



MILWAUKEE PUBLIC SCHOOLS

Milwaukee, Wisconsin

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*2002*

*Comprehensive  
Annual  
Financial  
Report*

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FOR THE YEAR ENDED JUNE 30, 2002

143rd EDITION

143rd Edition

**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**

of the

**BOARD OF SCHOOL DIRECTORS**

**MILWAUKEE PUBLIC SCHOOLS**

**5225 West Vliet Street**

**Milwaukee, Wisconsin 53208-2698**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

JEFF SPENCE, President

WILLIAM G. ANDREKOPOULOS, Superintendent

Prepared by:

The Department of Finance

Chief Financial and Operations Officer

Michelle J. Nate, CPA

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# INTRODUCTORY SECTION



October 31, 2002

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, 2002. 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.

The Comprehensive Annual Financial Report is presented in three sections:

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

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

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

## REPORTING ENTITY

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

The City is located 70 miles north of the city of Chicago on the western shores of Lake Michigan. The City has a population of approximately 596,000. The District operates more than 160 sites and services over 103,000 students with over 12,000 educators, administrators, and staff. The Superintendent, appointed by the Board, is the senior official representing Milwaukee Public Schools.

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

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

## LOCAL ECONOMIC ANALYSIS

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

Based upon the Metropolitan Milwaukee Association of Commerce's August 2002 Economic Trends, August's seasonally adjusted unemployment rate of 5.5% is higher than the 4.7% rate registered one year ago. Currently, the metro Milwaukee area's jobless rate ranks higher than the state's 5.2% rate but lower than the nation's 5.7% rate.

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

## MAJOR INITIATIVES

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

### *Vision:*

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

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

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

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

### *Mission:*

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

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

### *Goals:*

The goals of the Milwaukee Public Schools are to improve:

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



**Measuring Success**

The Milwaukee Public Schools began implementation of a strategic assessment program that includes a small number of quantifiable criteria to measure success and progress in achieving its mission and goals. The following will be used to measure success:

Goals:	Criteria to measure success:
1. Student Achievement	<p>Progress in improving student achievement will be measured based on a set of student achievement measures designed to measure the academic growth of students over a designated period of time (MPS' value added).</p> <p>The Balanced Assessment System will support student achievement through classroom-based assessments based on standards, results on standardized measures such as the WKCE and growth (based on three entry points) on standardized measures.</p>
2. Student success in further education and employment	<p>A partnership between MPS and the MMAC is addressing this issue. The objective is to research and draft specific measures supporting this goal. Collaboration on the development of these measures has started and quantifiable measures will be determined.</p>
3. Family satisfaction, as measured by their choices in the education marketplace	<p>A climate survey has been developed in partnership with the Public Policy Forum and will be administered to parents and students to address this goal.</p>

**Strategic Initiatives**

The foundation for the development of the Milwaukee Public Schools Strategic Plan and the strategic initiatives is our belief that *all children can learn and will achieve*. The MPS Learning Agenda is focused on **every student performing at or above grade level in reading, writing, and mathematics**.

To improve student achievement, the District’s strategic plan and initiatives are being driven by our efforts to:

- develop principals as instructional leaders;
- organize central and District services as support for learning;
- design schools as community anchors; and
- engage parents, the community, and other governmental bodies as full partners in our efforts.

The following six strategic initiatives represent the major priorities of the District. They do not encompass all issues, but they are the most important ones, which represent the direction of the school District.

1. **Student Achievement – Focus efforts to improve student achievement in the areas of reading, writing, and mathematics so that all students are performing at or above grade level.** The District adopted a balanced literacy framework that serves as a guide for teaching reading and writing across all content areas in MPS schools. School-based leadership teams are being established in each school. As instructional leaders of their buildings, principals will lead these teams. The school-based teams will be responsible for developing and implementing school-wide professional development plans and for providing leadership in addressing the educational goals of every student. Centrally based leadership teams will provide support and professional development for members of the school teams by targeting the schools most in need of improvement. The District’s Balanced Assessment System works in

coordination with the balanced literacy framework in supporting student achievement. Students are provided with multiple assessment opportunities to gauge if they have mastered material, or if material needs to be re-taught. The District will identify and endorse effective instructional tools and resources for use at the school level and share best practices across all schools. Technology is being used strategically to support the District's learning agenda. The achievement of individual students and schools will be monitored for progress and targeted assistance will be provided. The MPA Student, Family, and School reports and the Balanced Assessment System SPS reports provide student achievement data that can be used for continuous improvement. The District is also collaborating with community-wide partners representing higher education, business, government, and community-based agencies to support our efforts to have every student performing at or above grade level in reading, writing, and mathematics.

2. ***Leadership Development – Establish a leadership academy to develop and maintain leadership throughout the District. The first priority is to ensure that each of our 165+ schools have a strong and effective school principal committed to bringing all children to high levels of achievement.*** The professional development program for principals is focusing on the District's learning agenda, with emphasis on the following five leadership skill areas:

- Develop, communicate, and live the mission;
- Possess and cultivate deep knowledge about teaching and learning;
- Build and maintain collaborative relationships;
- Understand and manage change; and
- Create and sustain accountability systems.

An administrative intern program is being implemented to develop and support future school leaders.

***Another aspect of this initiative is to recruit, retain, and continuously retrain classroom teachers.*** The challenge the school District faces to address the teacher shortage is not unique to Milwaukee; it is a nationwide problem. By the year 2008, schools across the country will need to hire more than 2.2 million teachers to serve growing student enrollments and to replace current teachers expected to retire in the coming years. In the 2002-03 school year, MPS hired 680 new teachers. Our goal is to create urban teacher education programs that will produce and retain a diverse, effective, innovative teaching force for MPS. We are currently partnering with universities and the Milwaukee Teachers' Education Association to implement a number of alternative certification programs to actively recruit individuals who want to work in an urban setting with a diverse population of students. The District is seeking to expand partnerships to strengthen our teacher training programs.

3. ***Decentralization and Financial Management – Develop policies and procedures to improve the District's financial management systems to preserve the District's financial stability and to decentralize more funding and decision-making authority to the schools.*** The state aid formula is complex and uncertain from year-to-year, making long-term financial planning difficult. Funding decisions are often out of sequence to the school year, requiring the District to amend its budget (and reduce expenditures) in mid-year. The impact of funding for choice schools, charter schools, and contracted partnership schools call for careful analysis and planning to ensure the District's long-term viability.

The fiscal year 2003 budget development process was used to continue 1) decentralizing more funding and decision making authority directly to schools, thereby allowing more financial decisions to be made where they will have the most immediate impact on teaching and learning; 2) establishing an equitable allocation formula that distributes more funds to schools.

4. ***Special Education Programs – Redesign the District's special education services to more effectively and efficiently deliver educational programs and services to children with special needs.*** About 15% of MPS' students are being served in special education programs at an annual total cost of \$147 million (\$132 million/Board costs, \$15 million grant funds). Special education services are structured around the identified needs and services required by students with special education needs and provided in the least restrictive environment as delineated on students' individualized education plans (IEPs), as determined by

the IEP team. Presently, MPS is in the process of further development of a delivery of instructional programs for students utilizing a comprehensive service delivery model.

The following are examples of steps taken in an effort to support this initiative:

- The Board approved the MPS Special Education Oversight Action Plan (SOAP) in June 2002. This plan is based on complete ownership of all children at the building level.
- Support is provided from Special Education Leadership Liaisons and Parent Liaisons, along with other central office staff to the schools.
- Section 11 of the School Educational Plan addresses the implementation of SOAP at the local school level.
- Principals have the authority and responsibility to create school-based models of assessment, instruction, and support for students with disabilities.
- Reinforced principals' authority and responsibility to create school-based models of assessment, instruction, and support for students with disabilities.
- Aligned special education staff and responsibilities in other departments.

5. ***Neighborhood Schools – Develop and implement a neighborhood schools plan to divert dollars used for transportation to build and/or remodel schools where students live.*** About 16,000 students are transported to schools outside their neighborhood due to lack of space. Annual transportation costs are staggering – about \$60 million per year. The neighborhood schools initiative calls for diverting dollars used for transportation to build schools where students live. The District's goal is to create community-rich schools with multiple partners to provide the type and level of services children and families need in their neighborhoods.

The District developed a comprehensive Neighborhood Schools Plan after more than 10 months of study and extensive parent and community outreach. The Plan was approved by the state's Joint Committee on Finance in September 2000. The District is moving forward to implement the Plan over a five-year period. The Plan calls for capital expenditures of \$98.4 million, for which the District can utilize its borrowing authority under the Neighborhood Schools Initiative approved by the state legislature. Components of the Plan include:

- Expanding capacity for 11,000 new neighborhood school seats, including 750,000 square feet of additional space through the construction of new buildings, additions, renovations, community partnerships to serve students and parents in the neighborhoods in which they live. This includes building six new schools, completing 19 additions to current schools, and 14 renovations/modifications to current schools over five years.
- Creating community-rich neighborhood schools that will provide, encourage and guarantee parents, students and neighborhood residents ownership, voice, access and active participation in the full operation of the school.
- Providing 92 full-day four- and five-year old kindergarten programs in the 28 targeted elementary attendance area schools to enhance achievement for young children.
- Providing 83 before- and after-school programs to provide a safe, nurturing environment for children in their neighborhoods.
- Increasing the number of K-8 programs to 47 schools that permit students to remain in the same school for as many as 10 years, providing for increased stability and less disruption.

