345)
Loss on sale of buildings	4,028,012	—	—	—	(4,028,012)
Total support services	496,689,612	7,485,988	79,562,015	—	(409,641,609)
Total school district	\$ 1,182,279,602	12,383,103	298,422,395	3,244,501	(868,229,603)
General revenues:					
Taxes:					
Property taxes levied for general purposes					270,368,281
Property taxes levied for construction					5,127,012
Property taxes levied for debt service					5,475,630
Property taxes levied for community services					16,815,871
Other taxes					533,466
Federal and state aid not restricted to a specific purpose:					
General (equalization aid)					496,690,640
Other					63,378,858
Miscellaneous					3,285,553
Interest and investment earnings					224,216
Total general revenues					861,899,527
Change in net assets					(6,330,076)
Net assets—Beginning of Year (deficit)					(126,136,928)
Net assets—Ending of Year (deficit)					\$ (132,467,004)

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

<b>Assets</b>	<b>General</b>	<b>Construction</b>	<b>School Nutrition Services</b>	<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
Deposits with the City of Milwaukee and other cash (note 2)	\$ 93,066,715	11,079,172	—	—	104,145,887
Receivables, net:					
Accounts (note 3)	18,957,599	2,425,460	—	—	21,383,059
Due from other governmental units (note 3)	61,979,299	—	5,963,122	7,352,524	75,294,945
Due from other funds (note 4)	24,857,128	—	—	—	24,857,128
Total receivables	105,794,026	2,425,460	5,963,122	7,352,524	121,535,132
Restricted cash and investments (note 1(d))	16,498,818	25,415,330	—	—	41,914,148
Inventories (note 1(g))	746,342	—	—	—	746,342
Prepaid expenditures (notes 1(g))	2,011,198	—	—	—	2,011,198
Deposits for self-insurance (note 1(l))	4,454,209	—	—	—	4,454,209
Total assets	\$ 222,571,308	38,919,962	5,963,122	7,352,524	274,806,916
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 48,833,865	391,707	899,482	—	50,125,054
Contracts payable	6,838,840	1,330,150	299,127	183,738	8,651,855
Accrued salaries and wages	11,263,482	—	—	—	11,263,482
Deferred revenue (note 1(j))	18,700,033	—	98,394	8,366	18,806,793
Accrued claims for self-insurance (note 9)	34,313,989	—	—	—	34,313,989
Accrued pension payable (note 10)	6,242,800	—	—	—	6,242,800
Other accrued expenditures	28,399	—	—	—	28,399
Due to other funds (note 4)	—	9,243,653	8,453,055	7,160,420	24,857,128
Total liabilities	126,221,408	10,965,510	9,750,058	7,352,524	154,289,500
Fund balances (deficits):					
Non-Spendable					
Inventories	746,342	—	—	—	746,342
Prepaid Expenditures	2,011,198	—	—	—	2,011,198
Noncurrent Advances	3,786,936	—	—	—	3,786,936
Restricted:					
Self-insurance deposits	4,454,209	—	—	—	4,454,209
Debt service	16,305,038	940,863	—	—	17,245,901
Flex Spending	191,658	—	—	—	191,658
Committed:					
Construction	2,122	27,013,589	—	—	27,015,711
Assigned for 2013 budget appropriation	4,925,111	—	—	—	4,925,111
Unassigned	63,927,286	—	(3,786,936)	—	60,140,350
Total fund balances (deficits)	96,349,900	27,954,452	(3,786,936)	—	120,517,416
Total liabilities and fund balances	\$ 222,571,308	38,919,962	5,963,122	7,352,524	274,806,916

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, 2012

Total fund balances—governmental funds		\$ 120,517,416
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		2,623,437
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	\$ 1,101,293,054	
Accumulated depreciation	<u>(474,279,674)</u>	
Net capital assets		627,013,380
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:		
Cost of intangible assets	\$ 46,097,519	
Accumulated depreciation	<u>(31,679,295)</u>	
Net capital assets		14,418,224
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		14,523,775
Grant and other receivables that are not collected within 90 days after year-end are not considered to be available to pay for the current period's expenditures and, therefore, are deferred in the funds		1,808,470
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	(437,439,445)	
Bonds premium and discounts	1,407,227	
Discount on capital appreciation bonds	96,441,152	
Capital leases payable	(10,245,000)	
Accrued bond interest payable	(4,465,101)	
Compensated absences payable (vacation and sick leave)	(25,679,603)	
OPEB liability	(523,394,933)	
Workers' compensation claims payable	(6,870,714)	
Self-insurance claims payable	(752,369)	
Life insurance benefits and other long-term liabilities	<u>(2,372,920)</u>	
Total long-term debt liabilities		<u>(913,371,706)</u>
Total net assets—government activities (deficit)		\$ <u><u>(132,467,004)</u></u>

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS**  
Statement of Revenues, Expenditures, and Changes in Fund  
Balances—Governmental Funds  
Year ended June 30, 2012

	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
<b>Revenues:</b>					
Property tax levy	\$ 287,184,152	5,127,012	—	5,475,630	297,786,794
Other taxes	104,824	—	—	—	104,824
Lunchroom sales	—	—	2,943,482	—	2,943,482
Other local sources	10,891,151	789,642	—	—	11,680,793
Microsoft Settlement Refunds	278,642	—	—	—	278,642
<b>State aid:</b>					
Equalization aid	496,690,640	—	—	—	496,690,640
Special classes	54,013,275	—	—	—	54,013,275
Integration	35,235,721	—	—	—	35,235,721
Other state aid	47,442,724	806	921,738	—	48,365,268
<b>Federal aid:</b>					
Education Consolidation Improvement Act	106,765,706	—	—	—	106,765,706
School nutrition services	—	—	37,629,945	—	37,629,945
Erate refunds	2,753,269	—	—	—	2,753,269
Other federal aid	54,382,871	—	708,149	26,972,510	82,063,530
Miscellaneous	3,196,721	150,000	—	—	3,346,721
Interest and investment earnings	224,006	209	—	—	224,215
Total revenues	<u>1,099,163,702</u>	<u>6,067,669</u>	<u>42,203,314</u>	<u>32,448,140</u>	<u>1,179,882,825</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instructional services:</b>					
Undifferentiated curriculum	379,231,430	—	—	—	379,231,430
Regular and other curriculum	129,989,610	—	—	—	129,989,610
Special curriculum	151,900,661	—	—	6,812,792	158,713,453
Total instructional services	<u>661,121,701</u>	<u>—</u>	<u>—</u>	<u>6,812,792</u>	<u>667,934,493</u>
<b>Community services</b>					
Community services	24,841,805	—	—	—	24,841,805
Pupil and staff services	112,712,746	—	—	20,073,688	132,786,434
General and school building administration	111,351,669	—	—	—	111,351,669
Business services	153,073,711	2,423,779	—	—	155,497,490
School nutrition services	—	—	43,525,912	—	43,525,912
Capital Outlay	8,328,319	25,877,095	213,174	86,030	34,504,618
<b>Debt Service:</b>					
Principal	1,534,454	—	—	9,839,918	11,374,372
Interest	485,865	—	—	14,042,181	14,528,046
Bond administrative fees	1,000	—	—	33,769	34,769
Total expenditures	<u>1,073,451,270</u>	<u>28,300,874</u>	<u>43,739,086</u>	<u>50,888,378</u>	<u>1,196,379,608</u>
Excess of revenues over (under) expenditures	<u>25,712,432</u>	<u>(22,233,205)</u>	<u>(1,535,772)</u>	<u>(18,440,238)</u>	<u>(16,496,783)</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of assets	—	3,059,985	—	—	3,059,985
Transfers In (Out)	(20,963,406)	2,523,168	—	18,440,238	—
Total other financing sources (uses), net	<u>(20,963,406)</u>	<u>5,583,153</u>	<u>—</u>	<u>18,440,238</u>	<u>3,059,985</u>
Net change in fund balances	4,749,026	(16,650,052)	(1,535,772)	—	(13,436,798)
<b>Fund balances (deficit):</b>					
Beginning of year	91,600,874	44,604,504	(2,251,164)	—	133,954,214
End of year	<u>\$ 96,349,900</u>	<u>27,954,452</u>	<u>(3,786,936)</u>	<u>—</u>	<u>120,517,416</u>

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS**

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

Year ended June 30, 2012

Net change in fund balances—total governmental funds		\$ (13,436,798)
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	\$ 34,504,618	
Depreciation and amortization expense reported in the statement of activities	<u>(24,368,460)</u>	
Amount by which capital outlays are less than depreciation and amortization in the current period		10,136,158
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to increase net assets		(7,108,095)
Some revenues will not be collected for several months after the District’s fiscal year-end, they are not considered “available” revenues and are deferred in the governmental funds		(3,933,308)
Some expenses reported in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in the government funds.		(1,052,310)
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		11,374,372
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	105,961	
Accretion of interest on capital appreciation bonds	(3,065,736)	
Amortization of bond premium, discount and refunding deferred	(38,510)	
Amortization of bond issuance costs	(229,245)	
Net decrease in compensated absences payable (vacation and sick pay)	4,183,881	
Net increase in workers’ compensation claims payable	(838,719)	
Net increase in OPEB liability	(2,794,740)	
Net increase in general insurance claims payable	124,009	
Net increase in life insurance benefits payable	<u>243,004</u>	
Net adjustment		<u>(2,310,095)</u>
Change in net assets of governmental activities		<u>\$ (6,330,076)</u>

See accompanying notes to basic financial statements.



**MILWAUKEE PUBLIC SCHOOLS**

## Statement of Fiduciary Net Assets

June 30, 2012

<b>Assets</b>	<b>Pension and Other Post Employment Benefits trusts</b>	<b>Private purpose trust</b>	<b>Agency</b>
Deposits with City of Milwaukee and other cash (note 2)	\$ —	—	5,338,240
Investments (note 2)	—	2,817,605	—
Money market accounts	5,698,346	—	—
Mortgage-backed securities	7,112	—	—
Nongovernment obligations	3,478,976	—	—
Municipal bonds	5,238	—	—
Investment in the State of Wisconsin	163,215,970	—	—
Receivables-interest and contributions	41,301,135	—	—
Total assets	<u>213,706,777</u>	<u>2,817,605</u>	<u>5,338,240</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	4,615,487	—	—
Due to student organizations	—	—	5,338,240
Total liabilities	<u>4,615,487</u>	<u>—</u>	<u>5,338,240</u>
<b>Net Assets</b>			
Held in trust for:			
Supplemental benefits	209,091,290	—	—
Endowments	—	2,817,605	—
Total net assets	<u>\$ 209,091,290</u>	<u>2,817,605</u>	<u>—</u>

See accompanying notes to the basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS**  
Statement of Changes in Fiduciary Net Assets  
Year ended June 30, 2012

	<b>Pension and Other Post Employment Benefits trusts</b>	<b>Private purpose trust</b>
Additions:		
Employer contributions	\$ 108,620,998	—
Participants contributions	8,428,164	—
Private donations	—	332,062
Interest income	—	4,534
Investment income, net of expenses	1,759,826	—
Total additions	118,808,988	336,596
Deductions:		
Benefits paid to participant's or beneficiaries	86,826,783	—
Distribution of participant contribution accounts	317,123	—
Administrative expenses	264,318	—
Scholarships and awards	—	385,783
Total deductions	87,408,224	385,783
Changes in net assets	31,400,764	(49,187)
Net assets—beginning of year	177,690,526	2,866,792
Net assets—end of year	\$ 209,091,290	2,817,605

See accompanying notes to the basic financial statements.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

### (1) Summary of Significant Accounting Policies

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

#### (a) Reporting Entity

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

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

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

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

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

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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. They include all funds of the District except for fiduciary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Interfund services provided and used are not eliminated.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, equalized aid, and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than program revenues.

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

### Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

**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.

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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, corporate bonds obligations, money market mutual funds, and investments in the State of Wisconsin Fixed Retirement Investment Trust Fund (Trust Fund). The fair value of investments in the Trust Fund is the same as the value of the pooled shares. Although not subject to direct regulators’ oversight, the Trust Fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin State Statutes. Purchases and sales of securities are recorded on a trade-date basis. Net investment income in the Trust Fund consists of realized and unrealized gains and losses and investment income.

**(g) Inventories and Prepaid Items**

Inventories are valued at average cost. Inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in school nutrition services at the fair value when originally donated by the USDA. When used by the schools, the commodities are expensed and the related assets are reduced.

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

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

**(h) Capital Assets and Intangible Assets**

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

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

**(i) Property Taxes**

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

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

**(j) Deferred Revenue**

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

**(k) Compensated Absences**

District employees are granted vacation, compensatory time, and sick leave benefits in varying amounts in accordance with the provisions of union contracts and District policies. In the event of retirement, death, or resignation of an employee, the District is obligated to pay for all unused vacation days. All vacation pay is accrued when incurred in the government-



# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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 \$4,454,209 at June 30, 2012 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) Claims and Judgments**

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

**(o) Net Assets**

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

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

### (p) **Fund Balance**

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

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

**(q) 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.

**(r) New Accounting Pronouncements**

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Milwaukee Public Schools has implemented this Statement beginning with the fiscal year ending June 30, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows or resources, or current period outflows and inflows. Milwaukee Public Schools will implement this Statement beginning with fiscal year ending June 30, 2013.

In July 2012, the GASB issued *Statement No. 67, Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The objective of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans. This statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Milwaukee Public Schools will implement this Statement beginning with the year ending June 30, 2013.

In July 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures*. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and RSI. Milwaukee Public Schools will implement this Statement beginning with the fiscal year ending June 30, 2014.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

(2) **Deposits and Investments**

**District's Deposits and Investments, Exclusive of Pension Trusts**

	Carrying Value	Bank Balance
Cash at the City	\$ 118,776,222	\$ 128,536,816
Demand deposits	10,430,170	19,606,399
Repurchase Agreement	3,000,000	12,697,669
Money market funds	22,732,110	23,492,390
Non-Government Obligations	71,508	71,508
Certificate of Deposit	20,000	20,000
Total Cash and Investments	\$ 155,030,010	\$ 184,424,782
 Reconciliation to financial statements		
Per statement of net assets		
Unrestricted cash and investments	\$ 104,145,887	
Restricted cash and investments	41,914,148	
Per statement of net assets – Fiduciary Funds		
Private purpose trust	2,817,605	
Other post employment benefits trust	814,130	
Agency	5,338,240	
Total Cash and Investments	\$ 155,030,010	

**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, or the Wisconsin Aerospace Authority.
- Fully collateralized repurchase agreements.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

- Any security that matures within 7 years and has a credit rating which is the highest or second highest rating assigned by Standard & Poor’s corporation, Moody’s investor service, or other similar nationally recognized rating agencies.
- No-load securities of open-end, registered, management investment companies or investment trusts.

The District has funds invested in overnight repurchase agreements, money market funds, non-government obligations, and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. Treasury, Government or agency instruments with an implied AAA (Standard & Poor’s) credit rating. All of the \$23,492,390 invested in money market funds are triple-A rated. The non-governmental obligations of \$71,508 range from AA to BBB.

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

As of June 30, 2012 the District had the following investments, shown with their maturities.

<u>Investment Type</u>	<u>Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Less Than 5</u>	<u>5-10</u>	<u>Over 10</u>
Repurchase Agreement	\$12,697,669	\$ 12,697,669	-	-	-
Money market funds	23,492,390	23,492,390	-	-	-
Non-Government obligations	71,508	-	71,508	-	-
	<u>\$36,261,567</u>	<u>36,190,059</u>	<u>71,508</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 \$32,304,068, of which \$12,697,669 was invested in overnight repurchase agreements. Of the \$32,304,068 bank balance, \$16,899,081 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and \$15,404,988 was uninsured, with the bank posting securities at 102% of the value of the repurchase agreements. However, the posted securities are not held in the Districts’ name but are allocated to the District. As such, the deposits are considered uncollateralized. The District is taking steps to have the securities held in its name, thereby qualifying them as collateral.

Funds held and controlled by the treasurer of the City are insured by the FDIC and the Wisconsin Public Deposit Guarantee Fund. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (excluding interest checking) at

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. Milwaukee Public Schools' deposits with the City Treasurer for investments are all insured or collateralized on June 30, 2012.

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

The Trustees of the Plan have adopted a Statement of Investment Policy (the Policy). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (SWIB funds), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO Harris Bank (BMO) with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of: (1) six months benefit payments, net of payments from the employee contribution account plus six months administrative expense; and (2) assets relating to employee contributions. The portfolio is rebalanced toward the Policy targets quarterly. For 2012, the SWIB Core Fund asset-mix policy targets were 26% to U.S. Stocks, 31% to Fixed Income, 23% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. The target allocations total 101% reflecting the possibility of introducing leverage into the portfolio. For 2012, the SWIB Variable Fund asset-mix policy targets were 70% to U.S. Stocks, 30% to International Stocks. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

#### **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, 2012

The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2012.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	27% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 10.8 years. Additional detail on the SWIB fixed income investments is included below.	\$ 42,132,388
Money market accounts	0.1	\$ 2,516,102
Mortgage-backed securities	1.7	\$ 1,892
Non-government obligations	2.1	\$ 561,118
Mutual Funds	4.3	\$ 317,011

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	5.4	\$ 17 Million
Certificate of Deposit	0.4	\$ 11 Million
Commerical Paper	0.2	\$ 112 Million
Corporate Bonds and Private Placements	5.0	\$ 5,244 Million
Corporate Bonds and Private Placements	N/A	\$ 19 Million
Foreign Gov't/Agency Bonds	7.2	\$ 3,411 Million
Future Contracts	8.2	\$ 604 Million
Municipal Bonds	10.8	\$ 102 Million
Repurchase Agreements	0.0	\$ 220 Million
US Government Agencies	2.2	\$ 786 Million
US TIPS	8.3	\$ 3,936 Million
United States Treasuries	7.3	\$ 2,396 Million
Pooled Investments	0.2 to 7.1	\$ 8,965 Million
Corporate Bonds	0.17	\$ 32 Million
Repurchase Agreements	0.01	\$ 1,426 Million

Note: On June 30, 2012, SWIB's Core Fund and Variable Fund had \$74.9 billion and \$5.4 billion in assets, respectively. As of June 30, 2012, the Plan's assets were invested 81% in the SWIB Core Fund, 12% in the SWIB Variable Fund, and 7% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolios for the payment of benefits and expenses and employee contributions, 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, 2012

### B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds and in the separate accounts managed by BMO on June 30, 2012. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

<u>Ratings*</u>	<u>SWIB</u> <u>2012</u>	<u>BMO</u> <u>2012</u>
P-1 or A-1	0%	45%
UST	N/A**	2%
AGY	N/A**	2%
AAA	4%	2%
AA	29%	11%
A	12%	15%
BBB	8%	15%
BB	2%	0%
B	2%	0%
CCC	1%	0%
Collective Trust or Mutual Funds	34%	7%
Not-Rated	8%	1%

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

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

\*\*\*The money market funds are included in the  
"AAA" category.