- Increasing accessibility to bilingual programs and English as a Second Language programs by relocating them to areas where program participants reside.
- Serving students with special needs in neighborhood schools and providing the same access as all other students to extended-day services and programs.
- Reducing student-teacher ratios in early grades in each of the 28 targeted elementary attendance areas with a goal of a 15:1 student-teacher ratio for grades K-3.
- Replicating or relocating successful programs to increase the number of pupils attending neighborhood schools.
- Promoting safety in schools and surrounding neighborhoods through a number of initiatives and action plans.
- Partnering with community agencies to ensure affordable, high-quality before- and after-school programs, to provide additional school seats in overcrowded areas, and more.
- Expanding communications efforts so that parents, prospective parents, and the community are aware of the excellent MPS schools available within their neighborhoods.
- Revising transportation and enrollment policies to offer all parents in Milwaukee a realistic opportunity to select a neighborhood school and other educational options.
- Establishing a task force to study the complex issues that affect student mobility and develop recommendations on policies and practices to help alleviate the problems.
- Establishing aggressive goals to work with Historically Underutilized Businesses (HUB) and Community Development Entities for construction related to the Neighborhood Schools Plan.

6. ***Technology*** – **Complete the technology infrastructure that will provide state-of-the-art voice, video, and data technology into more than 5,000 classrooms throughout the school District.** Implementation of the MPS strategic technology plan will launch the District into using world-class technology as a tool for teaching and learning.

MPS has spent several years following a strategic plan that significantly increases the role that technology will play in supporting teaching and learning, which in turn is helping our students prepare for the 21<sup>st</sup> Century. Major developments continue in the following categories:

- **Communications Infrastructure** – A world-class network infrastructure that carries voice, video and data is more than 80% complete. All schools are connected to our Wide Area Network. Over 70% of the schools have every classroom wired to the MPS standard that links them to the world.
- **Curriculum Development** – MPS has developed a software product called the Curriculum Design Assistant that links teacher-developed lessons and units of instruction to local and state standards. The lessons are posted to the MPS network and can be shared across the District and with other Metro Milwaukee districts/schools. We also have a Connected Community of Learners project that develops bridges between our schools and content-rich community centers like the UW Space Science Program, Milwaukee Public Museum, and Discovery World. These are two of the numerous projects wherein technology plays a pivotal role in advancing teaching and learning in MPS.
- **Staff Development** – Tens of thousands of hours are being invested in staff training with technology in MPS.
- **Accountability** – The District continues to add and enhance technology-based management tools that will allow us to develop improved methodologies for decisions at the school and District levels. One example will be the ability to view longitudinal performance of cohorts of students. Additional examples aligned to student performance include the MPA Student, Family and School Reports and the Balanced Assessment System SPS reports.

- External Support and Collaboration – A number of external relationships are advancing on several fronts where technology has played a pivotal role. One example is a National Technology Advisory Board established to help assure that our strategic decisions will advance teaching and learning. Other examples include collaborative relationships with other cities, universities, and organizations.

## **ACCOUNTING SYSTEM**

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

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

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

## **BUDGETARY CONTROL**

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

In accordance with the Wisconsin Department of Public Instruction’s reporting requirements, the Board exercises control over budgeted amounts at the function 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 which exceed available budgetary balances are not released until additional funds are transferred to cover the purchase order. Encumbrances which remain at June 30, 2002, are recorded as reservations of fund balance.

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

## **AUDIT SERVICES**

To strengthen internal control, and provide for independent and objective reporting, the Board of School Directors maintains the audit function. The Office of Board Governance - Audit Services reports directly to the Board of School Directors. During the course of the year, the Office of Board Governance - Audit Services conducts fiscal

and performance audits on individual funds, departments, divisions, programs, functions, and schools throughout the District. Reports are issued on an ongoing basis.

### **CASH MANAGEMENT**

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

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

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

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

### **RISK MANAGEMENT**

The District is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risk 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 two fully insured health maintenance organizations and through a self-insured comprehensive indemnity/PPO plan. As of November 1, 2002, Milwaukee Public Schools will have only one health maintenance organization and one dental maintenance organization. The District does not purchase stop-loss insurance for its self-insured comprehensive indemnity/PPO plan. Life insurance benefits are provided for active and retired employees through an insured life insurance program. Life insurance costs exceeding certain rates are funded by the District.

The District provides dental insurance benefits through two fully-insured dental maintenance organizations and through a self-insured indemnity plan. The District does not purchase stop-loss insurance for its dental indemnity plan.

The District is fully self-insured for workers compensation benefits and does not purchase stop-loss insurance.

The District purchases commercial property insurance, auto liability insurance, errors and omissions insurance and excess liability insurance. The District assumes a \$250,000 self-insured retention for any one loss or occurrence under its self-insured general liability program. The District purchases excess liability insurance for its general liability which provides per occurrence and aggregate protection. The District is fully self-insured for environmental related liabilities and purchases no excess liability insurance. There were no significant reductions in the insurance coverage from coverage provided in the prior year for any of the above described risks. Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

#### **DEBT ADMINISTRATION**

The City of Milwaukee school bonds, notes, Wisconsin Trust Fund loans, and capital lease obligations outstanding at June 30, 2002, totaled \$141,385,806. Of this total, \$78,439,311 represents school bonds and notes which will be repaid by the City utilizing its property tax levy. As the District does not have an obligation to repay these bonds and notes from its own property tax levy, the debt is not reflected in the District's long-term obligations. The remaining balance of \$62,946,495 represents trust fund loans, capital lease obligations, 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. Bonds, notes, trust fund loans, and capital leases included in the long-term obligations bear interest rates ranging from zero to 6.25 percent and mature at various times through February 2021. In addition, the City of Milwaukee issues short-term revenue anticipation notes on behalf of the District.

#### **INDEPENDENT AUDIT**

The financial records of the Milwaukee Board of School Directors have been audited by KPMG LLP, independent auditors. The Auditors' opinion is unqualified. Such an opinion states the basic at June 30, 2002, and results of its operations for the year then ended. 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, KPMG 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, 2001. We believe that our current report conforms to the Certificate program requirements. Accordingly, we are submitting it to GFOA to determine its eligibility for certification.

#### **ACKNOWLEDGMENTS**

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

Respectfully submitted,

WILLIAM G. ANDREKOPOULOS  
SUPERINTENDENT OF SCHOOLS

MICHELLE J. NATE, CPA  
CHIEF FINANCIAL AND OPERATIONS OFFICER

## BOARD OF SCHOOL DIRECTORS

DISTRICT	NAME	ADDRESS	TERM EXPIRES
1	Barbara Horton	7833-H N. 60 <sup>th</sup> Street (53223)	April, 2003
2	Jeff Spence	3180 N. Colonial Drive (53222)	April, 2003
3	Kenneth L. Johnson	3250 N. Richards Street (53212)	April, 2003
4	Charlene Hardin	2829 N. 17 <sup>th</sup> Street (53206)	April, 2005
5	Jennifer Morales	3222 N. Cambridge Avenue (53211)	April, 2005
6	Peter Blewett	2750 N. 45 <sup>th</sup> Street (53210)	April, 2005
7	Lawrence J. O'Neil	6529 W. Dodge Place (53220)	April, 2005
8	Joseph Dannecker	2824 S. Wentworth Avenue (53207)	April, 2003
At-Large	John S. Gardner	3135 W. Juneau Avenue (53208)	April, 2003

President – Jeff Spence  
 Vice President – Joseph Dannecker  
 Superintendent of Schools – William G. Andrekopoulos  
 Director, Office of Board Governance/Board Clerk – Lynne A. Sobczak

### STANDING COMMITTEES

#### INNOVATION/SCHOOL REFORM COMMITTEE

Directors Johnson (Chair), Horton (Vice-Chair), Dannecker, Gardner, O'Neil

#### LEGISLATION, RULES AND POLICIES COMMITTEE

Directors Dannecker (Chair), Hardin (Vice-Chair), Blewett, Gardner, Spence

#### FINANCE/PERSONNEL COMMITTEE

Directors Horton (Chair), Spence (Vice-Chair), Dannecker, Morales, O'Neil

#### STRATEGIC PLANNING AND BUDGET COMMITTEE

Directors Gardner (Chair), Hardin (Vice-Chair), Blewett, Dannecker, Horton,  
Johnson, Morales, O'Neil, Spence

#### SPECIAL EDUCATION COMMITTEE

Directors Dannecker (Chair), Hardin (Vice-Chair), Blewett, Gardner, Johnson



SCHOOL DISTRICTS - MAP UNAVAILABLE

**MILWAUKEE PUBLIC SCHOOLS  
ADMINISTRATIVE OFFICERS**

**SUPERINTENDENT OF SCHOOLS**

Chief Academic Officer

Chief Administrative Officer

Chief Financial and Operations Officer

Director of Pupil Services

Director of Office of Neighborhood Schools

Director of Strategic Planning & Community Outreach

**MR. WILLIAM G. ANDREKOPOULOS**

Mr. Eugene Humphrey

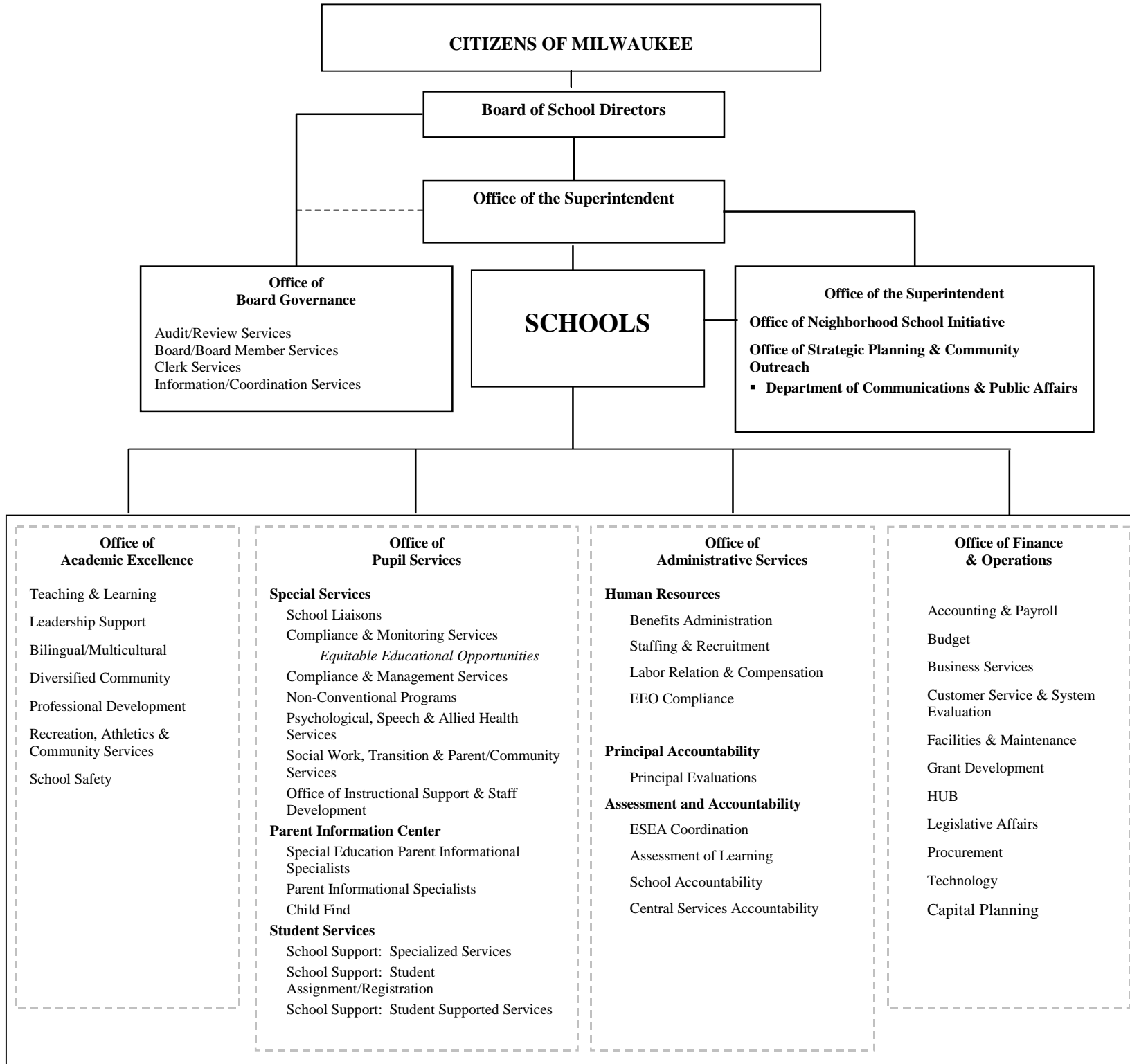
Dr. Karen R. Jackson

Ms. Michelle J. Nate

Ms. Ada Rivera

Dr. Aquine Jackson

Dr. Daniel Donder



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, 2001.

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, 2001

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.



*Imelda Cruz*  
President

*Jeffrey L. Esser*  
Executive Director

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# FINANCIAL SECTION





777 East Wisconsin Avenue  
Milwaukee, WI 53202-5337

## Independent Auditors' Report

The Board of Directors of  
The Milwaukee Public Schools:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools (District), as of and for the year ended June 30, 2002, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2002, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the District adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, during the year ended June 30, 2002.

The management's discussion and analysis; budgetary comparison information; and schedules of funding progress on pages 25 through 30; page 59 and page 60, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of







measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2002 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information contained in the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

KPMG LLP

October 31, 2002

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**MILWAUKEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2002**

**INTRODUCTION**

This discussion and analysis of Milwaukee Public School's (MPS or District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2002. It should be read in conjunction with the MPS financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis – State and Local Governments: Omnibus*; an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and, in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

**FINANCIAL HIGHLIGHTS**

- The District's government-wide financial statements show that assets exceeded liabilities by \$358,951,954. Of this amount, \$415,911,456 is invested in capital assets net of related debt, and (\$56,959,502) is unrestricted.
- The District's governmental funds ended the 2002 fiscal year with a surplus of \$40,260,657. This surplus is primarily the result of recognizing bond proceeds for the Neighborhood School Initiative (\$33,300,000) and Qualified Zone Academy Bond program (\$8,590,000) in fiscal year 2002, while the majority of related expenditures will not be incurred until fiscal year 2003.
- Total fund balance for the governmental funds was \$164,304,199 at June 30, 2002. Of this amount, \$15,204,172 was reserved for encumbrances, \$4,404,429 was reserved for inventories, \$15,872,117 was reserved for self-insurance and prepaid expenditures, and \$128,823,481 remains unreserved.
- MPS added \$50,824,883 in long-term debt during the 2002 fiscal year due in large part to the \$33,300,000 bond issue associated with the District's Neighborhood School Initiative, and the \$8,590,000 lease-purchase debt associated with the Qualified Zone Academy Bond program. The District also added \$4,300,000 in American with Disabilities Act loans, \$3,034,883 in TEACH wiring loans, and \$1,600,000 for the Financial and Student Tracking System.

**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 Discussion and Analysis** (this section)
2. **Basic Financial Statements**
  - Government-Wide Financial Statements
    - Statement of Net Assets
    - Statement of Activities
  - Fund Financial Statements
    - Government Funds
    - Fiduciary Funds
  - Notes to Financial Statements
3. **Required Supplementary Information (RSI)**
  - Budget-to-Actual Comparison
  - Employee pension plan liabilities, current and past service
4. **Combining Statements and Other Supplementary Information**
5. **Statistical Tables**

The **Management Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2002. 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 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 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 expenses. Funds are created to carry on specific activities or attain certain objectives in accordance with special regulations or limitations. There are three types of funds: governmental, proprietary, and fiduciary. MPS does not have any proprietary funds. Table 1 summarizes various features of each of these funds.

**Table 1**  
**Major Features of MPS’ Government-Wide and Fund Financial Statements**

	Government-Wide	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 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. 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.

**Combining Statements and Other Supplementary Information** provides the reader with a more detailed breakdown of the data found previously in the Fund Financial Statements.

**Statistical Tables** are found in the last section of the comprehensive annual financial report. These tables provide supplementary data that can be used to analyze the District's success in attaining its economic and educational goals. These tables include a ten-year history of revenues, expenditures, and cost per pupil. There is also historical information regarding assessed value, tax rates, enrollment, school buildings, and instructional staff.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

This is the first year MPS is providing government-wide financial statements using the full accrual basis of accounting; therefore, a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

### Statement of Net Assets

MPS ended its fiscal year with net assets of \$359.0 million, of which \$415.9 million was invested in capital assets (net of debt) and \$(56.9) million was unrestricted.

**Table 2**  
**Milwaukee Public Schools**  
**Condensed Schedule of Net Assets**  
**(in thousands)**

	<b>Government-wide Activities</b>
Current Assets	\$180,009
Noncurrent Assets (net)	<u>483,212</u>
Total Assets	663,221
Current Liabilities	65,285
Noncurrent Liabilities	<u>238,984</u>
Total Liabilities	304,269
Net Assets	
Invested in capital assets, net of related debt	415,911
Unrestricted	<u>(56,959)</u>
Total Net Assets	<u>\$358,952</u>

**Statement of Activities**

On a government-wide basis the District ended the fiscal year with an increase in net assets.

**Table 3  
Milwaukee Public Schools  
Schedule of Activities  
(in thousands)  
Government-wide Activities**

Program Revenues:	
Charges for Services	\$ 9,011
Operating Grants and Contributions	164,573
Capital Grants and Contributions	<u>36,967</u>
Total Program Revenues	210,551
General Revenues:	
Property Taxes	175,075
Federal and State Aid	647,951
Interest and Investment Earnings	<u>858</u>
Total General Revenues	<u>823,884</u>
Total Revenues	1,034,435
Expenses:	
Instruction	589,461
Community Services	18,606
Pupil and Staff Services	106,353
General Administration	108,171
Business Services	154,804
School Nutrition	28,672
Interest on Long-Term Debt	1,374
Other	<u>480</u>
Total Expenses	<u>1,007,921</u>
Increase in Net Assets	<u>\$ 26,514</u>

**Capital Assets**

At June 30, 2002, MPS had \$733.8 million invested in capital assets including land, buildings, furniture and equipment, and software. This amount represents a net increase of \$45.2 million, or 6.6%, from the previous year. The increase came primarily in the area of construction in progress.