SWIB's Core Fund's Government/Credit Portfolio shall maintain an average quality rating of A or better. Non-Investment Grade securities shall not exceed 15% of each portfolio's market value. Securities sold to SWIB under Rule 144A may not exceed 20% of the portfolios market value. Financial futures, options, and swaps are permitted for purposes of adjusting duration, taking or modifying credit positions, or investing anticipated cash flows, subject to SWIB's guidelines. For SWIB's Global Bond Portfolio, overall portfolio quality must be maintained at an average rating of A or better. Corporate securities may not exceed 20% of the portfolio's market value. Emerging Market Debt is limited to sovereign debt of countries in the J.P. Morgan Emerging Market Global Diversified Bond Index and shall not



# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

exceed 10% of the portfolio's market value. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.

### **C. Custodial Credit Risk**

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

*Deposits* - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling \$237.1 million on June 30, 2012 that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of \$57.2 million on June 30, 2012, all of which were uncollateralized and uninsured. In total, these deposits represented 0.4% of the combined assets of the SWIB Core and Variable Funds, on June 30, 2012.

*Investments* - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 30 and 10 tri-party repurchase agreements totaling \$1,446 million on June 30, 2012. 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 1.8% of the combined assets of the SWIB Core and Variable Funds on June 30, 2012.

### **D. Concentration of Credit Risk**

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

### **E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2012, \$19.5 billion of the SWIB Core and Variable Funds' \$80.7 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

### **F. Derivative Investments**

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Plan Net Assets. At June 30, 2012, the Plan's interest in the plan net assets of the Core Trust was approximately 0.146% and the Plan's interest in the plan net assets of the Variable Trust was approximately 0.224%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at June 30, 2012 (in thousands):

	2012
Future contracts	\$ 1,551,818
Foreign exchange forward and spot contracts – sold	2,942,648
Foreign exchange forward and spot contracts – purchased	(2,932,358)
Options – puts	(51,580)
Options - calls	(39,646)

### **Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**

The Trustees of the Plan have adopted a Statement of Investment Policy (the Policy). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (SWIB funds), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. For 2012, the SWIB Core Fund asset-mix targets were 26% to U.S. Stocks, 31% to Fixed Income, 23% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. The target allocations total 101% reflecting the possibility of introducing leverage into the portfolio. For 2012, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

#### **A. Interest Rate Risk**

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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, 2012.

<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 10.8 years. Additional detail on the SWIB fixed income investments is included below.	\$ 121,083,582
Money market accounts	0.1	\$ 2,368,114
Municipal Bonds	15.1	\$ 5,238
Mortgage-backed securities	1.5	\$ 5,220
Non-government obligations	2.0	\$ 1,283,429
Mutual Funds	3.9	\$ 1,317,418

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	5.4	\$ 17 Million
Certificate of Deposit	0.4	\$ 11 Million
Commerical Paper	0.2	\$ 112 Million
Corporate Bonds and Private Placements	5.0	\$ 5,244 Million
Corporate Bonds and Private Placements	N/A	\$ 19 Million
Foreign Gov't/Agency Bonds	7.2	\$ 3,411 Million
Future Contracts	8.2	\$ 604 Million
Municipal Bonds	10.8	\$ 102 Million
Repurchase Agreements	0.0	\$ 220 Million
US Government Agencies	2.2	\$ 786 Million
U.S. TIPS	8.3	\$ 3,936 Million
U.S. Treasury Securities	7.3	\$ 2,396 Million
Pooled Investments	0.2 to 7.1	\$ 8,965 Million
Corporate Bonds	0.17	\$ 32 Million
Repurchase Agreements	0.01	\$ 1,426 Million

Note: On June 30, 2012, SWIB's Core Fund and Variable Fund had \$74.9 billion and \$5.4 billion in assets, respectively. As of June 30, 2012, the Plan's assets were invested 87.3% in

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

the SWIB Core Fund, 9.7% in the SWIB Variable Fund, and 3.0% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

### B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds and in the separate accounts managed by BMO on June 30, 2012. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

<u>Ratings*</u>	<u>SWIB</u> <u>2012</u>	<u>BMO</u> <u>2012</u>
P-1 or A-1	0%	N/A***
UST	N/A**	0%
AGY	N/A**	0%
AAA	4%	48%
AA	29%	4%
A	12%	14%
BBB	8%	8%
BB	2%	0%
B	2%	0%
CCC	1%	0%
Collective Trusts & Mutual Funds	34%	26%
Not-Rated	8%	0%

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

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

\*\*\*The money market fund is included in the "AAA" category

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

## MILWAUKEE PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2012

Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the portfolio's market value. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.

#### **C. Custodial Credit Risk**

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

*Deposits* - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling \$237.1 million on June 30, 2012 that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of \$57.2 million on June 30, 2012, all of which were uncollateralized and uninsured. In total, these deposits represented 0.4% of the combined assets of the SWIB Core and Variable Funds, on June 30, 2012.

*Investments* - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 30 and 10 tri-party repurchase agreements totaling \$1,446 million on June 30, 2012. 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 1.8% of the combined assets of the SWIB Core and Variable Funds on June 30, 2012.

#### **D. Concentration of Credit Risk**

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

#### **E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2012, \$19.5 billion of the SWIB Core and Variable Funds' \$80.7 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

### **F. Derivative Investments**

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Plan Net Assets. At June 30, 2012, the Plan's interest in the plan net assets of the Core Trust was approximately 0.146%, and the Plan's interest in the plan net assets of the Variable Trust was approximately 0.224%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at June 30, 2012 (in thousands):

	2012
	<u>                    </u>
Future contracts	\$ 1,551,818
Foreign exchange forward and spot contracts – sold	2,942,648
Foreign exchange forward and spot contracts – purchased	(2,932,358)
Options – puts	(51,580)
Options - calls	(39,646)

**(3) Receivables**

Receivables as of June 30, 2012 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Construction</u>	<u>School</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Nutrition</u>	<u>Fund</u>	
			<u>Services</u>		
			<u>Fund</u>		
Receivables:					
Accounts	\$ 19,400,001	2,425,460	—	—	21,825,461
Intergovernmental-federal	45,498,964	—	5,963,122	7,352,524	58,814,610
Intergovernmental-state	16,480,335	—	—	—	16,480,335
Gross receivables	<u>81,379,300</u>	<u>2,425,460</u>	<u>5,963,122</u>	<u>7,352,524</u>	<u>97,120,406</u>
Less allowance for uncollectibles	<u>(442,402)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(442,402)</u>
Total receivables, net	\$ <u>80,936,898</u>	<u>2,425,460</u>	<u>5,963,122</u>	<u>7,352,524</u>	<u>96,678,004</u>

The District expects to collect all receivables within one year except for \$538,070.

Accounts Receivable includes \$11.7 million from the settlement of a class action lawsuit with Microsoft Corporation. The settlement will be paid in the form of hardware and software vouchers upon the expenditure of eligible costs. The District has reported \$11.7 million of this balance as deferred/unearned revenue pending the future expenditures for eligible costs.



**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

**(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, 2012 represent due to/from balances among all funds:

	<b>Due from other funds</b>			<b>Due In More Than One Year</b>
	<b>General Fund</b>	<b>Nonmajor Fund</b>	<b>Total</b>	
Due to other funds:				
Construction fund	\$ 9,243,653	—	9,243,653	—
Nutrition fund	8,453,055	—	8,453,055	3,786,936
Nonmajor funds	7,160,420	—	7,160,420	—
Total	<u>\$ 24,857,128</u>	<u>—</u>	<u>24,857,128</u>	<u>3,786,936</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, 2012 represent transfer in/out balances among all funds:

<b>Fund Transferred To</b>	<b>Fund Transferred From</b>	<b>Amount</b>	<b>Reason</b>
Construction	General Fund	\$ 2,523,168	To fund current year expenditures
Debt Service Fund	General Fund	18,440,238	To fund current year debt service

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,688,681	52,534	246,624	31,494,591
Construction in progress	<u>13,795,082</u>	<u>24,683,035</u>	<u>32,787,511</u>	<u>5,690,606</u>
Total capital assets, not being depreciated	<u>45,483,763</u>	<u>24,735,569</u>	<u>33,034,135</u>	<u>37,185,197</u>
Capital assets, being depreciated:				
Buildings	979,583,210	33,594,911	10,995,783	1,002,182,338
Leasehold improvements	9,269,204	2,950,000	—	12,219,204
Furniture and equipment	<u>48,339,192</u>	<u>2,088,993</u>	<u>721,870</u>	<u>49,706,315</u>
Total capital assets, being depreciated	<u>1,037,191,606</u>	<u>38,633,904</u>	<u>11,717,653</u>	<u>1,064,107,857</u>
Less accumulated depreciation for:				
Buildings	(409,963,298)	(20,316,139)	(4,154,411)	(426,125,026)
Leasehold improvements	(2,800,684)	(393,442)	—	(3,194,126)
Furniture and equipment	<u>(44,492,743)</u>	<u>(1,169,551)</u>	<u>(701,772)</u>	<u>(44,960,522)</u>
Total accumulated depreciation	<u>(457,256,725)</u>	<u>(21,879,132)</u>	<u>(4,856,183)</u>	<u>(474,279,674)</u>
Total capital assets, being depreciated	<u>579,934,881</u>	<u>16,754,772</u>	<u>6,861,470</u>	<u>589,828,183</u>
Capital assets, net	\$ <u><u>625,418,644</u></u>	<u><u>41,490,341</u></u>	<u><u>39,895,605</u></u>	<u><u>627,013,380</u></u>

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

Depreciation expense for governmental activities for the year ended June 30, 2012 was charged to functions/programs as follows:

Governmental activities:		
Instruction	\$	13,066,890
Community services		549,506
Pupil and staff services		2,576,162
General, administration and central services		2,136,115
Business services		2,699,667
School nutrition		<u>850,792</u>
Total depreciation	\$	<u><u>21,879,132</u></u>

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

**(5A) Intangible Assets**

Intangible assets activity for the year ended June 30, 2012 was as follows:

	<b>Balance July 1, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2012</b>
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	\$ 5,127,738	3,922,655	6,333,162	2,717,231
Total intangible assets, not being amortized	5,127,738	3,922,655	6,333,162	2,717,231
Intangible assets, being amortized:				
Software	\$ 37,047,126	6,333,162	—	43,380,288
Total intangible assets, being amortized	37,047,126	6,333,162	—	43,380,288
Less accumulated amortization for:				
Software	(29,189,967)	(2,489,328)	—	(31,679,295)
Total accumulated amortized	(29,189,967)	(2,489,328)	—	(31,679,295)
Total intangible assets being amortized	7,857,159	3,843,834	—	11,700,993
Intangible assets, net	\$ 12,984,897	7,766,489	6,333,162	14,418,224

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

Amortization expense for governmental activities for the year ended June 30, 2012 was charged to functions/programs as follows:

Governmental activities:		
Instruction	\$	1,486,704
Community services		62,521
Pupil and staff services		293,106
General, administration and central services		243,039
Business services		307,158
School nutrition		<u>96,800</u>
Total amortization	\$	<u><u>2,489,328</u></u>

**(6) Short-term Borrowings**

To finance on an interim basis MPS' general operating costs pending receipt of state school aid payments, the City of Milwaukee issued \$50,000,000 of commercial paper on October 12, 2011, maturing Dec. 7, 2011, and \$25,000,000 of commercial paper on October 26, 2011, maturing Nov. 10, 2011. \$145,000,000 of Revenue Anticipation Notes (RANs), Series 2011 M6, were issued November 9, 2011, maturing June 27, 2012. Interest was payable at maturity. The debt was repaid 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, 2012 totaled \$398,285,958. Of this total, \$48,449,892 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 \$349,836,066 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, 2012

Long-term obligations of the District are as follows:

	<u>Original amount</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee:						
American with Disabilities Act loans:						
4.75% – 5.375%, due in annual install- ments to June 2014	\$ 300,000	60,000	—	20,000	40,000	20,000
4.74% – 5.625%, due in annual install- ments to September 2015	2,000,000	666,512	—	133,304	533,208	133,304
3.59%, due in annual installments to September 2016	3,095,000	825,016	—	206,254	618,762	—
3.74%, due in annual installments to March 2017	1,205,000	80,199	—	80,199	—	—
4.0 – 5.0%, due in annual installments to September 2017	660,000	263,712	—	43,952	219,760	43,952
4.0 – 5.0%, due in annual installments to February 2019	335,000	335,000	—	—	335,000	—
4.0 – 5.0%, due in annual installments to February 2014	670,000	201,000	—	67,000	134,000	67,000
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,582,676	—	—	4,582,676	172,358
2.5 – 3.0%, due in annual installments to February 2019	2,700,000	2,160,000	—	270,000	1,890,000	270,000
5.0%, due in installments to February 2024	1,350,000	1,350,000	—	—	1,350,000	—
General Obligation Bonds:						
1.5 – 3.0%, due in May 2014	11,020,000	7,550,000	—	3,585,000	3,965,000	3,675,000
Plus: Premium on issuance	334,110	62,312	—	58,035	4,277	—
Qualified School Construction Bonds:						
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	—
Less: Discount on issuance	(450,000)	(393,750)	—	(28,125)	(365,625)	—
5.25%, due August 15th, 2014 to February 2027	37,300,000	37,300,000	—	—	37,300,000	—
TEACH loan, 5.0%, due in annual install- ments to March 2012	15,144,033	849,744	—	849,744	—	—
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	96,595,000	—	4,555,000	92,040,000	4,960,000
Plus: Premium on issuance	1,357,121	265,229	—	58,769	206,460	—
Less: Discount on 2007A issuance	(338,503)	(231,670)	—	(21,359)	(210,311)	—
Less: Deferred amount of refunding	(1,677,174)	(1,147,857)	—	(105,829)	(1,042,028)	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	4,560,243	—	879,204	3,681,039	911,318
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)	(14,143,788)	—	(1,441,614)	(12,702,174)	—
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)	(85,363,100)	—	(1,624,122)	(83,738,978)	—
Pension bonds, variable interest rate “index-linked”, interest due in semi- annual installment, principal due at maturity on October 1, 2043	130,850,000	130,850,000	—	—	130,850,000	—
Capital leases—Microsoft and other leases	11,504,297	154,713	—	154,713	—	—
Capital lease—CCF	12,415,000	10,775,000	—	530,000	10,245,000	—
Total intergovernmental cooperation agreement debt		\$ 358,106,191	—	8,270,125	349,836,066	10,252,932

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2012</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	\$ 358,106,191	—	8,270,125	349,836,066	10,252,932
Accrued compensated absences	29,863,484	5,375,625	9,559,506	25,679,603	9,600,000
Accrued OPEB Obligation	520,600,193	95,332,485	92,537,745	523,394,933	—
Workers' compensation claims	6,031,995	6,182,689	5,343,970	6,870,714	5,300,000
General insurance claims	876,378	2,339,134	2,463,143	752,369	39,613
Life insurance benefits	2,330,873	—	243,004	2,087,869	385,401
Liability for other long-term benefits	285,051	—	—	285,051	—
	<u>\$ 918,094,165</u>	<u>109,229,933</u>	<u>118,417,493</u>	<u>908,906,605</u>	<u>25,577,946</u>

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

The District has recognized workers' compensation claims liability in the governmental funds of approximately \$1,633,483 as of June 30, 2012. Accordingly, the total liability for workers' compensation claims was approximately \$8.5 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2013	\$ 10,252,932	13,765,320	24,018,252
2014	12,400,845	13,424,538	25,825,383
2015	13,555,841	13,153,463	26,709,304
2016	13,516,468	12,870,059	26,386,527
2017	15,459,060	12,538,916	27,997,976
2018 – 2022	85,521,619	56,757,840	142,279,459
2023 – 2027	73,672,679	45,608,059	119,280,738
2028 – 2032	54,060,001	25,871,450	79,931,451
2033 – 2037	76,050,000	17,106,293	93,156,293
2038 – 2042	70,625,000	8,384,613	79,009,613
2043 – 2044	12,325,000	748,000	13,073,000
	<u>\$ 437,439,445</u>	<u>220,228,551</u>	<u>657,667,996</u>

Interest on the \$130,850,000 variable rate pension debt (index-linked bonds), included in the schedule of future payments above, is based upon the one-month LIBOR rate (the London Interbank Offered Rate) plus 25 basis points (.25%) and is adjusted monthly. The LIBOR interest rate was 0.24575% as of June 30, 2012.