**Table 4  
Milwaukee Public Schools  
Change in Capital Assets**

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Land	\$29,151,349	-	-	\$ 29,151,349
Construction in progress	94,264,525	\$ 44,988,566	(58,710,134)	80,542,957
Buildings	522,787,829	58,710,134	-	581,497,963
Furniture and equipment	30,813,344	1,479,223	(6,596,920)	25,695,647
Software	<u>11,504,055</u>	<u>5,404,748</u>	-	<u>16,908,803</u>
Total Capital Assets	688,521,102	110,582,671	(65,307,054)	733,796,719
Accumulated depreciation	<u>(288,429,572)</u>	<u>(13,100,711)</u>	<u>6,596,920</u>	<u>(294,933,363)</u>
Totals	<u>\$400,091,530</u>	<u>\$ 97,481,960</u>	<u>\$(58,710,134)</u>	<u>\$438,863,356</u>

## Long-Term Obligations

At June 30, 2002, long-term obligations were \$244.6 million. This amount represents a net increase of \$52 million over the previous year. The increase is primarily the result of debt issues associated with the Neighborhood School Initiative and the Qualified Zone Academy Bond program.

**Table 5**  
**Milwaukee Public Schools**  
**Change in Long-Term Debt and Capital Lease Obligations**

<u>Government Activities</u> <u>(thousands)</u>	<u>July 1, 2001</u>	<u>Issuances</u>	<u>Retirements</u>	<u>June 30, 2002</u>
State of Wisconsin Trust Fund Loans	\$ 7,146	-	\$1,632	\$ 5,514
Americans with Disabilities Act Loans	4,008	\$ 4,300	406	7,902
EPA – Asbestos Abatement Note	77	-	77	-
TEACH Loan	1,323	3,035	266	4,092
Neighborhood School Initiative Bond	-	33,300	-	33,300
Qualified Zone Academy Bond	-	8,590	-	8,590
Financial and Student Tracking Note	-	<u>1,600</u>	-	<u>1,600</u>
Total	<u>12,554</u>	<u>50,825</u>	<u>2,381</u>	<u>60,998</u>
Capitalized Lease Obligations	<u>2,702</u>	-	<u>754</u>	<u>1,948</u>
Total Debt	<u>\$15,256</u>	<u>\$50,825</u>	<u>\$3,135</u>	<u>\$62,946</u>

The Trust Fund Loans and the Americans with Disabilities Act Loans (ADA) were issued for the purpose of bringing all Milwaukee Public Schools into compliance with ADA regulations. This type of borrowing has occurred annually over the last decade and is expected to continue for the foreseeable future.

The TEACH wiring loan program is sponsored by the State of Wisconsin and provides loans to schools and libraries for the purpose of installing the telecommunications wiring infrastructure necessary to provide local area networking and internet connections. This program offers a significant benefit to MPS in that one-half the amount borrowed is immediately forgiven by the State. MPS has entered into two TEACH loan agreements with the State. The first TEACH agreement authorized MPS to borrow up to \$15,000,000. The District borrowed \$9,212,237, leaving \$5,787,763 to lapse. The second TEACH agreement authorizes MPS to borrow up to \$14,360,800. At June 30, 2002 the District had used only \$169,369 of this new authority.

The Neighborhood Schools Initiative debt is part of a \$98.4 million 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. The first of an anticipated three tranches was issued in February 2002 in the amount of \$33.3 million. The remainder of the \$98.4 million bonding authority is expected to be financed through two additional tranches in a similar form and amount.

The Qualified Zone Academy Bond (QZAB) debt is in the form of a lease-purchase agreement collateralized by the furniture and equipment 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. MPS used \$8.59 million of QZAB funding authority in December 2001 to purchase furniture and equipment for the new Bradley Technology and Trade School. Interest on this debt is paid by the IRS via tax credits to the lender.

The financial and student-tracking debt is being used to fund the purchase and implementation of two new software applications: a financial management system and a student tracking system.



## Notes to Financial Statements

The Notes to 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 generally accepted accounting principals for the General, Construction, and Other Governmental Funds. Annual unencumbered appropriations lapse at fiscal year-end.

In May 2001 the MPS Board of School Directors adopted the District's fiscal year 2002 budget (July 1, 2001 – June 30 2002). The adopted budget by necessity used a *projection* of the 2002 student enrollment. In October 2001, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2001 as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state equalization aid and property taxes, are predicated on actual MPS enrollment.

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

In October 2001 the Board approved a revised 2002 fiscal year balanced budget in the amount of \$968,312,227. Including prior year encumbrances and carryover authority, the expenditure budget increased to \$1,001,078,183.

Both revenues and expenditures came in under budget in fiscal year 2002 in part due to a number of categorical programs remaining open at June 30, 2002. As these programs close out, revenues and expenditures will increase.

The expenditure variance is attributable in part to a timing difference. Schools are allowed to carryover expenditure authority to the following fiscal year up to a limit of 1.5% of their budget (3% cumulative). The total amount of expenditure authority committed, encumbered, or carried over at June 30, 2002 was \$9.8 million greater than at June 30, 2001. It is anticipated these carried over amounts will be expended in the 2003 fiscal year.

### Next Year's Budget

In October 2002 the MPS Board approved a revised 2003 General Fund budget of \$1,040,449,789. This represents an increase of \$39,371,606 (3.9%) over the revised 2002 General Fund budget. The 2003 budget includes a \$21,892,175 (2.9%) increase in the state-imposed Revenue Limit to \$771,742,606. It also incorporates a wage increase of 2.25% for teachers and administrators. Encumbrances and carryovers are not included in this amount.

### 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, 2002**

	Notes	<b>Governmental Activities</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	2	\$ 116,980,521
Due from other governments	3	42,629,762
Accounts receivable (net)	3	4,476,204
Inventory and prepaid expenses	1	15,922,541
Total current assets		180,009,028
Noncurrent Assets:		
Restricted cash and cash equivalents	2	39,994,595
Deposits for self insurance	1	4,354,005
Capital assets not being depreciated	5	109,694,306
Capital assets being depreciated, net	5	329,169,050
Total noncurrent assets		483,211,956
Total Assets		663,220,984
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable and other current liabilities		56,313,455
Deferred revenue	1	2,974,475
Current portion of long-term obligations	7	5,616,096
Accrued interest payable on long-term liabilities		380,872
Total current liabilities		65,284,898
Non-Current Liabilities:		
Non-current portion of long-term obligations	7	238,984,132
Total Liabilities		304,269,030
<b>Net Assets</b>		
Invested in capital assets, net of related debt		415,911,456
Unrestricted		(56,959,502)
Total Net Assets		\$ 358,951,954

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2002**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Government activities:					
Instruction	\$ 589,461,207	992,481	82,443,894	33,847,928	(472,176,904)
Support services:					
Community services	18,606,289	3,634,145	11,562,944	-	(3,409,200)
Pupil and staff services	106,353,611	-	4,979,715	-	(101,373,896)
General, administration and central services	108,170,630	-	714,331	-	(107,456,299)
Business services	154,803,929	153,322	41,114,899	3,118,872	(110,416,836)
School nutrition services	28,672,131	4,230,650	23,757,262	-	(684,219)
Interest on long-term debt	1,373,719	-	-	-	(1,373,719)
Other	479,600	-	-	-	(479,600)
Total support services	418,459,909	8,018,117	82,129,151	3,118,872	(325,193,769)
Total School District	\$ 1,007,921,116	9,010,598	164,573,045	36,966,800	(797,370,673)
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 166,503,260
Property taxes levied for debt service					2,773,885
Property taxes levied for community services					5,797,660
Federal and State aid not restricted to a specific purpose					
General (Equalization Aid)					542,432,938
Other					105,517,681
Interest and investment earnings					857,961
Total general revenues					823,883,385
Changes in net assets					26,512,712
Net assets - beginning					332,439,242
Net assets - ending					\$ 358,951,954

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2002**

	Notes	<u>General</u>	<u>Construction</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Deposits with the City of Milwaukee and other cash	2	\$ 95,568,889	\$ 21,411,632	\$ -	\$ 116,980,521
Receivables:					
Due from other governmental units	3	33,974,457	-	8,655,305	42,629,762
Due from other funds	4	11,167,390	30,141,766	6,286,447	47,595,603
Other	3	4,476,204	-	-	4,476,204
Total Receivables		<u>49,618,051</u>	<u>30,141,766</u>	<u>14,941,752</u>	<u>94,701,569</u>
Restricted Cash and Cash equivalents	2	39,994,595	-	-	39,994,595
Inventories	1	3,656,249	-	748,180	4,404,429
Deposits for self insurance	1	4,354,005	-	-	4,354,005
Prepaid expenditures		<u>11,518,112</u>	<u>-</u>	<u>-</u>	<u>11,518,112</u>
Total assets		<u>\$ 204,709,901</u>	<u>\$ 51,553,398</u>	<u>\$ 15,689,932</u>	<u>\$ 271,953,231</u>
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Accounts payable		\$ 9,189,804	\$ 500,431	\$ 458,303	\$ 10,148,538
Contracts payable		491,329	2,435,476	-	2,926,805
Accrued salaries and wages		15,926,759	-	-	15,926,759
Deferred Revenue	1	2,974,475	-	-	2,974,475
Accrued claims for self-insurance	9	23,862,007	-	-	23,862,007
Accrued pensions payable	10	4,150,417	-	-	4,150,417
Other accrued expenditures		64,428	-	-	64,428
Due to other funds	4	30,141,766	6,286,447	11,167,390	47,595,603
Total liabilities		<u>86,800,985</u>	<u>9,222,354</u>	<u>11,625,693</u>	<u>107,649,032</u>
Fund balance:					
Reserved for:					
Encumbrances		15,204,172	-	-	15,204,172
Inventories		3,656,249	-	748,180	4,404,429
Self insurance deposits and prepaid expenditures		15,872,117	-	-	15,872,117
Unreserved:					
Designated by Board for subsequent year's expenditures	8	63,444,184	-	-	63,444,184
Undesignated		<u>19,732,194</u>	<u>42,331,044</u>	<u>3,316,059</u>	<u>65,379,297</u>
Total fund balance		<u>117,908,916</u>	<u>42,331,044</u>	<u>4,064,239</u>	<u>164,304,199</u>
Total liabilities and fund balance		<u>\$ 204,709,901</u>	<u>\$ 51,553,398</u>	<u>\$ 15,689,932</u>	<u>\$ 271,953,231</u>