The District leases land and buildings with a historical cost and accumulated depreciation of \$12,415,000 and \$2,170,000. In addition, the District has capital leases for computers with a historical cost of \$11,504,297 and accumulated depreciation of \$11,504,297.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

Future minimum lease payments under these capital leases at June 30, 2012 are as follows:

Fiscal year ended June 30:	
2013	\$ 986,028
2014	988,940
2015	985,243
2016	985,180
2017	983,609
2018 – 2022	4,921,553
2023 – 2026	<u>3,894,370</u>
Total minimum lease payments	13,744,923
Less amount representing interest	<u>(3,499,923)</u>
Present value of minimum lease payments	<u>\$ 10,245,000</u>

The maximum allowable amount of City debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City (Wisconsin State Statute Chapter 67.03). Wisconsin State Statute Chapter 119.49 further authorizes referendum-approved bonding in an additional amount equivalent to 2% of the equalized taxable property for school capital purposes. The total equalized taxable property in the City for calendar year 2012 was \$26,409,180,300 and the 5% debt limit was \$1,320,459,015. No referendum-approved debt is outstanding at June 30, 2012.

The District has pledged future Intradistrict Aid revenues to repay \$109,545,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2004 and June 30, 2024. The bonds are payable solely from pledged revenues and are payable through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 33.6% of net revenues at the point of the highest debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2012 is \$118,307,297. Principal and interest paid for the year ended June 30, 2012 was \$8,474,868 while the Intradistrict Aid revenues were \$32,120,101.



**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

Revenue debt payable at June 30, 2012 consists of the following:

Neighborhood Schools Initiative Bonds				
Amounts Outstanding				
	Principal	Interest	Total	
Fiscal year ended:				
2013	\$ 4,960,000	3,745,504	8,705,504	
2014	5,375,000	3,547,258	8,922,258	
2015	5,820,000	3,324,649	9,144,649	
2016	6,300,000	3,076,675	9,376,675	
2017	6,805,000	2,801,995	9,606,995	
2018	7,350,000	2,498,206	9,848,206	
2019	7,930,000	2,164,129	10,094,129	
2020	8,545,000	1,798,094	10,343,094	
2021	8,705,000	1,421,549	10,126,549	
2022	9,355,000	1,036,138	10,391,138	
2023	10,015,000	635,500	10,650,500	
2024	10,880,000	217,600	11,097,600	
	<u>\$ 92,040,000</u>	<u>26,267,297</u>	<u>118,307,297</u>	

***Prior-Year Defeasance of Debt***

In prior years, the District defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$29.3 million of bonds outstanding are considered defeased. The bonds are callable on August 1, 2013.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

***Derivative Instruments - Interest Rate Swap Agreements***

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

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

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2012 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2012 Change in Fair Value		Fair Value, End of 2012		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<b>Governmental activities</b>					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	(\$36,263)	Derivative	(\$64,147)	\$130,850

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

### *Objective and Terms of Hedging Derivative Instruments*

The following table displays the objective and terms of the District's hedging derivative instruments outstanding at June 30, 2012, along with the credit rating of the associated counterparty (amounts in thousands).

<u>Item</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$21,255	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$10,416)	A2/A/AA-
B	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$49,595	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$24,304)	Aa3/AA- /AA-
C	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$29,427)	Baa1/A-/A
Total Fair Value							(\$64,147)	

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

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

### *Risks of Derivative Instruments*

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

As of June 30, 2012 the District was not exposed to credit risk because the swaps had negative fair value. There are two swap counterparties with whom the District has a total of three swap agreements. The credit ratings of the counterparties are provided in the prior table. To mitigate the potential for credit risk, if the credit quality is below Aa3 by Moody's Investor's Service, AA- by Standard & Poor's, and AA- by Fitch Ratings, the fair value of the swap will be fully collateralized by the counterparty. Collateral is posted with the trustee of the bonds.

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

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

*Termination risk* – Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default and mergers in which the successor entity does not meet credit criteria. The District or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. The swaps may be terminated by the District at any time. A swap may be terminated by a counterparty if the District's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" by Moody's Investors Service. If a swap is terminated, the variable-rate bonds will no longer carry a synthetic interest rate and the District would be subject to interest costs reflective of the variable interest rates. Also, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. At June 30, 2012 the swap's currently have a cumulative negative fair value of \$64.15 million.

*Rollover risk* – Rollover risk occurs when the hedging derivative instrument does not extend to the maturity of the hedgeable item. When the hedging derivative instrument terminates, the hedgeable item will no longer have the benefit of the hedging derivative instrument. Because the District's

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

swap agreements extend to the maturity of the hedged debt, the District is not exposed to rollover risk.

*Swap payments and associated debt* – Using rates as June 30, 2012, 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):

Fiscal year ended June 30:	Variable-rate bonds		Interest rate swaps, net	Total
	Principal	Interest		
2013	\$ —	320,255	7,020,430	7,340,685
2014	—	320,255	7,020,430	7,340,685
2015	—	320,255	7,020,430	7,340,685
2016	—	320,255	7,020,430	7,340,685
2017	—	320,255	7,020,430	7,340,685
2018 – 2022	—	1,601,277	35,102,148	36,703,425
2023 – 2027	25,075,000	1,498,900	32,857,909	59,431,809
2028 – 2032	31,250,000	1,128,705	24,742,745	57,121,450
2033 – 2037	31,200,000	746,304	16,359,989	48,306,293
2038 – 2042	31,000,000	365,799	8,018,813	39,384,612
2043 – 2044	12,325,000	32,633	715,367	13,073,000
Totals	\$ 130,850,000	6,974,893	152,899,121	290,724,014

**(8) Fund Balance**

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

The formula established by this action, and the application thereof as of June 30, 2012, is as follows:

General fund unassigned fund balance	\$ 63,927,286
Amount required to fund six months of the school operation's property tax levy:	
Subsequent year’s school operations school levy (\$274,919,524)	
multiplied by a ratio of subsequent year’s tax days from July 1 to December 31 (76) to total calendar school year days (180)	<u>116,077,132</u>
General fund unassigned fund balance deficiency	\$ <u>(52,149,846)</u>

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

### (9) Risk Management

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

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

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

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

The only significant change in the insurance coverage from coverage provided in the prior year for the above described risks effective July 1, 2011 was a reduction in flood and earthquake coverage due to the District's flood losses and insurance market conditions. The per occurrence and annual aggregate limits for flood and earthquake decreased from \$100 million to \$25 million. Flood coverage on Riverside University High School has been reinstated with a per occurrence and annual aggregate limit of \$5 million subject to a \$1 million deductible. The District purchased federal flood insurance in the amount of \$1 million (\$.5 million building and \$.5 million contents limit) subject to a \$50,000 deductible to fill the \$1 million deductible. The District also purchased excess flood coverage in the amount of \$5 million, bringing the total flood coverage to \$10 million at the Riverside site. All flood mitigation work funded, in part, by the Federal Emergency Management Agency (FEMA), has been completed at all eligible sites. Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

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

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

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

	<b>Year ended June 30</b>	
	<b>2012</b>	<b>2011</b>
Beginning of year liability	\$ 47,594,152	44,013,910
Current year claims and changes in estimate	207,342,317	247,346,348
Claim payments	(216,746,130)	(243,766,106)
End of year liability	\$ 38,190,339	47,594,152

The District has recognized the liability for health and dental benefits, which totaled \$26,560,853 and \$35,839,535 as of June 30, 2012 and 2011, respectively, in the general fund. The District has also recognized a liability of \$1,633,483 and \$2,230,320 as of June 30, 2012 and 2011, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include \$6.1 million of other insurance related liabilities. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

**(10) Retirement Plans**

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

**Wisconsin Retirement System**—All eligible District certificated employees (mainly teachers, principals and assistant principals) participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple employer, defined benefit public employee retirement system (PERS). 2011 Wisconsin Act 32 changes the eligibility requirements for certificated employees initially working for the District on or after July 1, 2011. 2011 Wisconsin Act 32 does not change the eligibility provision of over 440 hours a year for certificated employees employed by the District prior to July 1, 2011. Certificated employees first hired by a WRS employer such as the District qualify for participation in the WRS if the employee works or is expected to work at least 880 hours a year and be employed for at least one year from the employee's date of hire.

2011 Wisconsin Acts 10 and 32 changed the required employer and employee contributions and what the District is allowed to pay towards WRS contributions for its certificated employees. These Acts prohibit the District from paying any portion of the employee-required WRS contribution on behalf of certificated employees who participate in the WRS. The implementation of employee required contributions is delayed for certificated employees who are covered at the time the law became effective on June 29, 2011 by a collective bargaining agreement that provides otherwise. Where such collective bargaining agreement exists, the District is required under law to continue to pay all or a portion of the employee's share of the WRS contribution until any such agreement expires or is extended or modified in a manner that is inconsistent with the 2011 Wisconsin Act 32 (this Act allows school districts and their unions to negotiate a single Memorandum of Understanding modifying bargaining agreements entered into before February 1,

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

2011 within 90 days of the July 1, 2011 effective date of the Act but only if the modifications effectuates a reduction in negotiated compensation or fringe benefit costs.) Accordingly, the District pays all of the employee and employer contributions to the WRS for teachers and psychologists covered under union contracts to July 1, 2013. For all other certificated employees (mainly principals, assistant principals represented by the Administrators and Supervisors Council) the employee pays the employee required contribution and the District pays the employer required contribution effective with the May 13, 2011 paycheck. Prior to these Acts the District paid all employer and employee contributions to the WRS.

The payroll for the District's employees covered by the WRS for the year ended December 31, 2011 was approximately \$399,837,000; the District's total payroll was \$527,410,000. The total required contribution for the year ended December 31, 2011 was approximately \$46,381,000, which consisted of \$21,471,000, or 5.4% of payroll, from the District and \$24,910,000, or 6.2% of payroll of which District paid \$23,490,000 on behalf of the employees and employees paid \$1,420,000. The District issued bonds in the amount of \$168.051 million through the Redevelopment Authority of the City and the City to fund the pension-related debt to the WRS for the unfunded accrued liability for pension service, which reduced the WRS contribution rate effective January 1, 2004 by 2%. The amount contributed equaled the required contribution. Total contributions for years ending December 31, 2010 and 2009 were \$46,395,000 and \$43,886,000, 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. Employees may have to meet one of the two vesting laws depending on when they first began WRS employment. 1) If they first began WRS employment after 1989 and terminated before April 24, 1998 then they must have some WRS creditable service in five calendar years. 2) If they first began WRS employment after July 1, 2011, they must have five years of creditable service. For all employees to whom neither of the above vesting laws applies, they will be vested to receive a retirement benefit at age 55. All employees who are not vested receive a separation benefit.

The WRS also provides death and disability benefits for employees. Eligibility for, and the amount of all benefits, is determined under Chapter 40 and 50 of the Wisconsin State Statutes.

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

The WRS uses the "frozen initial liability actuarial valuation method" in establishing employer contribution rates. Under this method, the unfunded actuarial accrued liability (pension-related debt) is affected only by the monthly amortization payments, compounded interest, the added liability created by new employer units, and any liabilities caused by changes in benefit provisions. All actuarial gains and losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. Employer's pension-related debt for prior



# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

service cost was being amortized over a 40-year period beginning January 1, 1990. As per WRS' 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 800 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 1,600 hours for 10-month school year teachers) are eligible to participate in the System.

2011 Wisconsin Acts 10 and 32 prohibit the District from paying any portion of the 5.5% employee contribution on behalf of classified employees who participate in the ERS. The implementation of employee required contributions is delayed for classified employees who are covered at the time the law became effective on June 29, 2011 by a collective bargaining agreement that provides otherwise. Where such collective bargaining agreement exists, the District is required under law to continue to pay the employee's share of the ERS contribution until any such agreement expires or is extended or modified in a manner that is inconsistent with the 2011 Wisconsin Act 32 (this Act allows school districts and their unions to negotiate a single Memorandum of Understanding modifying bargaining agreements entered into before February 1, 2011 within 90 days of the July 1, 2011 effective date of the Act but only if the modifications effectuates a reduction in negotiated compensation or fringe benefit costs.) Accordingly, the District pays all of the employee and employer contributions to the ERS for most classified employees. Most classified employees are covered under union contracts that expired July 1, 2012. For classified employees represented by the Administrators and Supervisors Council, the employee pays the 5.5% employee required contribution and the District pays the employer required contribution effective with the May 13, 2011 paycheck. Effective July 1, 2012, all district classified employees pay 5.5% contributions on before tax basis and, all exempt from the union and cabinet employees paid 5.5% employee required contributions effective with the August 19, 2011 paycheck. Prior to these Acts the District paid substantially all employer and employee contributions to the ERS except those labor units that agreed to require the new employees hired after certain dates to pay the 5.5% contribution.

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. Effective August 29, 2011, the Common Council of the City of Milwaukee eliminated the 1.6% employee contribution for the COLA effective (get date) for classified employees who are also paying the 5.5% employee required contribution. Also, employees enrolled as of January 1, 2000 have the option to object to global pension settlement. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. The System uses the projected unit credit actuarial cost method to determine employer contribution rates. Based on the actuarial valuation dated January 1,

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

2012, the District is required to make an employer contribution of \$9,135,470 on January 31, 2013. On June 29, 2012, the District paid \$2,729,520 towards contributions due January 31, 2013.

The payroll for the District's employees covered by the System for the year ended December 31, 2011 was \$112,821,227; the District's total payroll was \$527,410,000. The total required contribution including retroactive adjustments for the year ended December 31, 2011 was \$6,662,000 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, 2010 and 2009 were \$14,139,000 and \$7,017,000, 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. As previously mentioned, the Common Council of the City of Milwaukee eliminated the 1.6% employee contribution for the COLA effective August 29, 2011 for classified employees who are also paying the 5.5% employee required contribution. The COLA shall be 1.5% annually beginning after the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> anniversary after retirement and 2% after the 6<sup>th</sup> year of the employee's retirement or death. Upon completion of eight years of service, employees terminating covered employment may withdraw their funds and forfeit all rights to any subsequent benefit. The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 36 of the City charter.

The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 789 North Water Street, Suite 300, Milwaukee, WI 53202.

### *Supplemental Retirement Plans*

#### **(a) Plan Descriptions and Funding Policies**

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

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

A participant must be an administrative, supervisory, or professional staff employee of the District who is in the collective bargaining unit represented by the Administrators and Supervisors Council, Inc (the "ASC"). an exempt employee excluded by ASC bargaining contract or any other employee who is identified as a covered employee by the Milwaukee Board of School Directors (MBSD) through an employment contract between such employee

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

and the MBSD. Such employees shall become participants in the plan on the later of the effective date of the plan or the date they become a participant in the WRS. Certain classified participants represented by the ASC or any exempt employee excluded by the ASC bargaining contract and covered by the System, and certain psychologists who elected to remain in the plan after June 30, 1980 are also eligible for participation.

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

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

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

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

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

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

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

The plan also provides for disability benefits to vested participants if employment is terminated between ages 55 and 65 by reason of total and permanent disability as approved by the WRS. Upon the death of an active participant who is not eligible for any other form of benefit under the plan, a lump-sum death benefit of the value of the participant’s employee contribution account is provided to the participant’s beneficiary.

The Plan does not provide for any postretirement increases.

The District maintains a separate “member contribution account” for each participant. Annually, as of June 30, the portion of investment income of the fund attributable to the participants’ contribution is credited to the respective member contribution accounts. If a participant leaves covered employment or dies, accumulated employee contributions, plus related investment earnings, are refunded to the employee or designated beneficiary based on their election. Effective July 1, 2012, all monthly benefits for the retirees shall be paid from the employer account. Upon participant’s retirement the “member contribution account” shall be transferred to employee account if the employee elects to retire under the ASC formula. 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.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

### **Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**

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

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

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

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

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

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

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

**(b) Annual Pension Costs and Actuarial Assumptions Used**

The District's annual pension costs for the year ended June 30, 2012 and related actuarial assumptions used for the current year and related information for each plan is as follows:

	<b>Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>
	<hr/>	<hr/>
Contribution rates as a percentage of payroll:		
District	19.82%	4.53%
Plan participants	—	—
Annual required contribution	\$ 4,210,948	15,797,043
Interest on net pension obligation	(1,044)	(32,970)
Adjustment to annual required contribution	10,569	—
Annual pension cost	<hr/> 4,220,473	<hr/> 15,764,073
Contributions made including prior year prepayment	<hr/> 3,838,758	<hr/> 15,093,478
Increase (decrease) in net pension obligation	<hr/> 381,715	<hr/> 670,595
Net pension prepayment, beginning of year	<hr/> (3,614,364)	<hr/> (11,961,721)
Net pension prepayment, end of year	<hr/> <u><u>\$(3,232,649)</u></u>	<hr/> <u><u>\$(11,291,126)</u></u>

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

	<b>Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>
	<hr/>	<hr/>
Actuarial accrued liability(AAL)	\$ 52,975,446	236,343,774
Actuarial value of plans assets	<hr/> 42,744,856	<hr/> 110,184,768
Unfunded Actuarial Accrued Liability	<hr/> <u>\$ 10,230,590</u>	<hr/> <u>126,159,006</u>
Funded ratio (actuarial value of plan assets/AAL)	80.69%	46.62%
Covered payroll (active plan members)	\$ 19,365,117	333,480,915
UAAL as a percentage of covered payroll	52.83%	37.80%

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

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

	<b>Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>
Actuarial valuation date	July 1, 2011	July 1, 2011
Actuarial cost method	Projected unit credit	Entry age normal
Amortization method	Closed period, level dollar 3 year remaining as of July 1, 2011	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 20.2 and is in accordance with GASB 25 and 27 requirements.
Actuarial Valuation Method	5-year smoothed market	5-year smoothed market
Investment rate of return	8.0%	8.0%

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

	<b>Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>
Projected salary increases:		
Certificated participants	Wage inflation of 3.0% per year with additional service-based increases of up to 3.5% per year.	Wage inflation of 3.0% per year plus additional service-based increases of up to 4.80%
Classified participants	4.0% per year	N/A
Cost of Living Increases*	0.0% per year	0.0% per year
Mortality Table	1994 GAM, sex distinct	1994 GAM, sex distinct
*In accordance with the current bargaining agreement, no salary increase due to wage inflation is assumed for fiscal years 2011, 2012 and 2013.		

**(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**

	<b>Annual pension cost</b>	<b>% of annual pension cost contributed</b>	<b>Net pension prepayment</b>
Fiscal year beginning			
July 1:			
2011	\$ 4,210,948	100%	\$ (3,232,649)
2010	3,595,476	100%	(3,614,364)
2009	3,242,746	100%	-



**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

**Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**

	<u>Annual pension cost</u>	<u>% of annual pension cost contributed</u>	<u>Net pension prepayment</u>
Fiscal year beginning			
July 1:			
2011	\$ 15,797,043	100%	\$ (11,291,126)
2010	15,645,398	100%	(11,961,721)
2009	15,641,408	100%	(187,428)

**(11) Post-Employment Life and Healthcare Insurance Benefits**

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

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

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

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

Effective July 1, 2010 the District established an IRC Section 115 trust for the purpose of holding assets and funding for the District's postemployment health and life insurance benefits. The trust is reported as a fiduciary fund in the District's financial statement. For fiscal year ending June 30, 2012, the District contributed \$92,537,745 (including pre-funding contributions, Medicare Part D and ERRP contributions) to the Retiree Plan. For fiscal year ending June 30, 2012, total member contributions to the Retiree Plan were \$8,428,164.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$109,216,666
Interest on Net OPEB Obligation	23,687,310
Adjustment to annual required contribution	(37,571,491)
	<hr/>
Annual OPEB cost	95,332,485
MPS Contributions made	(92,537,745)
	<hr/>
Increase in Net OPEB Liability	2,794,740
Net OPEB obligation, beginning of year	520,600,193
	<hr/>
Net OPEB obligation, end of year	<u>\$523,394,933</u>

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

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, 2012 and the two preceding years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 95,332,485	97.1%	\$523,394,993
6/30/11	\$196,701,424	33.2%	\$520,600,193
6/30/10	\$187,867,651	32.3%	\$389,150,650

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

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

The District's OPEB financial disclosure information for fiscal year ending, June 30, 2012 was based on the assumptions and methods in the July 1, 2011 actuarial valuation. The District made significant changes to the retiree healthcare plan provisions and eligibility conditions effective during 2012 and 2013 which reduced both the annual OPEB cost and growth of actuarial liabilities. The impact of these changes and the anticipated accelerated retirements during fiscal years 2012 and 2013 due to these changes were measured in the valuation as of July 1, 2011. The entry age normal actuarial cost method was used. The District established an IRC Section 115 trust to contribute 105 percent of actual retiree healthcare claims to the trust beginning July 1, 2010. The actuarial assumptions include a 4.55 percent investment rate of return that reflects the District's prefunding policy and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates include a 3 percent inflation assumption. The Retiree Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. In accordance with the GASB No. 45 standard, the unfunded actuarial liability is amortized over a 30 year period with an open amortization method. Financial statements of the Other Post Employment Benefits Trust are included on pages 89 and 90.

### **(12) Limitation on District Revenues**

Wisconsin State Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

For the fiscal year ended June 30, 2012, the District was over its revenue limitation by \$13,660. The District's final equalization aid payment was reduced by that amount.

### **(13) School Nutrition Deficit**

The School Nutrition Services Fund had a deficit of \$3,786,936. The deficit is anticipated to be funded through future operations.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

June 30, 2012

**(14) Excess Expenditures Over Appropriations**

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2012:

Fund	Excess Expenditures
General Fund:	
Milwaukee County Collaborative	\$ 9,158
Interscholastic Athletics/Academics	4,457,078
Textbook Adoption	1,092,609
Musical Festival	103,102
Partnership Academy	101,077
Transportation	1,313,101
Technology Initiatives	6,152,278
School District Insurances	1,135,645
Debt Service	1,400,920
CAMP	4,283,565
School Nutrition Services Fund	1,374,966
Debt Service	11,752,584

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

**(15) Commitments and Contingencies**

**(a) Grants**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 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, 2012

**(b) Contractual Commitments**

The District has \$26 million of encumbrances outstanding as of June 30, 2012 of which \$19.7 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals of 6/30/12	Contract Commitments at 6/30/12
Major Funds		
General Fund	\$ 19,153,636	\$ 13,962,955
Construction Fund	6,214,435	5,171,012
Nutrition Fund	85,748	70,286
Total Major Funds	\$ 25,453,819	\$ 19,204,253
Non-Major Funds	588,695	534,626
Total Encumbrances and Contract Commitments	\$ 26,042,514	\$ 19,738,879

**(c) Litigation**

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

**(d) Class Action Litigation**

The District prevailed on appeal in the District's class action litigation in February of 2012 and was subsequently awarded a return of the interim attorney's fees paid by the District to plaintiff's counsel in 2008. The plaintiffs filed a notice of appeal with the Seventh Circuit Court to dismiss the case as well as the attorney's fees in October, 2012. These issues are currently outstanding and it is unknown what, if any, cost estimate is appropriate at this time.

**(e) Interest Rate Swap Agreement**

On September 23, 2011, swap agreements with new counterparties were established. The replacement counterparties are PNC Bank, National Association in the amount of \$21,255,000 and Wells Fargo Bank N.A. in the amount of \$49,595,000. The material terms of the new agreements are the same as the terms of the agreements with Lehman Brothers Special Financing, Inc.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

*(f) FCC Channels*

The District has had the 4 FCC channels for a number of years and has the right to sell and or lease these channels. The District must renew the FCC license every twelve years. MPS entered into a consortium with MATC and UWM to combine the district's channels to lease them to Clearwire in November 1991. MPS received \$4,200,000 upfront in March 2008, and \$55,000 per month initially, which increases 3% each March during the contract period. Clearwire will build a WiMax Network and MPS plans on buying back WiMax broadband internet services from Clearwire. At that time, Clearwire will then pay an additional monthly fee to MPS ranging from \$2,000, increasing every five years, to a maximum of \$4,023.

**(16) Subsequent Events**

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, the City of Milwaukee issued \$50,000,000 of commercial paper on October 10, 2012, maturing December 3, 2012, and \$50,000,000 of commercial paper on December 6, 2012, maturing December 27, 2012. \$120,000,000 of Revenue Anticipation Notes (RANs), Series 2012 M11, were issued October 25, 2012. Interest is payable at maturity.

***Milwaukee Board of School Directors-Supplemental Early Retirement Plan for Teachers***

At the March 2012 Milwaukee Board of School Directors (MBSD) meeting, it was agreed to proceed with the following changes to the Milwaukee Board of School Directors-Supplemental Early Retirement Plan for Teachers:

- Enrollment in the Plan was closed to any employees hired or rehired or transferred or demoted to the teacher unit until covered under the Plan on or after July 1, 2013; and
- Average monthly compensation was frozen as of July 1, 2013; and
- Creditable service was frozen for all Plan participants as of July 1, 2013; and
- Vesting service was frozen for employees hired or rehired or transferred or demoted to the teacher unit on or after July 1, 2013; and
- Participants in the Plan as of July 1, 2013 and who do not subsequently separate from service prior to eligibility for retirement shall continue to accrue vesting services under the Plan.

In addition to the Plan amendments above, on March 20, 2012, the MBSD approved changes to key actuarial assumptions effective July 1, 2012. The following is a summary of the key actuarial assumption changes:

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



# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

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

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

At the March 2012 Milwaukee Board of School Directors meeting, it was agreed to proceed with the following changes to the Milwaukee Board of School Directors-Early Retirement Supplement and Benefit Improvement Plan:

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2012

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

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

- Price inflation is lowered from 3.00 percent to 2.80 percent.
- Investment return is lowered from 8.0 percent to 7.5 percent.
- No wage increases will be assumed for fiscal years ending June 30, 2013, June 30, 2014 and June 30, 2015. Thereafter, a 2.8 percent wage inflation increases are assumed.
- Current age-based retirement rate assumptions are changed to reallocate rates based on age.
- Current age-based termination rates are maintained.
- The Mortality Rate is changed from the 1994 Group Annuity Mortality Table, sex distinct, to the Wisconsin Projected Experience Table - 2005 for women and 90 percent of the Wisconsin Projected Experience Table - 2005 for men and post-retirement deaths.
- Disability rates are updated to be the blended rates for males and females from the rates used in the most recent Wisconsin Retirement System valuation.
- The actuarial cost method is changed to Entry Age Normal cost method.
- Amortization method is changed to level dollar 5-year open period.
- Current asset smoothing method assumption is maintained.

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

This page intentionally left blank.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2012

	<u>Budgeted amounts</u>		<u>Actual (GAAP basis)</u>	<u>Variance with Revised Budget</u>
	<u>Adopted</u>	<u>Revised</u>		
<b><u>REVENUES:</u></b>				
Property Tax Levy	\$ 294,855,645	\$ 287,184,152	\$ 287,184,152	\$ -
Equalization & Integration Aids	536,610,933	537,058,232	531,926,361	(5,131,871)
Other State Aids	62,795,777	66,002,431	72,754,365	6,751,934
Federal Aids	16,442,875	16,734,625	29,304,781	12,570,156
Other Local Revenues	7,900,342	8,004,033	9,441,661	1,437,628
Applied Surplus	5,962,564	2,123,863	-	(2,123,863)
<b>SCHOOL OPERATIONS &amp; EXTENSION</b>	<b>924,568,136</b>	<b>917,107,336</b>	<b>930,611,320</b>	<b>13,503,984</b>
<b>CAMP</b>	<b>-</b>	<b>-</b>	<b>4,309,727</b>	<b>4,309,727</b>
<b>GRANTS</b>	<b>167,382,904</b>	<b>203,695,395</b>	<b>164,242,655</b>	<b>(39,452,740)</b>
<b>Total Revenues</b>	<b>1,091,951,040</b>	<b>1,120,802,731</b>	<b>1,099,163,702</b>	<b>(21,639,029)</b>
<b><u>EXPENDITURES:</u></b>				
<b><u>PROGRAM ACCOUNTS</u></b>				
High Schools	133,530,933	134,012,205	132,906,378	1,105,827
Middle Schools	45,144,806	42,939,578	42,902,384	37,194
K-8 Schools	205,221,535	207,912,168	199,897,856	8,014,312
Elementary Schools	125,915,906	124,862,931	121,568,700	3,294,231
Charter Schools	100,666,661	102,603,707	95,675,754	6,927,953
School To Work Transition	3,088,816	3,061,395	3,002,486	58,909
School Age Parents	564,369	542,721	519,886	22,835
Alternative Schools	6,935,377	7,178,607	6,388,157	790,450
Agency Programs	19,154,639	17,737,737	16,431,527	1,306,210
Home & Hospital Instruction	942,790	934,032	920,404	13,628
Milwaukee County Collaborative	983,861	962,721	971,879	(9,158)
Contracted Kindergarten	547,570	634,264	614,440	19,824
Summer School	3,507,759	3,676,253	3,547,111	129,142
Interscholastic Athletics/Academics	-	-	4,457,078	(4,457,078)
Driver Education	-	316,261	150,264	165,997
MTEC/Compton	-	143,754	-	143,754
EEN Itinerant Allied Services	6,647,415	7,139,398	5,252,087	1,887,311
School Special and Unallotted	75,318,196	64,031,069	57,739,757	6,291,312
<b>TOTAL - PROGRAM ACCOUNTS</b>	<b>\$ 728,170,633</b>	<b>\$ 718,688,801</b>	<b>\$ 692,946,148</b>	<b>\$ 25,742,653</b>

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

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2012

	Budgeted amounts		Actual (GAAP basis)	Variance with Revised Budget
	Adopted	Revised		
<b>INDIRECT &amp; SUPPORT SERVICES</b>				
BOARD OF SCHOOL DIRECTORS	\$ 403,419	\$ 468,299	\$ 364,999	\$ 103,300
Office of Board Governance	2,552,681	3,466,216	2,382,888	1,083,328
Office of Accountability and Efficiency	1,433,624	1,893,861	1,266,193	627,668
Office of Superintendent	2,655,731	3,251,262	2,753,254	498,008
Office of School Administration	5,561,020	8,973,983	8,340,185	633,798
Office of the Chief Academic Officer	15,142,764	15,054,210	14,658,756	395,454
Office of Chief Operations Officer	44,094,159	53,774,388	42,884,901	10,889,487
Office of Chief Financial Officer	4,619,362	4,750,086	4,694,350	55,736
Office of Chief Human Resources Officer	5,278,739	5,544,010	4,868,328	675,682
Office of Family Services	3,966,856	4,506,547	4,084,573	421,974
<b>TOTAL - INDIRECT &amp; SUPPORT</b>	<b>85,708,355</b>	<b>101,682,862</b>	<b>86,298,427</b>	<b>15,384,435</b>
<b>OTHER ACCOUNTS</b>				
Textbook Adoptions	4,300,000	4,387,906	5,480,515	(1,092,609)
Music Festival	200,000	1,400	104,502	(103,102)
Teacher Quality Programs	3,021,981	3,043,723	2,463,245	580,478
Partnership Academy	141,879	141,879	242,956	(101,077)
Safety Supplement	1,109,117	1,396,725	791,954	604,771
Transportation Operations	51,312,031	55,176,764	56,489,865	(1,313,101)
School District Insurances	10,515,679	10,309,078	11,444,723	(1,135,645)
Technology Initiatives	3,998,174	6,569,720	12,721,998	(6,152,278)
Debt Service (includes NSI)	-	620,399	2,021,319	(1,400,920)
Utilities & Leases	23,198,865	23,537,065	23,493,851	43,214
Special & Contingent Funds	121,127	5,059,080	4,544,239	514,841
<b>TOTAL - OTHER ACCOUNTS</b>	<b>97,918,853</b>	<b>110,243,739</b>	<b>119,799,167</b>	<b>(9,555,428)</b>
<b>DIVISION OF RECREATION AND COMMUNITY SERVICES</b>				
Playgrounds & Recreation Centers	9,171,157	10,001,989	7,999,548	2,002,441
Summer School Wrap-around	5,717,018	8,003,003	3,763,023	4,239,980
Earn to Learn Program	60,000	118,088	55,011	63,077
Community Arts Program	1,193,960	1,943,420	1,272,010	671,410
Partnership for Humanities	500,000	646,996	218,629	428,367
Other Accounts	3,947,936	2,843,155	2,402,061	441,094
District Insurances	338,196	338,196	243,149	95,047
Employee Benefits	48,245	202,008	-	202,008
Special & Contingent Fund	528,841	528,841	-	528,841
<b>TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES</b>	<b>21,505,353</b>	<b>24,625,696</b>	<b>15,953,431</b>	<b>8,672,265</b>
<b>OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES</b>				
	<b>(12,482,259)</b>	<b>(12,564,669)</b>	<b>(11,423,443)</b>	<b>(1,141,226)</b>
SCHOOL OPERATIONS & EXT. FUND	920,517,550	942,676,429	903,573,730	39,102,699
CAMP	-	-	4,283,565	(4,283,565)
GRANTS	167,382,904	203,695,395	165,593,975	38,101,420
<b>Total Expenditures</b>	<b>1,087,900,454</b>	<b>1,146,371,824</b>	<b>1,073,451,270</b>	<b>72,920,554</b>
<b>Excess of revenues over (under) expenditures</b>	<b>4,050,586</b>	<b>(25,569,093)</b>	<b>25,712,432</b>	<b>(51,281,525)</b>
Transfer In (Out)	(4,050,586)	(6,687,654)	(20,963,406)	14,275,752
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (32,256,747)</b>	<b>4,749,026</b>	<b>\$ 37,005,773</b>
<b>Fund balance-beginning of year</b>			91,600,874	
<b>Fund balance-end of year</b>			<b>96,349,900</b>	

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, 2012

	<u>Budgeted amounts</u>		<u>Actual (GAAP basis)</u>	<u>Variance with Revised Budget</u>
	<u>Adopted</u>	<u>Revised</u>		
Revenues:				
Lunchroom sales	\$ 4,000,000	\$ 4,000,000	\$ 2,943,482	\$ (1,056,518)
State aid:				
School nutrition aid	948,410	948,410	921,738	(26,672)
Federal aid:				
School nutrition aid	33,900,000	34,810,481	37,629,945	2,819,464
Other federal aid	2,400,000	2,400,000	708,149	(1,691,851)
Total revenues	<u>41,248,410</u>	<u>42,158,891</u>	<u>42,203,314</u>	<u>44,423</u>
Expenditures:				
Current operating:				
School Nutrition Services	41,227,410	42,059,444	43,525,912	(1,466,468)
Capital Outlay	21,000	304,676	213,174	91,502
Total expenditures	<u>41,248,410</u>	<u>42,364,120</u>	<u>43,739,086</u>	<u>(1,374,966)</u>
Excess of revenues over(under)				
expenditures	<u>—</u>	<u>(205,229)</u>	<u>(1,535,772)</u>	<u>(1,330,543)</u>
Net change in fund balances	<u>\$ —</u>	<u>—</u>	<u>(1,535,772)</u>	<u>(1,535,772)</u>
Fund deficit—beginning of year			<u>(2,251,164)</u>	
Fund deficit—end of year			<u>\$ (3,786,936)</u>	