See accompanying notes to the basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2002**

Total fund balances - governmental funds \$ 164,304,199

Amounts reported for governmental activities in the statement of net assets are different because:

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	\$ 733,796,719	
Accumulated depreciation	(294,933,363)	
Net capital assets		438,863,356

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	62,946,495	
Accrued bond interest payable	380,872	
Compensated absences (sick leave and vacations)	6,680,603	
Self insurance claims	3,246,203	
Workers' compensation claims	2,375,064	
Life insurance benefits & other long-term liabilities	1,857,598	
Termination benefits payable	166,728,766	
Total long-term debt liabilities		(244,215,601)

Total net assets - government activities \$ 358,951,954

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, 2002**

	Notes	<u>General</u>	<u>Construction</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property tax levy		\$ 161,632,008	\$ 10,328,700	\$ 2,773,885	\$ 174,734,593
Lunchroom sales		-	-	4,230,650	4,230,650
Other local sources		9,680,243	329,208	-	10,009,451
State aid:					
Equalization aid		541,388,517	1,044,421	-	542,432,938
Special classes		41,148,872	-	-	41,148,872
Integration		38,830,913	-	-	38,830,913
Other state aid		45,394,469	-	11,172,164	56,566,633
Federal aid:					
Education Consolidation					
Improvement Act		48,563,189	-	-	48,563,189
School nutrition services		-	-	23,096,314	23,096,314
Erate Refunds		-	3,118,872	-	3,118,872
Intergovernmental aid from the					
City of Milwaukee	7	-	23,500,000	-	23,500,000
Other federal aid		54,871,879	-	13,329,524	68,201,403
Total revenues		<u>941,510,090</u>	<u>38,321,201</u>	<u>54,602,537</u>	<u>1,034,433,828</u>
<b>Expenditures</b>					
Instructional services:					
Undifferentiated curriculum		355,934,282	-	-	355,934,282
Regular and other curriculum		110,567,911	-	844,408	111,412,319
Special curriculum		93,443,822	-	1,990,080	95,433,902
Total instructional services		<u>559,946,015</u>	<u>-</u>	<u>2,834,488</u>	<u>562,780,503</u>
Community services		18,312,322	-	-	18,312,322
Pupil and staff services		84,849,657	-	21,423,702	106,273,359
General and school					
building administration		82,821,806	-	-	82,821,806
Business services		150,643,630	38,182,842	-	188,826,472
School nutrition services		-	-	28,602,348	28,602,348
Debt service:					
Principal		753,525	-	2,381,405	3,134,930
Interest		239,368	-	753,490	992,858
Other		53,253,456	-	-	53,253,456
Total expenditures		<u>950,819,779</u>	<u>38,182,842</u>	<u>55,995,433</u>	<u>1,044,998,054</u>
Excess of revenues over					
(under) expenditures		(9,309,689)	138,359	(1,392,896)	(10,564,226)
<b>Other Financing Sources (Uses)</b>					
Proceeds from City of Milwaukee					
general obligation notes and bonds	7	-	5,900,000	-	5,900,000
Proceeds from Qualified Zone Academy Bonds	7	-	8,590,000	-	8,590,000
Proceeds from Neighborhood Schools					
Initiative bonds	7	-	33,300,000	-	33,300,000
Proceeds from Teach Loan	7	-	-	3,034,883	3,034,883
Transfers in (out)	4	(351,168)	-	351,168	-
Total other financing sources (uses)		<u>(351,168)</u>	<u>47,790,000</u>	<u>3,386,051</u>	<u>50,824,883</u>
Net change in fund balances		(9,660,857)	47,928,359	1,993,155	40,260,657
Fund balance (deficit):					
Beginning of year, as restated	1	<u>127,569,773</u>	<u>(5,597,315)</u>	<u>2,071,084</u>	<u>124,043,542</u>
End of year		<u>\$ 117,908,916</u>	<u>\$ 42,331,044</u>	<u>\$ 4,064,239</u>	<u>\$ 164,304,199</u>

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2002**

Net change in fund balances - total governmental funds \$ 40,260,657

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	\$ 51,872,537	
Depreciation expense reported in the statement of activities	<u>(13,100,711)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		38,771,826

Bonds or loans issued in the governmental funds are accounted for as other financing sources. In the government-wide statements they constitute a long-term liability and are not recorded as revenues. (50,824,883)

Repayment of debt service principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets. 3,134,930

Accrued vacation reported in the statement of activities does not require the use of current financial resources and , therefore, is not reported as expenditures in governmental funds. (695,100)

Workers' compensation claims reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds. 141,492

General insurance claims reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds. 601,892

Life insurance benefits reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds. 68,333

Termination benefits payable reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds. (4,848,766)

In the governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as it accrues. (97,669)

Change in net assets of governmental activities	\$ 26,512,712
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See accompanying notes to basic financial statements.



**MILWAUKEE PUBLIC SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2002**

	<b>Employee Retirement Funds</b>	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>			
Deposits with City of Milwaukee and other cash	\$ -	\$ 154,838	\$ 4,983,079
Investments	85,501,771	1,223,244	-
Receivables	204,637	-	-
	<hr/>	<hr/>	<hr/>
Total assets	85,706,408	1,378,082	4,983,079
	<hr/>	<hr/>	<hr/>
<b>Liabilities And Net Assets</b>			
Liabilities:			
Accounts payable	903,750	-	-
Due to student organizations	-	-	4,983,079
	<hr/>	<hr/>	<hr/>
Total liabilities	903,750	-	4,983,079
	<hr/>	<hr/>	<hr/>
<b>Net Assets</b>			
Held in Trust for:			
Supplemental pension benefits	84,802,658	-	-
Endowments	-	1,378,082	-
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 84,802,658	\$ 1,378,082	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2002**

	<b>Employee Retirement Funds</b>	<b>Private Purpose Trust</b>
<b>Additions</b>		
Employer contributions	\$ 12,035,044	\$ -
Participants contributions	313,594	-
Private Donations	-	216,311
Interest income	-	71,091
Investment income (loss)	<u>(2,787,535)</u>	<u>-</u>
Total additions	9,561,103	287,402
<b>Deductions</b>		
Scholarships & awards	-	271,975
Support services	<u>10,637,452</u>	<u>-</u>
Total deductions	<u>10,637,452</u>	<u>271,975</u>
<b>Changes in net assets</b>	(1,076,349)	15,427
Net Assets--Beginning	<u>85,879,007</u>	<u>1,362,655</u>
Net Assets--Ending	<u>\$ 84,802,658</u>	<u>\$ 1,378,082</u>

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Milwaukee Public Schools ("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.

**Reporting Entity** - The District was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin 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 ("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 of Milwaukee financial statements because the District operates with a separate governing board that is not under the control of the City of Milwaukee. The City of Milwaukee, however, performs the following services for the District as prescribed under Wisconsin 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.

**Basis of Presentation**

**Government-wide Statements** – The statement of net assets and the statement of activities present financial information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements** – The fund 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 non-major governmental funds.

The District reports the following major governmental funds:

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

**MILWAUKEE PUBLIC SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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

Additionally, the District reports the following fund types:

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

**Private-Purpose Trust Funds:** The Private-Purpose Trust Funds are:

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

**Agency Funds:** The Agency Fund account 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.

**Measurement Focus and Basis of Accounting** – The government-wide and fiduciary fund statements 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. Non-exchange 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 ninety days after the end of the fiscal year except for property taxes which must be collected within sixty 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 which 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.

**Cash and Cash Equivalents** - The District considers cash and cash equivalents to include cash and investments having an original maturity of three months or less. The District does not consider any of the investments of the Employee Retirement Trust Funds to be cash equivalents.

**Investments** – Investments, including investments in the Supplemental Pension Plans, are reported at fair value based on quoted market prices. Short-term investments are reported at cost, which approximates fair value. Investments principally

**MILWAUKEE PUBLIC SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2002**

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consist of U.S. Government securities, mortgage-backed securities, money market mutual funds and investments in the State of Wisconsin Fixed Retirement Investment Trust Fund. The specific identification basis is used in the determination of realized gains and losses on sales of securities excluding the investment in the State of Wisconsin Fixed Retirement Investment Trust Fund. Purchases and sales of securities are recorded on a trade date basis. Net investment income in the State of Wisconsin Fixed Retirement Investment Trust Fund consists of realized and unrealized gains and losses and investment income.

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

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$5,000	50 years
Furniture & equipment	\$5,000	5-20 years
Vehicles	\$5,000	5-15 years
Computers and related equipment	\$5,000	5 years
Major computer/software projects	\$50,000	7 years

**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 Statutes. Property taxes for the District are adopted by the Board by early November and are certified to the City of Milwaukee for levy and collection.