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

**MILWAUKEE PUBLIC SCHOOLS**

Required Supplementary Information

Year ended June 30, 2012

**Schedules of Funding Progress**

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

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/2011	\$ 42,744,856	\$ 52,975,446	\$ 10,230,590	80.69 %	\$ 19,365,117	52.83 %
7/1/2010	42,306,659	52,695,253	10,388,594	80.29	26,473,931	39.24
7/1/2009	43,207,285	53,727,359	10,520,074	80.42	28,690,983	36.67
7/1/2008	44,570,940	53,278,752	8,707,812	83.70	30,534,301	28.52
7/1/2007	42,807,076	52,832,971	10,025,895	81.02	32,942,251	30.43
7/1/2006	40,082,362	50,604,106	10,521,744	79.21	34,756,344	30.27

**Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**

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
7/1/2011	\$ 110,184,768	\$ 236,343,774	\$ 126,159,006	46.62 %	\$ 333,480,915	37.83 %
7/1/2010	102,968,116	228,417,032	125,448,916	45.08	342,784,884	36.60
7/1/2009	99,077,126	225,134,052	126,056,926	44.01	353,723,230	35.64
7/1/2008	94,204,651	217,642,068	123,437,417	43.28	350,580,446	35.21
7/1/2007	82,256,327	210,656,973	128,400,646	39.05	341,271,505	37.62
7/1/2006	70,897,370	188,159,912	117,262,542	37.68	320,407,690	36.60

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

Fiscal year beginning	Annual Required Contribution	Percentage Contributed
7/1/2011	\$ 4,210,948	100 %
7/1/2010	3,595,479	100
7/1/2009	3,242,746	100
7/1/2008	2,482,200	100
7/1/2007	2,576,104	100
7/1/2006	3,096,247	100

**Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**

Fiscal year beginning	Annual Required Contribution	Percentage Contributed
7/1/2011	\$ <del>16,0</del> 97,043	%
7/1/2010	15,645,398	100
7/1/2009	15,641,408	100
7/1/2008	15,235,493	100
7/1/2007	15,408,267	100
7/1/2006	14,113,631	100

See Independent Auditors Report and accompanying Notes to Required Supplementary Information



**MILWAUKEE PUBLIC SCHOOLS**  
 Required Supplementary Information  
 Year Ended June 30, 2012

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age Normal</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2011	\$ 9,368,067	\$ <del>11,384,486,097</del> 11,384,486,097	\$ 0.7%		\$ 488,996,859	283.1%
7/1/2010	n/a	n/a	n/a	n/a	n/a	n/a
7/1/2009	-	\$ <del>2,398,129,645</del> 2,398,129,645	\$ 0%		\$ 507,339,126	472.7%
7/1/2008	n/a	n/a	n/a	n/a	n/a	n/a

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Postemployment Health Care Plan

<u>Fiscal Year Beginning</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
7/1/2011	\$ 109,216,666	84.7%
7/1/2010	194,969,742	33.5
7/1/2009	186,702,017	32.7
7/1/2008	189,880,613	31.3

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

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

## MILWAUKEE PUBLIC SCHOOLS

### Notes to Required Supplementary Information

Year ended June 30, 2012

#### (1) Budgeting

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

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

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

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

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

This page intentionally left blank.

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS  
AND SCHEDULES**

This page intentionally left blank.

## MILWAUKEE PUBLIC SCHOOLS

### Nonmajor Governmental Funds

#### **Special Revenue Funds**

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

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

#### **Debt Service Fund**

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

**MILWAUKEE PUBLIC SCHOOLS**

Combining Balance Sheet—Nonmajor Governmental Funds

June 30, 2012

	<u>Special Revenue</u>		
<b>Assets</b>	<b>Categorically Aided Programs</b>	<b>Debt Service</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Receivables due from other governmental units	\$ 7,352,524	—	7,352,524
Total assets	<u>\$ 7,352,524</u>	<u>                    </u>	<u>7,352,524</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Contracts Payable	\$ 183,738	—	183,738
Deferred revenue	8,366	—	8,366
Due to other funds	<u>7,160,420</u>	<u>                    </u>	<u>7,160,420</u>
Total liabilities	<u>7,352,524</u>	<u>                    </u>	<u>7,352,524</u>
Fund balances:			
Unreserved and undesignated	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 7,352,524</u>	<u>                    </u>	<u>7,352,524</u>

**MILWAUKEE PUBLIC SCHOOLS**

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

Year ended June 30, 2012

	<u>Special Revenue</u>		
	<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Property taxes	\$ —	5,475,630	5,475,630
Federal aid:			
Other federal aid	26,972,510	—	26,972,510
Total revenues	<u>26,972,510</u>	<u>5,475,630</u>	<u>32,448,140</u>
Expenditures:			
Instructional services—			
special curriculum	6,812,792	—	6,812,792
Pupil and staff services	20,073,688	—	20,073,688
Capital Outlay	86,030	—	86,030
Debt service:			
Principal	—	9,839,918	9,839,918
Interest	—	14,042,181	14,042,181
Bond administrative fees	—	33,769	33,769
Total expenditures	<u>26,972,510</u>	<u>23,915,868</u>	<u>50,888,378</u>
Excess of revenues over (under) expenditures	—	(18,440,238)	(18,440,238)
Other financing sources:			
Transfers In	—	18,440,238	18,440,238
Total other financing sources (uses), net	<u>—</u>	<u>18,440,238</u>	<u>18,440,238</u>
Net changes in fund balances	—	—	—
Fund balances:			
Beginning of year	—	—	—
End of year	<u>\$ —</u>	<u>—</u>	<u>—</u>



**MILWAUKEE PUBLIC SCHOOLS**

Categorically Aided Programs Fund

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

Year ended June 30, 2012

	<b>Budgeted amounts</b>		<b>Actual (GAAP basis)</b>
	<b>Adopted</b>	<b>Revised</b>	
Revenues:			
Federal aid:			
Other federal aid	\$ 30,475,785	31,958,844	26,972,510
Total revenues	<u>30,475,785</u>	<u>31,958,844</u>	<u>26,972,510</u>
Expenditures:			
Current operating:			
Special curriculum	7,697,659	8,072,254	6,812,792
Pupil and staff services	22,680,922	23,784,656	20,073,688
Capital Outlay	97,204	101,934	86,030
Total expenditures	<u>30,475,785</u>	<u>31,958,844</u>	<u>26,972,510</u>
Net change in fund balance	\$ <u>—</u>	<u>—</u>	<u>—</u>
Fund balance—beginning of year			<u>—</u>
Fund balance—end of year			\$ <u><u>—</u></u>

**MILWAUKEE PUBLIC SCHOOLS**

Debt Service Fund

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

Year ended June 30, 2012

	<b>Budgeted amounts</b>		<b>Actual</b>
	<b>Adopted</b>	<b>Revised</b>	<b>(GAAP basis)</b>
Revenues:			
Property taxes	\$ —	5,475,630	5,475,630
Total revenues	<u>—</u>	<u>5,475,630</u>	<u>5,475,630</u>
Expenditures:			
Current operating:			
Debt service	4,050,580	12,163,284	23,915,868
Total expenditures	<u>4,050,580</u>	<u>12,163,284</u>	<u>23,915,868</u>
Excess of revenues over (under) expenditures	(4,050,580)	(6,687,654)	(18,440,238)
Other financing sources (uses)			
Transfers In (Out)	4,050,580	6,687,654	18,440,238
Total other financing sources (uses), net	<u>4,050,580</u>	<u>6,687,654</u>	<u>18,440,238</u>
Net changes in fund balances	<u>\$ —</u>	<u>—</u>	<u>—</u>
Fund balance—beginning of year			<u>—</u>
Fund balance—end of year			<u><u>—</u></u>

This page intentionally left blank.

## MILWAUKEE PUBLIC SCHOOLS

### Fiduciary Funds

#### **Pension Trust Funds**

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

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

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

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

#### **Agency Fund**

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

**MILWAUKEE PUBLIC SCHOOLS**

Combining Statement of Net Assets—Pension and Other Post Employment Benefits Trust Funds  
 June 30, 2012

	<b>Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>	<b>Other Post Employment Benefits trust</b>	<b>Total</b>
<b>Assets</b>				
Investments				
Money market accounts	\$ 2,516,102	2,368,114	814,130	5,698,346
U.S. treasury and agency securities	—	—	—	—
Mortgage-backed securities	1,892	5,220	—	7,112
Nongovernment obligations	878,129	2,600,847	—	3,478,976
Municipal Bonds	—	5,238	—	5,238
Investment in the State of Wisconsin	42,132,387	121,083,583	—	163,215,970
Receivables-interest and contributions	6,351	19,190	41,275,594	41,301,135
Total assets	<u>45,534,861</u>	<u>126,082,192</u>	<u>42,089,724</u>	<u>213,706,777</u>
<b>Liabilities</b>				
Liabilities:				
Accounts payable and accrued expenses	437,345	1,329,160	2,848,982	4,615,487
Total liabilities	<u>437,345</u>	<u>1,329,160</u>	<u>2,848,982</u>	<u>4,615,487</u>
<b>Net Assets</b>				
Held in trust for supplemental pension benefits	\$ 45,097,516	124,753,032	39,240,742	209,091,290

**MILWAUKEE PUBLIC SCHOOLS**

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

Year ended June 30, 2012

	<b>Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>	<b>Other Post Employment Benefits trust</b>	<b>Total</b>
<b>Additions:</b>				
Employer contributions	\$ 3,838,758	15,093,478	89,688,762	108,620,998
Participants contributions	—	—	8,428,164	8,428,164
Investment income, net of expenses:	369,635	992,024	398,167	1,759,826
<b>Total additions</b>	<b>4,208,393</b>	<b>16,085,502</b>	<b>98,515,093</b>	<b>118,808,988</b>
<b>Deductions:</b>				
Benefits paid to participant's or beneficiaries	5,171,447	14,805,735	66,849,601	86,826,783
Distribution of participant contribution accounts	317,123	—	—	317,123
Administrative expenses	66,922	186,512	10,884	264,318
<b>Total deductions</b>	<b>5,555,492</b>	<b>14,992,247</b>	<b>66,860,485</b>	<b>87,408,224</b>
<b>Changes in net assets</b>	<b>(1,347,099)</b>	<b>1,093,255</b>	<b>31,654,608</b>	<b>31,400,764</b>
Net assets—Beginning of Year	46,444,615	123,659,777	7,586,134	177,690,526
Net assets—Ending of Year	\$ <u>45,097,516</u>	<u>124,753,032</u>	<u>39,240,742</u>	<u>209,091,290</u>

**MILWAUKEE PUBLIC SCHOOLS**  
 Agency Fund  
 Schedule of Changes in Assets and Liabilities  
 Year ended June 30, 2012

<b>Assets</b>	<u><b>Balance July 1, 2011</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>Balance June 30, 2012</b></u>
Cash and cash equivalents	\$ 5,786,890	12,134,334	(12,582,984)	5,338,240
Total assets	<u>5,786,890</u>	<u>12,134,334</u>	<u>(12,582,984)</u>	<u>5,338,240</u>
<b>Liabilities</b>				
Liabilities:				
Due to student organizations	5,786,890	12,134,334	(12,582,984)	5,338,240
Total liabilities	\$ <u>5,786,890</u>	<u>12,134,334</u>	<u>(12,582,984)</u>	<u>5,338,240</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.

<b>Contents</b>	<b>Page</b>
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>	95-98
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	99-104
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>	105-107
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>	108-112
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>	113-123

**MILWAUKEE PUBLIC SCHOOLS**  
**Statement of Net Assets**  
**Last Ten Fiscal Years**

**Governmental activities**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Invested in capital assets, net of related debt	\$ 495,794,462	499,760,461	494,531,410	499,644,800	483,877,761	473,612,564	481,469,344	475,757,763	456,936,816	434,581,357
Restricted for debt service	13,472,018	11,247,463	4,699,678	8,351,394	16,045,169	14,472,771	1,796,177	13,502,378	9,518,692	3,089,752
Unrestricted (Deficit)	<u>(641,733,484)</u>	<u>(637,144,852)</u>	<u>(520,167,556)</u>	<u>(389,665,110)</u>	<u>(249,579,105)</u>	<u>(102,111,255)</u>	<u>(97,025,340)</u>	<u>(122,424,347)</u>	<u>(113,587,990)</u>	<u>(115,140,875)</u>
Total net assets	<u>\$ (132,467,004)</u>	<u>(126,136,928)</u>	<u>(20,936,468)</u>	<u>118,331,084</u>	<u>250,343,825</u>	<u>385,974,080</u>	<u>386,240,181</u>	<u>366,835,794</u>	<u>352,867,518</u>	<u>322,530,234</u>

See accompanying independent auditor's report.

**MILWAUKEE PUBLIC SCHOOLS**  
Changes in Net Assets  
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses:</b>										
Instruction	\$ 685,589,990	863,184,570	887,815,447	864,409,791	826,151,034	676,103,840	664,810,169	652,714,635	645,880,553	624,575,792
Support services:										
Community services	26,041,483	27,499,000	25,538,287	25,574,386	19,658,453	20,110,243	23,270,780	20,560,706	18,154,857	21,757,475
Pupil and staff services	135,648,452	160,715,900	143,517,392	138,220,288	132,463,255	122,202,632	117,138,777	110,034,688	105,549,340	128,557,769
General, administration, and central services	113,952,373	117,817,193	132,145,392	118,454,437	117,404,599	111,430,021	112,657,972	108,742,800	116,816,130	110,763,906
Business services	154,701,665	169,960,141	159,725,009	161,738,970	176,006,641	162,219,265	155,889,203	162,748,023	140,825,201	179,310,149
School nutrition services	44,527,282	44,205,351	40,555,069	40,891,942	40,654,079	36,515,840	32,793,305	32,165,131	31,249,035	29,348,112
Interest on long-term debt	17,790,345	17,926,945	17,166,361	16,181,174	16,771,008	18,130,489	20,176,300	16,245,344	6,250,445	3,920,507
Insurance	-	-	-	-	-	-	-	-	-	8,733,676
Loss on sale/disposal of buildings	4,028,012	-	-	-	-	-	-	-	-	-
Total support services	\$ 496,689,612	538,124,530	518,647,510	501,061,197	502,958,035	470,608,490	461,926,337	450,496,692	418,845,008	482,391,594
Total expenses	\$ 1,182,279,602	\$ 1,401,309,100	\$ 1,406,462,957	1,365,470,988	1,329,109,069	1,146,712,330	1,126,736,506	1,103,211,327	1,064,725,561	1,106,967,386
<b>Program revenues:</b>										
Charges for services:										
Instruction	\$ 4,897,115	5,270,970	4,668,475	5,508,572	9,168,741	8,224,655	9,925,797	3,130,444	2,309,821	1,486,516
Community services	1,844,915	1,981,562	2,022,823	1,994,701	2,333,636	2,934,878	1,906,234	1,930,856	3,246,347	2,876,220
Business services	2,613,852	1,962,560	1,755,862	2,000,182	1,571,882	296,678	103,409	281,329	111,642	143,894
Nutrition services	3,027,221	3,233,097	3,900,398	4,186,989	3,915,031	3,991,342	4,391,811	4,747,456	4,754,985	4,331,344
Interest on long-term debt	-	-	-	-	-	-	-	-	296,612	-
Operating grants and contributions:										
Instruction	218,860,380	284,307,386	288,369,454	314,249,488	211,544,865	187,252,284	204,453,803	105,071,902	106,964,376	103,818,468
Community services	6,286,075	6,693,672	7,218,268	8,472,311	6,389,186	6,031,898	9,864,927	7,318,142	7,629,273	10,009,747
Pupil and staff services	27,257,411	16,187,840	15,608,318	15,106,248	10,811,749	3,679,418	3,746,360	3,583,626	2,864,019	3,108,062
General, administration, and central services	-	-	-	-	-	-	-	-	-	-
Business services	6,758,686	7,058,695	6,631,649	7,140,808	6,867,633	2,779,926	3,511,831	44,078,275	41,609,807	41,786,993
Nutrition services	39,259,843	39,640,325	37,770,914	34,803,122	32,462,000	30,879,192	25,961,118	25,176,146	24,876,913	24,582,985
Capital grants and contributions:										
Instruction	3,244,501	11,532,654	11,118,264	1,698,541	10,906,976	5,371,128	9,759,824	20,355,818	11,334,558	13,918,003
General, administration, and central services	-	-	-	-	-	-	-	726,957	5,732,070	2,502,693
Business services	-	-	-	-	-	-	-	-	639,448	-
Total program revenues	\$ 314,049,999	377,868,761	379,064,425	395,160,962	295,971,699	251,441,399	273,625,114	216,400,951	212,369,871	208,564,925
Net (expense)/revenue	\$ (868,229,603)	(1,023,440,339)	(1,027,398,532)	(970,310,026)	(1,033,137,370)	(895,270,931)	(853,111,392)	(886,810,376)	(852,355,690)	(898,402,461)
<b>General revenues and other changes in net assets:</b>										
Taxes:										
Property taxes levied for general purposes	\$ 270,368,281	259,744,794	274,190,085	257,763,742	223,761,147	192,891,583	183,710,164	180,704,104	168,470,699	168,452,670
Property taxes levied for construction	5,127,012	14,729,342	9,074,793	17,001,718	16,975,373	14,580,539	13,237,040	12,266,054	-	-
Property taxes levied for debt service	5,475,630	5,698,454	2,342,002	1,870,414	-	13,546,414	8,843,502	6,469,806	6,723,273	4,644,357
Property taxes levied for community services	16,815,871	13,334,418	10,226,234	11,142,826	10,340,610	9,327,455	8,077,455	8,002,455	8,004,465	8,004,465
Other taxes	533,466	1,729,836	59,021	49,468	133,509	2,369,741	-	-	-	-
Federal and state aid not restricted to a specific purpose:										
General (equalization aid)	496,690,640	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,749	575,069,738	556,169,239
Other	63,378,858	73,161,388	75,412,753	78,351,979	70,601,690	71,253,170	69,325,745	116,147,856	123,574,539	122,784,828
Interest and investment earnings	224,216	289,979	759,476	1,159,402	2,496,060	3,535,723	2,823,351	1,773,508	761,505	662,490
Gain on sales of property	-	-	-	-	817,921	-	-	10,200	-	1,262,537
Other	3,285,553	4,636,939	1,075,826	1,045,095	-	916,544	-	1,200,921	88,755	335
Total general revenues	\$ 861,899,527	918,239,879	888,130,980	838,297,285	895,938,956	895,004,830	872,515,778	900,778,653	882,692,974	861,980,921
Change in net assets	\$ (6,330,076)	(105,200,460)	(139,267,552)	(132,012,741)	(137,198,414)	(266,101)	19,404,386	13,968,277	30,337,284	(36,421,540)

See accompanying independent auditor's report.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>General Fund</b>										
Nonspendable										
Inventories	\$ 746,342	586,777								
Prepaid expenditures	2,011,198	3,032,231								
Noncurrent advances	3,786,936	2,251,164								
Restricted										
Self-insurance deposits	4,454,209	3,723,449								
Debt service	16,305,038	15,818,504								
Flex spending	191,658	241,978								
Committed for Construction	2,122	2,122								
Assigned	4,925,111	1,123,863								
Unassigned	63,927,286	64,820,786								
Reserved			35,081,314	56,034,728	70,201,296	83,119,252	73,378,466	54,166,313	41,006,883	31,870,360
Unreserved			56,933,260	40,610,378	28,063,255	27,510,956	35,971,431	45,933,995	40,801,363	53,322,314
Total general fund	\$ 96,349,900	91,600,874	92,014,574	96,645,106	98,264,551	110,630,208	109,349,897	100,100,308	81,808,246	85,192,674
<b>Other Governmental Funds</b>										
Restricted										
Debt service	\$ 940,863									
Committed										
Construction	27,013,589	44,604,504								
Assigned										
Unassigned	(3,786,936)	(2,251,164)								
Reserved			9,341,521	9,191,384	12,494,623	14,210,055	32,798,010	56,974,895	90,457,405	14,148,758
Unreserved										
Construction fund			37,687,706	-	858,122	(1,328,640)	(1,417,829)	(14,836,707)	(11,772,547)	8,172,565
Special revenue fund			(2,154,013)	(5,557,534)	(5,628,473)	(4,214,279)	(4,033,184)	(1,927,970)	(320,546)	2,120,932
Total all other governmental funds	\$ 24,167,516	42,353,340	44,875,214	3,633,850	7,724,272	8,667,136	27,346,997	40,210,218	78,364,312	24,442,255

The District implemented GASB Statement No. 54 on June 30, 2011; accordingly, prior year data is based on before GASB Statement No. 54.