The District's property taxes are levied annually prior to December 31, are administered by the City of Milwaukee 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 of Milwaukee from January through October. All unpaid taxes as of June 30 are purchased by the City of Milwaukee.

**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 combined balance sheet and revenue is recognized. Deferred revenues include amounts received from grants that have not yet been earned.

**Compensated Absences** - District employees are granted vacation, compensatory time, and sick leave benefits in varying amounts in accordance with the provisions of union contracts and District policies. In the event of retirement, death, or resignation of an employee, the District is obligated to pay for all unused vacation days. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are available for subsequent use and, except in limited situations, do not vest. The value of unused sick leave benefits has not been determined and the expenditures for such benefits are not recognized until they are used. Accordingly, no provision is made in the financial statements for accumulated sick leave benefits.

**MILWAUKEE PUBLIC SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**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 \$4,354,005 at June 30, 2002, to provide for payment of future claims.

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

- a. *Invested in Capital, Net of Related Debt* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted* – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The District has no restricted net assets at June 30, 2002.
- c. *Unrestricted* – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Fund Balance Reservations and Designations** – In the fund financial statements, the District classifies its fund balance as follows:

- a. Reserved fund balance indicates the portion of fund balance that has been legally segregated for specific purposes.
- b. Unreserved - designated fund balance indicates the portion of fund balance that the District has made tentative plans.
- c. Unreserved - undesignated fund balance indicates the portion of fund balance which is available for use in future periods.

**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.

**New Accounting Pronouncements** – Effective July 1, 2002, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments* and Statement No. 37, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus*. These Statements establish new financial reporting requirements and significantly change the format and content of the District’s financial statements. They require new information and restructure much of the information that the District has presented in the past.

Effective July 1, 2002, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes, and rescinds certain financial statement note disclosures.

These new standards include the presentation of net assets on the statement of net assets, the classification of assets and liabilities as current or noncurrent on the statement of net assets, the definition of operating versus nonoperating activities, and the inclusion of management’s discussion and analysis as required supplementary information.

Effective July 1, 2002, the District adopted the provisions of Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This Interpretation clarifies that long-term indebtedness, including debt issues, compensated absences and claims and judgements, should be recorded as a fund liability in governmental funds when they mature (i.e. are due); and unmatured liabilities should only be reported as general long-term liabilities in the government-wide statement of net assets.

**MILWAUKEE PUBLIC SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Prior to implementation of GASB Interpretation No. 6, the District recorded the entire liability for compensated absences and self-insurance claims in the general fund. As a result of adopting this statement, the compensated absences and self insurance claims liability were reduced by \$5,985,503 and \$3,182,325 and the fund balance was increased by \$9,167,828 in the general fund as of July 1, 2001. A reconciliation of the fund balance of the general fund as of July 1, 2001 is as follows:

Fund balance as previously stated:	\$118,401,945
Accrued Compensated Absences	5,985,503
Self-insurance claims	<u>3,182,325</u>
Fund balance as adjusted	<u>\$127,569,773</u>

**2. DEPOSITS AND INVESTMENTS**

As required by the Wisconsin Statutes, the City of Milwaukee acts as Treasurer for the Board of School Directors. A major portion of the District's cash is held and controlled by the Treasurer of the City of Milwaukee and is managed and commingled with other City funds. The City of Milwaukee retains all investment income and assumes all investment gains and losses related to the investment of District cash. At June 30, 2002, the aggregate cash balance held by the City Treasurer for the District's governmental fund types and fiduciary fund types were reconciled to the City Treasurer's and Comptroller's records.

The following is a summary of deposits held by the City of Milwaukee and other cash and cash equivalents on June 30, 2002:

	City Treasurer	Other	Total
General Fund	\$ 93,798,762	\$ 41,764,722	\$135,563,484
Construction Fund	21,411,632	-	21,411,632
Fiduciary Fund Types	-	<u>5,157,917</u>	<u>5,157,917</u>
Total	<u>\$115,210,394</u>	<u>\$46,922,639</u>	<u>\$162,133,033</u>

**Deposits and Other Cash** - At year-end, the District's demand deposit balance (exclusive of funds held and controlled by the Treasurer of the City of Milwaukee) was \$46,922,639 (including a \$20,000 certificate of deposit) and the bank balance was \$22,008,710. Of the bank balance, \$7,082,343 was covered by the Federal Depository Insurance Corporation ("FDIC") and the State of Wisconsin Public Deposit Guarantee Fund and the remainder is collateralized through collateralization agreements with various depository institutions (underlying securities are in street name and are held by the trust departments of these depository institutions).

The \$115,210,394 in funds held and controlled by the Treasurer of the City of Milwaukee are insured by the Federal Depository Insurance Corporation and the Wisconsin Public Deposit Guarantee Fund or are collateralized through collateralization agreements in the name of the City of Milwaukee. Underlying securities for the collateralization agreements are held in the City of Milwaukee's name by the trust departments of various depository institutions.

**Investments** - The District is authorized by Wisconsin Statutes 66.04(2) and 67.11(2) to invest in the following instruments:

Time deposits

Bonds or securities issued or guaranteed as to principal and interest by the federal government or its agencies

The State of Wisconsin local government pooled investment fund

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 University of Wisconsin Hospitals and Clinics Authority

Repurchase agreements

**MILWAUKEE PUBLIC SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2002**

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Any security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it was acquired, if that security is rated within established statutory guidelines

No-load securities of open-end registered management investment companies or investment trusts.

The District's investments are categorized in the following manner:

Category 1 - Includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

Category 2 - Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3 - Includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name for the facilitation of trading by the District's investment managers.

**FIDUCIARY FUNDS**

	<b>Category 3</b>	<b>Carrying Value</b>
Categorized Investments:		
U. S. Treasury Notes	\$ 1,876,291	\$ 1,876,291
U. S. Government Bonds	7,583,344	7,583,344
Mortgage-Backed Securities	6,257,226	6,257,226
Non-Government Obligations	<u>1,059,526</u>	<u>1,059,526</u>
	<u>\$16,776,387</u>	16,776,387
Noncategorized Investments:		
Investment in State of Wisconsin Fixed Retirement Investment Trust Fund		49,808,919
Investment in State of Wisconsin Variable Retirement Investment Trust Fund		15,303,006
Money Market Mutual Fund		<u>4,816,703</u>
Total Investments		<u>\$86,705,015</u>

Uncategorized investments are not subject to categorization because they are not securities. The relationship between the District and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership.

In accordance with the Wisconsin Retirement System and Employees' Retirement System of the City of Milwaukee's investment policies, the District's pension plans invests in mortgage-backed securities. These securities are reported at fair value in the statement of fiduciary net assets and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgages, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated. The District's pension plans invests in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.



**MILWAUKEE PUBLIC SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**3. RECEIVABLES**

Receivables as of year end 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>Non-Major Funds</u>	<u>Total</u>
Receivables:			
Accounts	\$4,591,725	-	4,591,725
Intergovernmental – State	33,953,067	5,969,223	39,922,290
Intergovernmental – Federal	<u>21,707</u>	<u>2,686,082</u>	<u>2,707,789</u>
Gross Receivables	38,566,499	8,655,305	47,221,804
Less: Allowance for Uncollectibles	<u>(115,838)</u>	-	<u>(115,838)</u>
Net Total Receivables	<u>\$38,450,661</u>	<u>8,655,305</u>	<u>47,105,966</u>

**4. INTERFUND TRANSACTIONS**

Interfund borrowings are reflected as "Due from/to Other Funds" on the accompanying financial statements.

The following balances as of June 30, 2002 represent Due to/from balances among all funds:

General Fund:

Due to Construction *	\$(30,141,766)
Due from Non-Major Funds **	<u>11,167,390</u>
Total – Due to/from other funds	\$(18,974,376)

Construction Fund:

Due to Non-Major Funds*	\$(6,286,447)
Due from General Fund*	<u>30,141,766</u>
Total – Due to/from other funds	\$23,855,319

Non-Major Funds:

Due to General Fund**	\$(11,167,390)
Due from Construction Fund*	<u>6,286,447</u>
Total – Due to/from other funds	\$(4,880,943)

\* Construction project costs accumulated to be billed at a later date

\*\* Cumulative net payroll and other operating costs for the Individuals with Disabilities Education Act and nutrition services programs and operations to be reimbursed by federal/state aid.

The Operating Transfer of \$351,168 from the General Fund to the Non-Major funds funded an operating deficit of \$351,168 in the Categorically Aided Programs fund.