See accompanying independent auditor's report.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues:</b>										
Property tax levy	\$ 297,786,794	293,507,008	295,833,114	287,778,700	251,077,130	230,345,991	213,803,808	207,442,419	183,198,437	181,046,160
Other taxes	104,824	108,820	97,291	92,608	88,839	291,341	—	—	—	—
Lunchroom sales	2,943,482	3,226,519	3,853,462	4,180,102	3,774,957	3,875,772	4,391,811	4,747,456	4,754,985	4,331,344
Other local sources	11,680,793	11,836,869	10,288,493	12,686,419	16,967,736	11,729,344	14,656,297	13,550,964	9,221,099	10,531,728
Lawsuit Settlement Refunds	278,642	6,706,515	6,796,310	—	—	—	—	—	—	—
State aid:										
Equalization aid	496,690,640	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,739	575,069,738	556,169,239
Special classes	54,013,275	49,429,225	46,523,816	47,564,912	42,288,233	39,265,952	39,188,603	39,419,557	40,437,993	40,312,755
Integration	35,235,721	39,158,028	40,804,682	41,276,129	41,864,808	45,208,452	43,660,426	38,661,528	39,437,167	38,717,298
Other state aid	48,365,268	72,947,102	73,640,777	76,658,767	55,720,015	51,424,988	53,759,282	52,338,422	52,217,130	54,522,686
Federal aid:										
Education Consolidation Improvement Act	106,765,706	121,910,586	121,231,450	102,207,198	81,727,901	70,566,992	72,246,390	69,124,917	59,694,854	55,238,900
School nutrition services	37,629,945	38,163,553	36,525,598	33,501,200	31,387,925	30,114,964	25,961,118	24,531,108	24,215,335	23,925,082
Erate refunds	2,753,269	3,346,923	1,920,868	1,751,957	3,638,805	1,661,683	—	4,510,353	659,448	857,304
Other federal aid	82,063,530	102,780,085	111,175,815	157,572,767	79,462,513	69,013,674	79,134,117	78,325,787	90,929,422	85,519,496
Intergovernmental aid from the City of Milwaukee	—	—	191,000	—	6,000,000	—	9,240,442	14,265,000	11,334,558	8,660,000
Miscellaneous	3,346,721	4,533,161	1,222,859	932,475	816,009	916,544	—	—	—	—
Interest and investment earnings	224,215	289,981	759,476	1,159,402	2,496,060	3,535,721	2,823,350	1,798,305	1,058,117	662,490
<b>Total revenues</b>	<b>\$ 1,179,882,825</b>	<b>1,292,859,104</b>	<b>1,265,475,801</b>	<b>1,237,275,277</b>	<b>1,188,123,577</b>	<b>1,144,535,079</b>	<b>1,145,364,165</b>	<b>1,122,919,555</b>	<b>1,092,208,283</b>	<b>1,060,494,482</b>
<b>Expenditures:</b>										
Instructional services:										
Undifferentiated curriculum	\$ 379,231,430	408,281,267	419,013,141	426,468,415	420,350,045	420,196,158	430,564,038	418,322,709	426,491,163	394,787,592
Regular and other curriculum	129,989,610	153,723,073	162,055,281	152,019,378	139,085,524	113,231,381	105,796,528	99,908,858	103,609,583	113,717,969
Special curriculum	158,713,453	169,704,527	158,358,450	141,682,491	128,758,524	126,898,396	113,370,170	113,285,852	101,456,920	102,170,548
<b>Total instructional services</b>	<b>667,934,493</b>	<b>731,708,867</b>	<b>739,426,872</b>	<b>720,170,284</b>	<b>688,194,093</b>	<b>660,325,935</b>	<b>649,730,736</b>	<b>631,517,419</b>	<b>631,557,666</b>	<b>610,676,109</b>
Community services	24,841,805	23,467,701	23,184,162	23,482,483	19,337,638	20,022,461	23,127,716	20,591,303	18,191,494	21,442,778
Pupil and staff services	132,786,434	158,034,350	141,633,899	136,274,148	130,014,574	120,056,089	115,122,913	109,425,025	106,347,902	127,129,819
General and school building administration	111,351,669	118,430,195	128,618,542	118,520,404	112,066,634	109,867,741	111,227,914	108,422,951	116,968,619	115,847,360
Business services	155,497,490	170,709,794	160,335,051	161,983,843	154,214,637	160,817,367	151,129,644	153,790,477	156,312,056	164,931,353
School nutrition services	43,525,912	43,247,754	39,803,908	39,547,617	38,476,566	35,782,244	32,210,593	32,006,084	31,097,577	29,209,501
Capital Outlay	34,504,618	21,847,799	19,371,066	21,845,269	38,476,566	27,701,230	46,591,605	66,940,733	82,496,380	52,056,355
Debt service:										
Principal	11,374,372	14,099,135	18,929,274	11,849,070	11,037,918	14,931,291	18,826,401	10,884,355	10,592,638	4,787,763
Interest	14,528,046	14,176,335	13,261,491	13,407,173	13,698,240	14,426,612	14,646,900	13,955,810	4,212,525	2,878,039
Bond issuance cost	34,769	111,525	2,113,376	33,858	480,561	625,649	—	—	3,282,941	—
Other	—	—	—	—	—	—	799,375	1,162,108	1,383,820	1,485,527
<b>Total expenditures</b>	<b>\$ 1,196,379,608</b>	<b>1,295,833,455</b>	<b>1,286,677,641</b>	<b>1,247,114,149</b>	<b>1,205,997,427</b>	<b>1,164,556,619</b>	<b>1,163,413,797</b>	<b>1,148,696,265</b>	<b>1,162,443,618</b>	<b>1,130,444,604</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (16,496,783)</b>	<b>(2,974,351)</b>	<b>(21,201,840)</b>	<b>(9,838,872)</b>	<b>(17,873,850)</b>	<b>(20,021,540)</b>	<b>(18,049,632)</b>	<b>(25,776,710)</b>	<b>(70,235,335)</b>	<b>(69,950,122)</b>
<b>Other financing sources (uses) (note 7):</b>										
Long-Term Debt Issued	\$ —	—	49,300,000	4,050,000	—	—	—	5,889,478	—	—
Proceeds from City of Milwaukee general obligation bonds	—	—	—	—	—	—	—	—	1,005,000	7,060,000
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
Proceeds from Neighborhood Schools Initiative bonds	—	—	—	—	—	—	—	—	78,740,000	—
Premium on NSI bonds	—	—	—	—	—	—	—	—	1,357,121	—
Proceeds from Sale of Property	3,059,985	38,777	287,395	—	—	—	—	25,200	—	1,306,175
Proceeds from Teach Loan	—	—	—	—	—	—	—	—	—	1,935,677
Proceeds from capital leases	—	—	11,504,297	—	—	—	12,415,000	—	34,475,000	—
Insurance proceeds from fire	—	—	60,980	79,005	2,997,170	1,000,000	—	—	—	—
Refunding bond debt issued	—	—	11,020,000	—	—	31,865,000	—	—	—	—
Payment for refunded bond debt	—	—	(14,360,000)	—	—	(30,982,607)	—	—	—	—
Discount on debt issued	—	—	—	—	—	(338,503)	—	—	—	—
Refunding intergovernmental debt issued	—	—	—	—	—	—	847,676	790,000	—	—
Payment for refunded intergovernmental debt	—	—	—	—	—	—	(847,676)	(790,000)	—	—
<b>Total other financing sources (uses), net</b>	<b>\$ 3,059,985</b>	<b>38,777</b>	<b>57,812,672</b>	<b>4,129,005</b>	<b>2,997,170</b>	<b>2,621,990</b>	<b>14,436,000</b>	<b>5,914,678</b>	<b>120,772,964</b>	<b>15,280,852</b>
<b>Net change in fund balance</b>	<b>\$ (13,436,798)</b>	<b>(2,935,574)</b>	<b>36,610,832</b>	<b>(5,709,867)</b>	<b>(14,876,680)</b>	<b>(17,399,550)</b>	<b>(3,613,632)</b>	<b>(19,862,032)</b>	<b>50,537,629</b>	<b>(54,669,270)</b>
Debt service as a percentage of noncapital expenditures	2.3%	2.3%	2.8%	2.1%	2.2%	2.7%	3.1%	2.4%	1.7%	0.7%

See accompanying independent auditor's report.

**MILWAUKEE PUBLIC SCHOOLS**

Assessed and Equalized Valuation—City of Milwaukee

(in thousands)

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

<b>Assessed Year</b>	<b>Assessed valuation</b>	<b>Assessed valuation increase (decrease) over prior years</b>	<b>Equalized valuation</b>
1982	10,432,662	2,972,769	10,762,198
1983	10,542,257	109,595	10,906,324
1984	11,001,963	459,705	11,025,039
1985	11,076,974	75,011	11,152,473
1986	11,140,003	63,029	11,181,029
1987	11,303,217	163,214	11,709,716
1988	11,865,999	562,782	12,002,681
1989	12,017,462	151,463	12,648,530
1990	12,614,531	597,069	12,808,708
1991	12,701,237	86,706	13,189,084
1992	13,336,770	635,533	13,279,156
1993	13,345,968	9,198	14,047,985
1994	14,029,734	683,766	14,363,706
1995	13,976,649	(53,085)	14,821,109
1996	14,850,607	873,958	15,041,199
1997	14,914,137	63,530	15,511,857
1998	16,072,114	1,157,977	16,228,218
1999	15,773,850	(298,264)	16,701,225
2000	17,582,995	1,809,145	17,344,251
2001	17,699,784	116,789	19,453,830
2002	19,866,255	2,166,471	20,298,387
2003	21,009,517	1,143,262	21,730,754
2004	22,772,419	1,762,902	23,491,773
2005	25,222,149	2,449,730	26,256,714
2006	28,354,952	3,132,803	30,226,984
2007	29,374,373	1,019,421	31,887,192
2008	30,431,675	1,057,302	32,257,525
2009	28,944,573	(1,487,102)	31,266,329
2010	28,048,464	(896,109)	29,520,783
2011	27,917,642	(130,822)	27,954,670

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

<b>Budget year</b>	<b>Milwaukee School Board (B)</b>		<b>City of Milwaukee (A)</b>		<b>Milwaukee Area District Board of Vocational, Technical, and Adult Education</b>			<b>County of Milwaukee</b>		<b>State of Wisconsin</b>		<b>Milwaukee Metropolitan Sewerage District</b>		<b>Total (C)</b>	
<b>TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL</b>															
2002	\$ 9.11	30.8 %	\$ 10.22	34.6 %	\$ 2.23	7.6 %	\$ 5.91	20.0 %	\$ 0.22	0.7 %	\$ 1.87	6.3 %	\$ 29.56	100.0 %	
2003	8.55	31.4	9.51	34.9	2.05	7.5	5.20	19.1	0.20	0.7	1.74	6.4	27.25	100.0	
2004	8.12	31.0	9.22	35.2	2.04	7.8	4.94	18.9	0.21	0.8	1.64	6.3	26.17	100.0	
2005	8.84	34.2	8.52	32.9	2.00	7.7	4.70	18.2	0.21	0.8	1.59	6.2	25.86	100.0	
2006	8.35	34.1	8.08	33.0	1.96	8.0	4.43	18.1	0.20	0.8	1.48	6.0	24.50	100.0	
2007	7.48	33.4	7.28	32.5	1.89	8.4	4.18	18.7	0.19	0.8	1.39	6.2	22.41	100.0	
2008	7.96	34.4	7.46	32.2	1.92	8.3	4.22	18.3	0.19	0.8	1.39	6.0	23.14	100.0	
2009	8.75	36.3	7.59	31.6	1.94	8.1	4.20	17.5	0.18	0.8	1.37	5.7	24.03	100.0	
2010	9.41	36.2	8.42	32.4	2.06	8.0	4.48	17.2	0.18	0.7	1.43	5.5	25.98	100.0	
2011	9.49	35.7	8.67	32.6	2.02	7.6	4.69	17.7	0.18	0.7	1.52	5.7	26.57	100.0	

(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 )

<b>Budget Year</b>	<b>School Operations</b>	<b>Construction</b>	<b>Extension</b>	<b>Total(a)</b>
2003	7.11	0.45	0.35	7.91
2004	6.80	0.48	0.33	7.61
2005	7.72	0.51	0.33	8.20
2006	7.71	0.53	0.32	7.68
2007	6.07	0.43	0.27	6.77
2008	6.60	0.50	0.31	7.41
2009	7.44	0.49	0.32	8.25
2010	8.36	0.53	0.35	8.94
2011	8.46	0.28	0.31	9.05
2012	8.61	0.16	0.53	9.30

101

Tax Levies for School Purposes

Last Ten Years

<b>Budget Year</b>	<b>School Operations</b>	<b>Construction</b>	<b>Extension</b>	<b>Total</b>
2003	162,696,867	10,346,829	8,002,455	181,046,151
2004	163,554,998	11,640,984	8,002,455	183,198,437
2005	187,173,910	12,266,054	8,002,455	207,442,419
2006	192,488,713	13,237,640	8,077,455	213,803,808
2007	206,437,997	14,580,539	9,327,455	230,345,991
2008	223,761,147	16,975,373	10,340,610	251,077,130
2009	259,634,156	17,001,718	11,142,826	287,778,700
2010	276,532,087	9,074,793	10,226,234	295,833,114
2011	265,443,248	14,729,342	13,334,418	293,507,008
2012	275,843,911	5,127,012	16,815,871	297,786,794

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



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

<b>Employer</b>	<b>Fiscal Year 2011</b>			<b>Fiscal Year 2002</b>		
	<b>Assessed Value</b>	<b>Percentage of Total Assessed</b>	<b>%</b>	<b>Assessed Value</b>	<b>Percentage of Total Assessed</b>	<b>%</b>
U.S. Bank	\$ 250,271	0.90	%	\$ 200,732	1.01	%
Northwestern Mutual Life Insurance Company	194,409	0.70		166,276	0.84	
Mandel Group	107,238	0.38		—	—	
Metropolitan Associates	95,295	0.34		66,607	0.33	
Marcus Corp./Mil. City Center/Pfister	97,849	0.35		74,043	0.37	
NNN 411 E. Wisconsin LLC	90,149	0.32		—	—	
100 E. Wisconsin Ave. Joint Venture	80,200	0.29		55,950	0.28	
Towne Realty	76,146	0.27		81,212	0.41	
Flanders Westborough	56,973	0.20		—	—	
875 East Wisconsin-875 East Sponsor LLC	54,700	0.20		—	—	
Teachers Insurance & Annuity Assoc.	—	—		100,879	0.51	
M&I Marshall & Ilsley Bank/Metavente Corp	—	—		78,634	0.40	
Miller Brewing	—	—		69,660	0.35	
Great Lakes, REIT LP	—	—		67,147	0.34	
	<u>\$ 1,103,230</u>	<u>3.95</u>	<u>%</u>	<u>\$ 961,140</u>	<u>4.84</u>	<u>%</u>