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**5. CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2002 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$29,151,349	-	-	\$ 29,151,349
Construction in progress	94,264,525	44,988,566	(58,710,134)	80,542,957
Total capital assets not being depreciated	<u>\$123,415,874</u>	<u>44,988,566</u>	<u>(58,710,134)</u>	<u>109,694,306</u>
Capital assets being depreciated:				
Buildings	522,787,829	58,710,134	-	581,497,963
Furniture and equipment	30,813,344	1,479,223	(6,596,920)	25,695,647
Software	11,504,055	5,404,748	-	16,908,803
Total capital assets being depreciated	<u>565,105,228</u>	<u>65,594,105</u>	<u>(6,596,920)</u>	<u>624,102,413</u>
Less accumulated depreciation for:				
Buildings	(262,008,656)	(9,078,576)	-	(271,087,232)
Furniture and equipment	(24,088,332)	(1,606,592)	6,596,920	(19,098,004)
Software	(2,332,584)	(2,415,543)	-	(4,748,127)
Total accumulated depreciation	<u>(288,429,572)</u>	<u>(13,100,711)</u>	<u>6,596,920</u>	<u>(294,933,363)</u>
Total capital assets being depreciated, net	<u>276,675,656</u>	<u>52,493,394</u>	<u>-</u>	<u>329,169,050</u>
Governmental activities capital assets, net	<u>\$400,091,530</u>	<u>\$97,481,960</u>	<u>\$(58,710,134)</u>	<u>\$438,863,356</u>

Depreciation expense was charged to functions/programs of the Milwaukee Public Schools as follows:

Governmental activities:	
Instruction	\$11,040,307
Community Services	12,671
Pupil and Staff Services	171,434
General and School Building	
Administrative	192,102
Business Services	911,129
School Nutrition	20,333
Other	<u>752,735</u>
Total Depreciation	<u>\$13,100,711</u>

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**6. SHORT-TERM BORROWINGS**

The City of Milwaukee issued short-term revenue anticipation notes on behalf of the District in the amount of \$112,000,000 in September 2001. These notes bear an interest rate of 2.7 to 3.50% and mature in September 2002. The debt was repaid during June 2002 from the District's equalization aid allocations received from the State government.

**7. LONG-TERM OBLIGATIONS**

The City of Milwaukee school bonds, notes, Wisconsin Trust Fund loans, and capital lease obligations outstanding at June 30, 2002, totaled \$141,385,806. Of this total, \$78,439,311 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 \$62,946,495 represents trust fund loans, capital lease obligations, and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

Long-term obligations of the District are as follows:

Type	Original Amount	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee:						
State of Wisconsin Trust Fund Loans:						
4.5% notes, due in annual installments to March, 2004	5,000,000	1,715,347	-	546,830	1,168,517	571,438
5.75% notes, due in annual installments to March, 2005	5,000,000	2,291,191	-	525,730	1,765,461	555,970
5.75% notes, due in annual installments to March, 2006	5,000,000	3,140,150	-	559,901	2,580,249	592,096
American with Disabilities Act Loans:						
4.5%–4.65% variable rate notes, due in annual installments to December, 2007	2,000,000	1,300,000	-	195,000	1,105,000	205,000
3.5%-4.25% note, due in annual installments to December, 2008	605,000	447,700	-	57,475	390,225	57,475
4.75%-5.375% Series O-G.O. Bonds, due in annual installments to June, 2014	300,000	260,000	-	20,000	240,000	20,000
4.75%-5.625% Series R Bonds, due in annual installments to September, 2016	2,000,000	2,000,000	-	133,416	1,866,584	133,416
3.59% Series T Bonds, due in annual installments to September, 2017	3,095,000	-	3,095,000	-	3,095,000	206,492
3.74% Series W Bonds, due in annual installments to September, 2017	1,205,000	-	1,205,000	-	1,205,000	80,446
EPA-Asbestos Abatement Promissory Note, non-interest bearing, due in semiannual installments of \$38,568 to May, 2002	771,369	77,136	-	77,136	-	-
5.0% Teach Loan, due in annual installments to March, 2009	6,922,502	1,322,718	3,034,883	265,917	4,091,684	256,563
3.5%-4.875% NSI-Neighborhood Schools Initiative Bonds, due in annual installments to February, 2021	33,300,000	-	33,300,000	-	33,300,000	-
QZAB-Qualified Zone Anticipated, due in annual installments to December, 2016	8,590,000	-	8,590,000	-	8,590,000	1,076,208

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Type	Original Amount	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002	Amount due in one year
Financial & Student Tracking Systems- 3.74%-6.24% note, due in annual installments to March, 2008	1,600,000	-	1,600,000	-	1,600,000	268,387
Capital Lease Obligations	4,437,000	2,702,300	-	753,525	1,948,775	466,525
Total Intergovernmental cooperation agreement debt		15,256,542	50,824,883	3,134,930	62,946,495	4,490,016
Accrued Compensated Absences		5,985,503	695,100	-	6,680,603	-
Workers' Compensation Claims		5,078,131	2,882,484	3,023,976	4,936,639	681,574
General Insurance Claims		2,052,019	-	601,892	1,450,127	83,925
Life Insurance Benefits		1,640,880	-	68,333	1,572,547	360,581
Pension-related debt – Wisconsin Retirement System		161,880,000	4,848,766	-	166,728,766	-
Liability for Other Long-Term Benefits		285,051	-	-	285,051	-
Total Long-term Obligations		<u>\$192,178,126</u>	<u>\$59,251,233</u>	<u>\$6,829,131</u>	<u>\$244,600,228</u>	<u>5,616,096</u>

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2002, are as follows:

Fiscal Year Ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 4,292,351	\$ 2,427,165	\$ 6,719,516
2004	4,463,890	2,374,317	6,838,207
2005	4,023,191	2,257,405	6,280,596
2006	3,531,530	2,164,877	5,696,407
2007	2,927,036	2,103,832	5,030,868
2008-2012	11,840,133	8,526,116	20,366,249
2013-2017	14,009,581	6,363,802	20,373,383
2018-2022	<u>15,910,008</u>	<u>2,053,844</u>	<u>17,963,852</u>
Total	<u>\$60,997,720</u>	<u>\$28,271,358</u>	<u>\$89,269,078</u>

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The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2002:

<b>Fiscal Year Ended June 30</b>	<b>Amount</b>
2003	\$ 555,263
2004	540,104
2005	528,318
2006	256,088
2007	250,623
2008-2012	<u>59,914</u>
 Total minimum lease payments	 2,190,310
 Less amount representing interest	 <u>(241,535)</u>
 Present value of minimum lease payments	 <u>\$ 1,948,775</u>

The maximum allowable amount of City of Milwaukee debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City of Milwaukee (State Statute Chapter 67.03). 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 of Milwaukee for calendar year 2002 was \$20,298,387,000, and the 5% debt limit was \$1,014,919,350. No referendum-approved debt is outstanding at June 30, 2002.

**8. FUND BALANCE**

**Designated for Subsequent Year's Expenditures** – The unreserved fund balance of the General Fund is \$83,176,378 at June 30, 2002. This unreserved balance includes \$63,444,184 designated to partially fund school operating expenditures during the period July 1 through December 31, 2002.

Based on recent operating experience, management anticipates that approximately \$443,401,151 will be required to fully cover the anticipated School Operations operating expenditures during the period July 1 through December 31, 2002. In addition to the fund balance designated for subsequent year's expenditures, approximately \$295,055,000 of state aids will be used to fund operating expenditures through December 31, 2002.

The Board has established a formula to identify the amount of unreserved fund balance required to fund the six months of the subsequent year's School Operations property tax levy. The purpose of this designation of fund balance is to provide working capital until state aids and other payments from federal agencies are received. The formula established by this action and the application thereof as of June 30, 2002, is as follows:

General Fund unreserved fund balance	\$83,176,378
Amount required to fund six months of the subsequent year's property tax levy: Current year's School Operations tax levy (\$158,610,459) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (72) to total calendar school year school days (180)	<u>63,444,184</u>
 General Fund undesignated fund balance	 <u>\$ 19,732,194</u>

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**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 risk 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 two fully-insured health maintenance organizations and through a self-insured comprehensive indemnity/PPO plan. Effective November 1, 2002, Milwaukee Public Schools will have only one health maintenance organization and one dental maintenance organization. The District does not purchase stop-loss insurance for its self-insured comprehensive indemnity/PPO 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 two fully-insured dental maintenance organizations 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 worker's compensation benefits and does not purchase stop-loss insurance.

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

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

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

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

	<b>Year Ended June 30, 2002</b>	<b>Year Ended June 30, 2001</b>
Beginning of Year Liability	\$ 29,046,000	\$ 24,026,000
Current Year Claims and Changes in Estimate	142,255,000	118,661,000
Claim Payments	<u>(140,245,000)</u>	<u>(113,641,000)</u>
End of Year Liability	<u>\$ 31,056,000</u>	<u>\$ 29,046,000</u>

The District has recognized the entire liability for Health and Dental insurance, which totaled \$23,096,687 and \$20,274,970 as of June 30, 2002 and 2001, respectively, in the general fund. The District has also recognized a liability of \$1,126,080 and \$765,945 as of June 30, 2002 and 2001, respectively, in the general fund for other claims that were due as of the respective year end. All other claims liabilities are considered to be general 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 generally over thirty years.

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**Wisconsin Retirement System** - All eligible District employees (certificated employees, principally teachers) participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent certificated employees expected to work over 440 hours a year (teachers) are eligible to participate in the WRS. Covered employees in the general/teacher category are required by statute to contribute 5.2% of their salaries to the plan for calendar year 2002. The District pays all employer and principally (with the exception of some substitute teachers) all employee required contributions to the plan. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for the District's employees covered by the WRS for the year ended December 31, 2001, was \$372,223,000; the District's total payroll was \$508,431,000. The total required contribution for the year ended December 31, 2001, was \$40,945,000, which consisted of \$21,589,000, or 5.8% of payroll, from the District and \$19,356,000, or 5.2% of payroll, from the District on behalf of the employees. The amount contributed equaled the required contribution. Total contributions for the years ending December 31, 2000 and 1999 were \$42,889,000 and \$44,782,000, 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 and 1.6% for creditable service after December 31, 1999. Final average earnings are the average of the employee's three highest years of earnings. Employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of the Wisconsin 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 (pensions-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. Employers' pension-related debt for prior service costs is being amortized over a 40-year period beginning January 1, 1990. Historical trend information showing the WRS's progress in accumulating sufficient assets to pay benefits is presented in the WRS's annual financial report. As of December 31, 2001, pension-related debt for the District was \$166,729,000 or 8.0% of the WRS's total Unfunded Accrued Actuarial Liability for prior service contribution receivable of \$2,078,912,289. This liability was determined in accordance with the provisions of GASB Statement No. 27 regarding pension-related debt. The actuarial methods and assumptions used are unchanged from those used prior to the implementation of GASB Statement No. 27.