Source: City CAFR

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

Budget Year	Taxes Levied for the Fiscal Year (Original Levy) (D)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy Levy Year (B)		Collections		Total Collections to Date	
				Current Tax Collections	Percent Original Levy Collected	Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
2002	\$ 222,708	\$ 21,869	\$ 244,577	\$ 217,242	97.55 %	\$ 13,599	\$ 13,677	\$ 244,518	99.98 %
2003	234,485	20,321	254,806	228,345	97.38	12,918	13,447	254,710	99.96
2004	240,643	21,961	262,604	235,013	97.66	15,497	11,966	262,476	99.95
2005	248,267	22,303	270,570	242,587	97.71	14,992	12,818	270,397	99.94
2006	261,685	24,096	285,781	255,823	97.76	15,664	13,695	285,182	99.79
2007	265,319	29,853	295,172	257,347	97.00	18,577	18,284	294,208	99.67
2008	286,180	36,740	322,920	277,119	96.83	23,949	20,635	321,703	99.62
2009	276,186	34,594	310,780	265,691	96.20	18,027	22,998	306,716	98.69
2010	291,943	33,752	325,695	281,099	96.29	16,324	15,859	313,282	96.19
2011	295,967	35,814	331,781	284,489	96.12	15,702	-	300,191	90.48

Milwaukee Public Schools		
Fiscal Year	Total Tax Levy	Percentage of Levy
2002	174,735	100.00 %
2003	181,046	100.00
2004	183,198	100.00
2005	207,442	100.00
2006	213,804	100.00
2007	230,346	100.00
2008	251,077	100.00
2009	287,779	100.00
2010	293,507	100.00
2011	297,787	100.00

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

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

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

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

Source: City of Milwaukee and MPS

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

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value</b>	<b>Total Direct Tax Rate</b>	<b>Assessed Value as a Percentage of Actual Value</b>
<b>2002</b>	\$ 18,968,857	\$ 897,398	\$ 19,866,255	\$ 20,298,387	\$ 10.87	97.9 %
<b>2003</b>	20,162,296	847,221	21,009,517	21,730,754	10.15	96.7
<b>2004</b>	21,938,751	833,668	22,772,419	23,491,774	9.73	96.9
<b>2005</b>	24,386,499	835,650	25,222,149	26,256,714	9.19	96.1
<b>2006</b>	27,450,051	904,900	28,354,952	30,226,986	8.75	93.8
<b>2007</b>	28,430,813	943,560	29,374,373	31,887,192	7.99	92.1
<b>2008</b>	29,429,740	1,001,935	30,431,675	32,257,525	8.00	94.4
<b>2009</b>	27,961,413	983,160	28,944,573	31,266,329	8.09	92.6
<b>2010</b>	27,091,120	957,344	28,048,464	29,520,783	8.89	95.0
<b>2011</b>	27,007,839	909,804	27,917,643	27,954,670	9.12	99.9

Source: City CAFR & 2011 City Assessor's Office

**MILWAUKEE PUBLIC SCHOOLS**

Computation of Direct and Overlapping Debt—City of Milwaukee

December 31, 2011

(in thousands)

Name of governmental unit	Net debt outstanding	Percentage applicable to City of Milwaukee (C)	City of Milwaukee's share of debt
Debt Repaid with property taxes			
Direct debt:			
City of Milwaukee (A)	\$ 789,308	100.00 %	\$ 789,308
Overlapping debt:			
Milwaukee Area Technical College District Board	106,445	37.00	39,385
County of Milwaukee	816,347	45.75	373,479
Milwaukee Metropolitan Sewerage Area (B)	970,279	46.92	455,255
Total overlapping debt			<u>868,119</u>
Total district and overlapping debt			<u>\$ 1,657,427</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 \$45,326 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.
- (B) Includes \$661,199 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 <sup>1</sup>	Bonded Debt Per Capita	Revenue Bonds	Capital Lease	TEACH Loans	Total Debt	Total Debt as a Percentage of Personal Income <sup>2</sup>	Total Debt Per Capita
			Capital Appreciation Bonds	Variable Rate Debt										
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	334	113,297,237	34,552,250	4,776,312	351,700,991	1.82	590
2005	17,040,498	11,356,780	39,845,213	130,850,000	-	199,092,491	0.76	334	113,197,353	31,154,750	10,236,484	353,681,078	1.76	594
2006	14,174,684	11,248,426	35,598,442	130,850,000	-	191,871,552	0.63	323	113,097,469	40,087,275	8,407,726	353,464,022	1.75	595
2007	11,996,044	9,897,583	37,852,753	130,850,000	-	190,596,380	0.60	322	108,180,831	36,759,825	6,511,465	342,048,501	1.62	580
2008	9,804,615	8,369,589	40,250,009	130,850,000	-	189,274,213	0.59	320	106,447,870	33,222,400	4,520,395	333,464,878	1.53	564
2009	12,165,969	7,042,189	42,799,284	130,850,000	-	192,857,442	0.62	330	103,527,948	29,460,000	2,429,771	328,275,161	1.52	562
2010	71,415,847	5,668,324	45,510,230	130,850,000	-	253,444,401	0.86	426	99,607,279	14,625,679	1,659,026	369,336,385	1.64	621
2011	67,042,677	4,560,243	48,393,112	130,850,000	-	250,846,032	N/A	N/A	95,480,699	10,929,713	849,744	358,106,188	N/A	N/A
2012	62,607,058	3,681,039	51,458,848	130,850,000	-	248,596,945	N/A	N/A	90,994,121	10,245,000	-	349,836,066	N/A	N/A

(1) Equalized Value per the City of Milwaukee.

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

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

**Neighborhood Schools Initiative Bonds**

---

<b>Fiscal Year</b>	<b>Intradistrict Aid</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
2003	\$ 34,675,898	\$ —	\$ 1,455,636	23.82 *
2004	35,659,069	—	2,197,020	16.23
2005	35,362,376	—	4,897,374	7.22
2006	40,627,588	—	4,897,374	8.30
2007	42,212,564	—	4,897,374	8.62
2008	38,625,243	1,790,000	4,373,834	6.27
2009	37,965,736	2,980,000	4,308,219	5.21
2010	37,439,086	3,985,000	4,204,253	4.57
2011	36,130,070	4,195,000	4,071,676	4.37
2012	32,120,101	4,555,000	3,919,868	3.79

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

**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)
2002	595,958	28,737,661	30,355	30.6	103,464	8.9
2003	595,245	29,139,237	30,698	30.6	103,769	7.9
2004	593,920	29,863,926	31,428	30.6	102,309	6.8
2005	592,765	30,715,138	32,537	30.6	100,262	6.5
2006	590,370	32,460,313	34,121	30.6	97,509	6.5
2007	590,190	34,107,037	35,852	30.6	87,360	6.5
2008	590,870	35,182,312	36,880	30.6	85,369	7.9
2009	584,000	35,586,784	37,088	30.6	82,444	11.0
2010	594,833	35,893,702	37,838	30.3	81,372	11.5
2011	595,525	Not available	Not available	30.3	80,098	10.8

(A) *The December 31, 2001 through 2007 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2008 and 2009 is from the Wisconsin Department of Administration estimates. (The population differs from the Census Bureau). 2010 is from the Census Bureau.*

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

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

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

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

(F) *Unemployment Rate is the annual average from the State of Wisconsin, Department of Workforce Development.*

source: City of Milwaukee 2011 CAFR

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

<u>Employer</u>	<u>2011 Estimates (1)</u>			<u>2002</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	22,000	1	5.24 %	11,365	1	2.60 %
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800	2	2.57	8,875	3	2.03
Milwaukee Public Schools	9,142	3	2.18	11,329	2	2.59
Wheaton Franciscan Healthcare	8,356	4	1.99			
Wal-Mart	7,360	7	1.75			
City of Milwaukee	6,400	10	1.53	7,150	4	1.64
Roundy's Supermarkets	6,800	8	1.62			
Kohl's Corp.	7,700	6	1.84			
Froedtert Memorial Lutheran Hospital and Community Health	8,000	5	1.91			
Quad Graphics	6,700	9	1.60			
Milwaukee County				5,577	7	1.28
Covenant Health Care				5,716	5	1.31
M&I Marshall & Ilsley				5,579	6	1.28
Northwestern Mutual life				4,039	9	0.92
University of Wisconsin-Milwaukee				4,178	8	0.96
Medical College of Wisconsin	-		-	3,740	10	0.86
	<u>93,258</u>		<u>22.23 %</u>	<u>67,548</u>		<u>15.47 %</u>

(1) Reflects full-time equivalent employees.

Note: Data includes all of Milwaukee County.

Source: *The 2012 Business Journal Book of Lists. City from internal records.*

*The 2002 data was from the Department of Administration January 2003 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".*

*Total employment data (2002=436,867) (2011=419,601) from the State of Wisconsin Workforce Development.*

source: City of Milwaukee CAFR



**MILWAUKEE PUBLIC SCHOOLS**

Comparative per Capita Cost Statistics

Last Ten Fiscal Years

	<b><u>Cost per pupil</u></b>
2002 – 2003 .....	11,086
2003 – 2004 .....	11,358
2004 – 2005 .....	11,416 *
2005 – 2006 .....	11,808
2006 – 2007 .....	12,174
2007 – 2008 .....	13,055
2008 – 2009 .....	13,517
2009 – 2010 .....	14,289
2010 – 2011 .....	14,493 **
2011 – 2012 .....	13,578

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

\*\*Cost per pupil is restated from 14,459 published in 2011 CAFR.

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

<u>Fiscal year</u>	<u>Total number of children</u>	<u>Increase or (decrease) over prior year</u>	<u>Males</u>	<u>Increase or (decrease) over prior year</u>	<u>Females</u>	<u>Increase or (decrease) over prior year</u>	<u>Attending public schools</u>	<u>Attending private schools</u>	<u>Total attending schools</u>	<u>Percent attending schools</u>
1977	152,435	(8,664)	77,734	(4,229)	74,701	(4,435)	104,619	25,078	129,697	85.1
1978	148,378	(4,057)	75,519	(2,215)	72,859	(1,842)	100,859	26,275	127,134	85.7
1979	133,507	(14,871)	68,491	(7,028)	65,016	(7,843)	93,296	26,011	119,307	89.4
1980	133,639	132	68,245	(246)	65,394	378	91,069	25,436	116,505	87.2
1981	130,215	(3,424)	66,550	(1,695)	63,665	(1,729)	82,520	31,238	113,758	87.4
1982	131,748	1,533	67,085	535	64,663	998	80,683	29,623	110,306	83.7
1983	134,734	2,986	68,642	1,557	66,092	1,429	83,148	31,149	114,297	84.8
1984	140,729	5,995	71,689	3,047	69,040	2,948	87,243	31,601	118,844	84.4
1985	147,347	6,618	75,066	3,377	72,281	3,241	93,406	31,464	124,870	84.7
1986	148,768	1,421	75,391	325	73,377	1,096	96,520	30,961	127,481	85.7
1987	145,593	(3,175)	73,844	(1,547)	71,749	(1,628)	94,744	30,997	125,741	86.4
1988	148,416	2,823	75,196	1,352	73,220	1,471	98,438	31,140	129,578	87.3
1989	150,714	2,298	76,520	1,324	74,194	974	99,988	29,988	129,976	86.2
1990	150,723	9	76,382	(138)	74,341	147	99,079	29,346	128,425	85.2
1991	* 128,540	(22,183)	65,230	(11,152)	63,310	(11,031)	86,407	27,012	113,419	88.2
1992	144,452	15,912	73,180	7,950	71,272	7,962	100,017	28,346	128,363	88.9
1993	145,499	1,047	73,772	592	71,727	455	100,728	27,956	128,684	88.4
1994	149,545	4,046	75,893	2,121	73,652	1,925	103,452	28,196	131,648	88.0
1995	151,541	1,996	76,471	578	75,070	1,418	106,886	27,816	134,702	88.8
1996	151,710	169	76,778	307	74,932	(138)	106,910	27,931	134,841	88.9
1997	151,027	(683)	76,429	(349)	74,598	(334)	107,121	27,455	134,576	89.1
1998	153,227	2,200	77,533	1,104	75,694	1,096	108,786	27,723	136,509	89.1
1999	154,328	1,101	78,141	608	76,187	493	111,712	27,207	138,919	90.0
2000	154,977	649	78,599	458	76,378	191	110,397	28,342	138,739	89.5
2001	150,256	(4,721)	76,048	(2,551)	74,208	(2,170)	107,905	26,479	134,384	89.4
2002	149,992	(264)	76,142	94	73,850	(358)	109,852	25,066	134,918	90.0
2003	162,011	12,019	82,187	6,045	79,824	5,974	122,631	23,760	146,391	90.4
2004	164,641	2,630	83,399	1,212	81,242	1,418	128,862	21,829	150,691	91.5
2005	165,279	638	85,193	1,794	82,596	1,354	130,664	22,879	153,543	92.9
2006	159,414	(5,865)	81,024	(4,169)	78,390	(4,206)	111,685	27,171	138,856	87.1
2007	153,233	(6,181)	77,570	(3,454)	75,663	(2,727)	107,950	26,507	134,457	87.7
2008	152,244	(989)	75,897	(1,673)	76,347	684	102,648	27,847	130,495	85.7
2009	152,323	79	75,840	(57)	76,483	136	104,316	28,010	132,326	86.9
2010	151,232	(1,012)	74,710	(1,187)	76,522	175	102,707	28,398	131,105	86.7
2011	148,293	(2,939)	74,624	(86)	73,669	(2,853)	100,101	27,395	127,496	86.0
2012	146,741	(1,552)	74,476	(148)	72,265	(1,404)	97,900	27,065	124,965	85.2

\* 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, 2012

<b>Ages</b>	<b>Males</b>	<b>Females</b>	<b>Total</b>	<b>Attended public school</b>	<b>Attended parochial or private school</b>	<b>Did not attend school</b>
1	5,665	5,660	11,325	0	0	11,325
2	5,573	5,390	10,963	0	0	10,963
3	5,657	5,493	11,150	223	0	10,927
Total 1 – 3	16,895	16,543	33,438	223	0	33,215
4	5,458	5,443	10,901	2,692	255	7,954
5	5,493	5,364	10,857	6,648	1,694	2,515
6	5,275	5,083	10,358	6,725	1,847	1,786
7	4,545	4,133	8,678	6,759	1,919	0
8	4,714	4,009	8,723	6,567	1,803	353
9	4,251	4,146	8,397	6,429	1,831	137
10	4,268	4,060	8,328	6,440	1,866	22
11	4,236	4,039	8,275	6,265	1,900	110
12	4,394	4,062	8,456	6,526	1,900	30
13	4,207	3,903	8,110	6,231	1,827	52
14	3,788	3,762	7,550	5,712	1,594	244
15	3,839	3,906	7,745	5,792	1,492	461
16	4,067	4,181	8,248	5,944	1,498	806
17	4,519	4,875	9,394	6,516	1,377	1,501
18	5,390	5,391	10,781	6,734	1,548	2,499
19	6,032	5,908	11,940	5,920	2,714	3,306
Total 4 – 19	74,476	72,265	146,741	97,900	27,065	21,776
Grand total	91,371	88,808	180,179	98,123	27,065	54,991

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

<b>Fiscal year</b>	<b>Instruction</b>	<b>Community services</b>	<b>Pupil and staff services</b>	<b>General administrative and central services</b>	<b>Business services</b>	<b>School Nutrition Services</b>	<b>Interest on long-term debt</b>	<b>Insurance</b>	<b>Loss on sale/disposal of buildings</b>	<b>Total</b>
2003	\$ 624,576	21,757	128,558	110,764	179,310	29,348	3,920	8,734	-	1,106,967
2004	645,881	18,155	105,549	116,816	140,825	31,249	6,250	-	-	1,064,725
2005	652,714	20,561	110,035	108,743	162,748	32,165	16,245	-	-	1,103,211
2006	664,810	23,271	117,139	112,658	155,889	32,793	20,176	-	-	1,126,736
2007	676,103	20,110	122,203	111,430	162,219	36,516	18,130	-	-	1,146,711
2008	826,151	19,658	132,463	117,405	176,007	40,654	16,771	-	-	1,329,109
2009	864,410	25,574	138,220	118,454	161,739	40,892	16,181	-	-	1,365,471
2010	887,815	25,538	143,517	132,145	159,725	40,555	17,166	-	-	1,406,463
2011	863,185	27,499	160,716	117,817	169,960	44,205	17,927	-	-	1,401,309
2012	685,590	26,042	135,649	113,952	154,702	44,527	17,790	-	4,028	1,182,280

**MILWAUKEE PUBLIC SCHOOLS**

Government-wide Revenues

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal year</b>	<b>Charges for services</b>	<b>Operating grants and contributions</b>	<b>Capital grants and contributions</b>	<b>Property taxes</b>	<b>Federal and state aid not restricted to a specific purpose</b>	<b>Interest and investment earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
2003	\$ 8,838	183,306	16,421	181,101	678,954	662	1,263	1,070,545
2004	10,719	183,944	17,706	183,198	698,644	762	89	1,095,062
2005	10,090	185,228	21,083	207,442	690,350	1,773	1,211	1,117,177
2006	16,327	247,538	9,760	213,868	655,825	2,823	-	1,146,141
2007	15,447	230,623	5,371	232,716	657,837	917	3,535	1,146,446
2008	16,989	268,075	10,907	251,211	641,415	2,496	818	1,191,911
2009	13,690	379,772	1,699	287,828	548,265	1,159	1,045	1,233,459
2010	12,348	355,599	11,118	295,892	590,404	759	1,076	1,267,195
2011	12,448	353,888	11,533	295,237	618,076	290	4,637	1,296,109
2012	12,383	298,422	3,245	298,320	560,070	224	3,286	1,175,950

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

<u>Fiscal year</u>	<u>Instruction</u>	<u>Community services</u>	<u>Pupil &amp; staff services</u>	<u>General and school building administration</u>	<u>Business services</u>	<u>Capital outlay</u>	<u>School Nutrition Services</u>	<u>Debt service</u>	<u>Other</u>	<u>Total</u>
2003	\$ 610,676	21,443	127,129	115,847	164,932	52,056	29,210	7,666	1,486	1,130,445
2004	631,558	18,191	106,348	116,969	156,312	82,496	31,098	18,088	1,384	1,162,444
2005	631,518	20,591	109,425	108,423	153,790	66,941	32,006	24,840	1,162	1,148,696
2006	649,731	23,128	115,123	111,228	151,130	46,591	32,211	33,473	799	1,163,414
2007	660,326	20,022	120,056	109,868	160,818	27,701	35,782	29,984	—	1,164,557
2008	688,194	19,337	130,014	112,067	169,020	23,671	38,477	25,217	—	1,205,997
2009	720,170	23,483	136,274	118,520	161,984	21,845	39,548	25,290	—	1,247,114
2010	739,427	23,184	141,634	128,619	160,335	19,371	39,804	34,304	—	1,286,678
2011	731,709	23,468	158,034	118,430	170,710	21,848	43,248	28,387	—	1,295,834
2012	667,935	24,842	132,786	111,352	155,497	43,526	34,505	25,937	—	1,196,380

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

<b>Fiscal year</b>	<b>Property tax levy</b>	<b>Lunchroom sales</b>	<b>Other local sources</b>	<b>State aid</b>	<b>Federal aid</b>	<b>Intergovernmental aid</b>	<b>Other federal aid</b>	<b>Miscellaneous</b>	<b>Interest and investment earnings</b>	<b>Total</b>
2003	181,046	4,331	10,531	689,721	80,021	8,660	85,519	—	662	1,060,491
2004	183,198	4,755	9,221	707,163	84,549	11,334	90,930	—	1,058	1,092,208
2005	207,442	4,747	13,551	704,624	98,166	14,265	78,326	—	1,798	1,122,919
2006	213,804	4,392	14,656	723,107	177,342	9,240	—	—	2,823	1,145,364
2007	230,346	3,876	12,020	722,482	171,358	—	—	917	3,536	1,144,535
2008	251,077	3,775	17,056	710,686	196,218	6,000	—	816	2,496	1,188,124
2009	287,779	4,180	12,779	635,413	295,033	—	—	932	1,159	1,237,275
2010	295,833	3,853	17,182	675,581	270,854	191	—	1,223	759	1,265,476
2011	293,507	3,227	18,652	706,449	266,201	—	—	4,533	290	1,292,859
2012	297,787	2,943	12,065	634,305	229,212	—	—	3,347	224	1,179,883

## MILWAUKEE PUBLIC SCHOOLS

### School Accommodations

Last Thirty-six Years

	<b>Instructional staff (a)</b>	<b>Number of school buildings (b)</b>	<b>Average school year daily membership</b>	
1976 – 1977	6,083	161	105,581	(c)
1977 – 1978	5,974	156	96,618	(c)
1978 – 1979	5,836	151	91,929	(c)
1979 – 1980	5,679	150	87,679	(c)
1980 – 1981	5,313	150	84,379	(c)
1981 – 1982	5,167	150	82,632	(c)
1982 – 1983	5,019	150	82,353	(c)
1983 – 1984	5,026	144	82,667	
1984 – 1985	5,126	143	84,443	
1985 – 1986	5,380	145	86,836	
1986 – 1987	5,474	144	87,283	
1987 – 1988	5,581	145	87,949	
1988 – 1989	5,675	146	89,675	
1989 – 1990	5,791	146	90,595	
1990 – 1991	5,920	149	90,487	
1991 – 1992	6,872	154	91,071	
1992 – 1993	6,811	156	94,694	
1993 – 1994	6,817	155	96,496	
1994 – 1995	6,816	155	98,312	
1995 – 1996	6,682	154	99,278	
1996 – 1997	6,785	154	101,622	
1997 – 1998	7,005	157	102,914	
1998 – 1999	7,187	157	102,097	
1999 – 2000	7,114	157	100,682	
2000 – 2001	7,128	158	99,332	
2001 – 2002	7,154	164	99,302	
2002 – 2003	7,137	164	99,054	
2003 – 2004	7,266	168	98,323	
2004 – 2005	6,512	173	96,874	
2005 – 2006	6,420	177	94,973	
2006 – 2007	6,033	177	92,224	
2007 – 2008	6,010	178	89,110	
2008 – 2009	5,961	178	87,137	
2009 – 2010	5,853	177	85,239	
2010 – 2011	5,501	174	84,422	
2011 – 2012	5,267	175	82,982	

(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>2002 – 2003</u>	<u>2003 – 2004</u>	<u>2004 – 2005</u>	<u>2005 – 2006</u>	<u>2006 – 2007</u>	<u>2007 – 2008</u>	<u>2008 – 2009</u>	<u>2009 – 2010</u>	<u>2010 – 2011</u>	<u>2011 – 2012</u>
Senior high and middle schools:										
Principals	36	38	29	31	29	32	30	29	25	22
Assistant principals	111	108	100	82	99	74	71	76	61	52
Teachers	2,352	2,409	1,936	1,915	1,724	1,701	1,464	1,404	1,432	1,510
Total	2,499	2,555	2,065	2,028	1,852	1,807	1,565	1,509	1,518	1,584
Elementary schools:										
Principals	108	107	108	105	100	110	101	104	96	96
Assistant principals	70	71	68	66	54	59	68	61	55	34
Teachers	3,736	3,750	3,652	3,575	3,497	3,425	3,678	3,610	3,452	2,987
Total	3,914	3,928	3,828	3,746	3,651	3,594	3,847	3,775	3,603	3,117
Special schools and classes:										
Principals	1	2	2	4	2	3	3	4	2	5
Assistant principals	2	3	5	11	7	4	4	7	4	6
Teachers	721	778	612	631	521	602	542	558	374	555
Total	724	783	619	646	530	609	549	569	380	566
Summary:										
Principals	145	147	139	140	131	145	134	137	123	123
Assistant principals	183	182	173	159	160	137	143	144	120	92
Teachers	6,809	6,937	6,200	6,121	5,742	5,728	5,684	5,572	5,258	5,052
Total	7,137	7,266	6,512	6,420	6,033	6,010	5,961	5,853	5,501	5,267
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors	674	665	426	428	415	418	420	421	406	416
Grand total	7,811	7,931	6,938	6,848	6,448	6,428	6,381	6,274	5,907	5,683

**MILWAUKEE PUBLIC SCHOOLS**

Population and Pupils  
Residing in the City of Milwaukee

Last Ten Fiscal Years

	<u>2002- 2003</u>	<u>2003- 2004</u>	<u>2004- 2005</u>	<u>2005- 2006</u>	<u>2006- 2007</u>	<u>2007- 2008</u>	<u>2008- 2009</u>	<u>2009- 2010</u>	<u>2010- 2011</u>	<u>2011- 2012</u>
Total number of school age children according to city-wide child census	162,011	164,641	165,279	159,414	153,233	152,244	152,323	151,232	148,293	146,741
Enrollment for state aid:*										
Third Friday	101,715	102,033	100,403	98,209	95,332	91,947	90,053	87,914	87,157	85,886
Summer school	964	333	247	322	329	428	430	374	382	115
Total	<u>102,679</u>	<u>102,366</u>	<u>100,650</u>	<u>98,531</u>	<u>95,661</u>	<u>92,375</u>	<u>90,483</u>	<u>88,288</u>	<u>87,539</u>	<u>86,001</u>
Average number enrolled:										
Senior high	26,766	28,003	27,642	27,438	28,966	28,466	27,839	27,308	26,660	25,614
Junior high/middle	23,670	23,432	21,554	21,048	20,698	19,233	18,204	17,469	17,492	17,677
Elementary	52,683	51,699	49,354	48,042	47,845	46,273	46,218	45,269	45,262	44,824
Total	<u>103,119</u>	<u>103,134</u>	<u>98,550</u>	<u>96,528</u>	<u>97,509</u>	<u>93,972</u>	<u>92,261</u>	<u>90,046</u>	<u>89,414</u>	<u>88,115</u>
Average number attending:										
Senior high	20,936	22,251	22,127	22,046	22,916	22,205	22,958	22,469	23,172	21,111
Junior high/middle	20,843	20,968	19,225	18,736	18,413	17,047	16,015	15,623	15,737	16,037
Elementary	48,858	48,078	45,745	44,311	44,087	42,465	42,363	41,793	41,737	41,254
Total	<u>90,637</u>	<u>91,297</u>	<u>87,097</u>	<u>85,093</u>	<u>85,416</u>	<u>81,717</u>	<u>81,336</u>	<u>79,885</u>	<u>80,646</u>	<u>78,402</u>

\* Non-resident and choice students not included.

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

<b>Fiscal Year</b>	<b>Enrollment For State Aid</b>	<b>Operating Expenses</b>	<b>Cost Per Pupil</b>	<b>Teaching Staff</b>	<b>Pupil/Teacher Ratio</b>
<b>2012</b>	88,114	\$1,182,279,602	\$ 13,418	5,505	16.01:1
<b>2011</b>	89,414	1,401,309,100	15,672	6,134	14.58:1
<b>2010</b>	90,046	1,406,462,957	15,619	6,602	13.64:1
<b>2009</b>	92,261	1,365,470,988	14,800	6,819	13.53:1
<b>2008</b>	92,375	1,329,109,069	14,388	6,944	13.30:1
<b>2007</b>	95,661	1,146,712,330	11,987	6,780	14.11:1
<b>2006</b>	98,531	1,126,736,506	11,435	6,974	14.13:1
<b>2005</b>	100,650	1,103,211,327	10,961	7,177	14.02:1
<b>2004</b>	102,366	1,064,725,561	10,401	7,541	13.57:1
<b>2003</b>	102,679	1,106,967,386	10,781	7,917	12.97:1

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

**Year Ending June 30,**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Supervisory</b>										
Officials, Admin., Mgrs.	91	79	52	56	54	94	66	49	54	49
Principals	124	122	137	134	142	139	136	136	142	157
Part time profess/Ins.	396	361	439	682	574	556	601	546	574	781
Total supervisory	<u>611</u>	<u>562</u>	<u>628</u>	<u>872</u>	<u>770</u>	<u>789</u>	<u>803</u>	<u>731</u>	<u>770</u>	<u>987</u>
<b>Instruction</b>										
Asst. Prin. - Teach	91	118	144	143	165	142	153	161	165	167
Elementary Clsrn. Teach	3,003	3,264	3,610	3,678	3,697	3,658	3,673	3,678	3,736	3,877
Secondary Clsrn. Teach	1,396	1,546	1,404	1,464	1,680	1,584	1,717	1,862	2,008	2,171
Other Clsrn. Teach	441	499	558	542	589	452	498	489	589	599
Other Prof. Staff	358	354	494	484	397	441	406	397	397	401
Teacher Aides	216	353	392	508	416	503	527	590	646	702
Total instruction	<u>5,505</u>	<u>6,134</u>	<u>6,602</u>	<u>6,819</u>	<u>6,944</u>	<u>6,780</u>	<u>6,974</u>	<u>7,177</u>	<u>7,541</u>	<u>7,917</u>
<b>Student Services</b>										
Guidance	76	70	56	48	49	48	51	50	49	62
Psychological	139	150	163	152	145	159	150	140	145	148
Librarian/Audiovisual	27	36	44	39	32	36	44	41	32	45
Consultants/Supervisors	97	95	96	96	80	94	86	87	80	80
Technicians	70	71	65	71	64	70	71	64	64	67
Total student services	<u>409</u>	<u>422</u>	<u>424</u>	<u>406</u>	<u>370</u>	<u>407</u>	<u>402</u>	<u>382</u>	<u>370</u>	<u>402</u>
<b>Support and Administration</b>										
Clerical/Secretarial	350	435	491	520	583	529	550	558	583	612
Service Workers	572	573	416	415	415	415	426	440	433	432
Craft Workers - Skilled	339	351	352	382	448	393	408	429	448	454
Laborers - Unskilled	52	55	67	80	95	77	88	88	95	103
All other Part-time	3,928	4,396	4,107	4,961	4,786	4,801	4,848	5,206	5,984	5,283
Total support and administration	<u>5,241</u>	<u>5,810</u>	<u>5,433</u>	<u>6,358</u>	<u>6,327</u>	<u>6,215</u>	<u>6,320</u>	<u>6,721</u>	<u>7,543</u>	<u>6,884</u>
<b>Total</b>	<u><u>11,766</u></u>	<u><u>12,928</u></u>	<u><u>13,087</u></u>	<u><u>14,455</u></u>	<u><u>14,411</u></u>	<u><u>14,191</u></u>	<u><u>14,499</u></u>	<u><u>15,011</u></u>	<u><u>16,224</u></u>	<u><u>16,190</u></u>

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

Year Ending June 30,

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Number of schools participating in:</b>										
Lunch - regular schedule	158	164	171	175	170	173	185	191	187	198
Breakfast program	152	155	161	158	158	160	167	161	164	127
Snack program	65	82	85	100	99	68	78	76	55	53
<b>Student lunches served:</b>										
Free	8,005,894	7,876,717	7,686,178	7,246,531	7,176,603	7,288,629	7,327,709	7,310,144	7,475,361	7,538,727
Reduced	482,170	537,693	776,288	901,725	954,705	959,040	944,894	995,673	1,007,752	1,072,252
Fully paid	884,638	1,078,221	1,207,742	1,380,135	1,381,187	1,353,199	1,559,910	1,400,897	1,443,572	1,602,201
Total	9,372,702	9,492,631	9,670,208	9,528,391	9,512,495	9,600,868	9,832,513	9,706,714	9,926,685	10,213,180
<b>Adult lunches served</b>	175,783	187,634	194,135	213,691	227,208	275,091	264,314	277,116	318,878	350,769
<b>Student breakfasts/snacks served:</b>										
Free	4,636,128	4,680,041	4,436,904	3,981,425	3,864,927	4,185,851	2,887,277	2,508,130	2,433,390	2,134,116
Reduced	223,890	253,677	355,182	379,262	384,493	339,181	139,254	108,782	91,969	89,587
Fully paid	407,651	504,831	498,973	517,415	484,573	405,121	189,842	115,767	101,722	79,611
Total	5,267,669	5,438,549	5,291,059	4,878,102	4,733,993	4,930,153	3,216,373	2,732,679	2,627,081	2,303,314
<b>Number of serving days:</b>										
Regular schedule	205	234	250	262	225	221	204	199	195	198
<b>Average daily participation:</b>										
Student lunch	41,656	40,567	38,681	40,720	42,278	43,443	48,199	48,777	50,906	51,582
Adult lunch	781	802	777	913	1,010	1,245	1,296	1,393	1,635	1,772
Student breakfast	22,417	22,157	19,744	19,226	19,331	17,906	11,837	10,150	9,680	9,632
Student snacks	2,184	2,856	2,773	3,588	3,331	2,868	3,930	3,583	3,793	2,000
<b>September 15 pupil count</b>	85,886	87,157	87,914	90,053	87,392	90,825	93,516	95,600	97,359	97,293
Percentage of students daily eating school lunch	48.50%	46.54%	44.00%	45.22%	48.38%	47.83%	51.54%	51.02%	52.29%	52.98%

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Elementary Schools</b>										
Number of Buildings	121	121	121	122	121	121	121	121	119	119
Square Footage	8,201,800	8,201,800	8,217,917	8,282,172	8,479,854	8,479,854	8,479,854	8,424,438	8,183,648	8,107,618
Capacity	67,017	66,923	67,095	67,316	66,416	66,416	66,416	66,036	64,083	63,310
Enrollment	48,305	49,689	50,007	50,457	50,275	51,389	52,211	52,226	52,788	52,954
<b>Middle Schools</b>										
Number of Buildings	8	8	13	10	14	14	16	16	16	16
Square Footage	1,462,631	1,462,631	2,362,648	1,753,494	2,403,230	2,403,230	2,782,081	2,782,081	2,782,081	2,782,081
Capacity	6,620	6,620	11,480	8,300	12,420	10,620	12,420	12,420	12,420	12,420
Enrollment	5,993	6,286	6,343	6,841	8,213	9,651	11,370	13,225	15,316	17,026
<b>High Schools</b>										
Number of Buildings	13	13	11	12	14	14	14	14	14	14
Square Footage	3,621,282	3,621,282	3,253,455	3,548,890	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365
Capacity	18,138	18,138	15,370	17,370	20,539	20,539	20,539	20,539	20,539	20,539
Enrollment	19,906	20,754	21,590	22,252	23,193	23,863	23,692	23,428	23,154	21,840
<b>Other Schools</b>										
Number of Buildings	22	22	16	17	12	11	9	9	9	9
Square Footage	3,833,312	3,833,312	3,419,216	3,668,680	2,373,065	2,297,767	1,918,916	1,918,916	1,918,916	1,918,916
Capacity	17,507	17,507	16,289	17,290	10,673	10,430	8,630	8,630	8,630	8,630
Enrollment	5,894	4,643	4,504	5,819	5,679	6,022	6,243	6,721	6,101	5,473
<b>Administrative/Service</b>										
Number of Buildings	56	56	58	58	55	55	55	55	55	55
Square Footage	833,650	832,871	838,839	838,839	705,268	705,268	705,268	705,268	705,268	705,268
<b>Athletics</b>										
Football Fields*	35	35	35	35	35	35	35	35	35	35
Soccer Fields**	21	21	21	21	21	21	21	21	21	21
Running Tracks	13	13	13	13	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72	72	72	72
Swimming Pools	22	22	22	13	13	13	13	13	13	13
Playgrounds	147	147	147	147	147	147	147	147	147	147

\*22 Recreation+13 High School

\*\*8 Recreation+13 High School

\*\*\*All Recreation

Note: Excludes leased sites