**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 of Milwaukee (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). Part-time classified employees (defined by the System as 12-month employees who work less than 1,040 hours per year and 10-month employees who work less than 760 hours per year) who are eligible under adopted rules and regulations and who have evidenced their intent to join the System and all full-time classified employees (defined by the System as employees who work 2,080 hours a year for non-teachers and 1,520 hours for 10-month school year teachers) are eligible to participate in the System. Covered employees in the general employee category are required to contribute 5.5% of specified rates of compensation without overtime as agreed upon in past labor negotiations. The District pays all employer and substantially all of the employee required contributions to the System, as stipulated in Chapter 36 of the City of Milwaukee Charter. Due to the Global Pension Settlement, employees eligible for enrollment on or after January 1, 2000, may consent to the Global Settlement and participate in the System combined fund. The consenting employees are required to pay 1.6% of their pensionable earnings for the first eight years from the enrollment date. Also, employees have the option to object to the Global Settlement. Employers are required

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to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. The System uses the projected unit credit actuarial cost method to determine employer contribution rates.

The payroll for the District's employees covered by the System for the year ended December 31, 2001, was \$106,066,000; the District's total payroll was \$508,431,000. The total required contribution for the year ended December 31, 2001, was 5,884,000 or 5.5% of covered payroll, from the District on behalf of the employees and equaled the required contribution. Total contributions for the years ending December 31, 2000 and 1999 were \$5,881,000 and \$5,851,000 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 on or after January 1, 2000 who consent to Global Pension Settlement shall make a bi-weekly employee contribution to pay for their cost of living adjustment (COLA) improvements upon completion of the first eight years of employment. 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 of Milwaukee Charter.

The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the City of Milwaukee, City Hall, 200 East Wells Street, Room 603, Milwaukee, WI 53202-3567.

### **Supplemental Retirement Plans**

#### **a. Plan Descriptions and Funding Policies**

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

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

In order to participate in the Plan, an employee must be an administrative, supervisory, or professional staff employee of the District who is in the collective bargaining unit represented by the ASC, an exempt employee excluded by the ASC bargaining contract, an employee of the District who is appointed pursuant to Wisconsin Statute Sec.119.32 (3) or any other employee who is identified as a covered participant by the District through an employment contract between such employee and the District. Such employees become participants in the Plan on the later of the effective date of the Plan or the date they become a participant in the WRS. Certain classified members represented by ASC or any exempt employee excluded by the ASC bargaining contract and covered by the system, and certain psychologists who elected to remain in the Plan after June 30, 1980, are also eligible for participation.

Participants are eligible for retirement benefits provided they have made three years of participant contributions and have eight or more years of vesting service. The Plan provides for unreduced benefits at age 60, and for reduced benefits between ages 55 and 60. For participants who retire between ages 60 and 65 under the System or under the WRS, a special supplemental benefit, as defined, shall be paid until the retiree attains age 65. Benefits are paid in the form of monthly payments based on years of service and average monthly compensation for the three highest fiscal years of earnings preceding the date of retirement to a maximum benefit, from 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



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directly affects the Plan by decreasing the benefits paid and increasing the funded status of the Plan for which the Administration is in the midst of bargaining the impact with the union. This impact would customarily be recognized as a one-time gain and amortized over a nine-year period until the collective bargaining impact is finalized. The actuarial value for fiscal year 2002 was finalized with recognition of the impact of Wisconsin Act 11 and the total actuarial gain determined by the Plan's actuary was \$6,326,664 of which a \$937,750 gain was allocated in fiscal year 2002. In the meantime, benefits continue to be paid by the Plan and adjusted (reduced) to reflect Wisconsin Act 11.

The Plan also provided for disability benefits to vested participants if employment is terminated between ages 55 and 65 by reason of total and permanent disability, as approved by the WRS. Upon the death of an active participant who is not eligible for any other form of benefit under the Plan, a lump-sum death benefit of the balance of the participant's employee contribution account, including interest, is provided to the participant's beneficiary. Classified employees are not covered by this provision of the Plan.

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. Classified employees are not required to make member contributions under the Plan.

Participant contributions are funded by payroll deductions, which cover 20% of the Plan cost, as specified in the collective bargaining agreement. The District is required to fund the remaining 80% of the actuarially determined contribution requirement.

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 Insurance and Risk Management, 5225 West Vliet Street, Milwaukee, WI 53208-2698.

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

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

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

The Plan provides for reduced early retirement benefits to participants who are eligible and commence their WRS benefits after age 55 and prior to age 62 and provides optional 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 years of service, and defined average monthly compensation for the three fiscal years of highest earnings preceding the date of retirement. Effective July 1, 1998 a new 15 year vesting provision and years of creditable service provision applies to new participants and re-hired former participants to the Plan.

The Plan also provides for disability benefits for vested participants of the Plan.

The Plan is a noncontributory plan. Therefore, the District is required to fund 100% of the actuarially determined contribution requirement.

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 Insurance and Risk Management, 5225 West Vliet Street, Milwaukee, WI 53208-2698.

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**b. Annual Pension Costs and Actuarial Assumptions Used**

The District's annual pension costs for the year ended June 30, 2002 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>	<b>Total</b>
Contribution rates as a percentage of payroll:			
District	2.44%	3.09%	
Plan participants	.61	-	
Annual required contribution	\$1,248,752	\$9,144,027	\$10,392,779
Interest on net pension obligation	0	0	0
Adjustment to annual required contribution	<u>0</u>	<u>0</u>	<u>0</u>
Annual pension cost	1,248,752	9,144,027	10,392,779
Contributions made	<u>1,248,752</u>	<u>9,144,027</u>	<u>10,392,779</u>
Increase (decrease) in net pension obligation	<u>0</u>	<u>0</u>	<u>0</u>
Net pension obligation, beginning of the year	<u>0</u>	<u>0</u>	<u>0</u>
Net pension obligation, end of the year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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	<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	7/1/01	7/1/01
Actuarial cost method	Projected Unit Credit	Entry Age Normal
Amortization method	Level amortization over average expected future working lifetime of active participants	Level dollar amount over 30 years
Remaining amortization period	Varies, depending upon date of base creation. Newly established bases are amortized over a closed nine-year period.	Varies, depending upon date of base creation. New bases established are amortized over a closed 30 years.
Asset valuation method	Five-year smoothed market value for assets other than dedicated bond portfolios. Dedicated bond portfolios are valued as discounted cash flows.	Five-year smoothed market value for assets other than dedicated bond portfolios. Dedicated bond portfolios are valued as discounted cash flows.
Actuarial assumptions:		
Investment rate of return	8.0%	8.0%
Projected salary increases:		
Certificated Participants	Participant's pay level at "transition" is assumed to increase by the regular pay scale of 1.8% (inflation rate) plus an additional merit raise of 4.5% for each of the next six years. "Age at transition" is the assumed age at which a participant enters the ASC union. This assumed age is age at hire plus six years of service.	The assumed compensation increase (including inflation) for each participant is 3% per annum.
Classified Participants	4.0%	

**MILWAUKEE PUBLIC SCHOOLS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**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>Fiscal Year Beginning July 1</b>	<b>Annual Pension Cost</b>	<b>% of Annual Pension Cost Contributed</b>	<b>Net Pension Obligation</b>
2001	\$1,248,752	100%	\$0
2000	1,722,442	100	0
1999	1,796,826	100	0

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

<b>Fiscal Year Beginning July 1</b>	<b>Annual Pension Cost</b>	<b>% of Annual Pension Cost Contributed</b>	<b>Net Pension Obligation</b>
2001	\$9,144,027	100%	\$0
2000	8,673,730	100	0
1999	8,711,130	100	0

The District is currently in collective bargaining negotiations, the results of which could have an impact as to whether benefits for accrued covered service for certain eligible employees is paid from either the Milwaukee Board of School Directors Early Retirement Supplemental and Benefit Improvement Plan (ASC Plan) or the Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers (Teachers Plan). This pertains to covered employees under the ASC Plan covering certificated administrators who have prior Milwaukee Public Schools teaching service and are also eligible to receive a benefit from the Teachers Plan. The impact of this is not quantifiable at this point.

**11. POST-RETIREMENT LIFE AND HEALTH CARE INSURANCE BENEFITS**

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

Health insurance is available on a self-paid basis to retired employees who retire at age 55 or older, with 15 years of service by paying the premium for such coverage. In the event such employees have 70% of their maximum sick leave accumulation balance at the time of retirement, the District will pay an amount towards the health insurance premium equal to the premium for that employee at the time of retirement. Any increases in premium beyond the amount of the premium at the employee's retirement is paid by the retiree. The District's costs for retiree health insurance is recorded in current operating expenditures as paid. The District has available a self-insured indemnity/PPO health plan and two fully-insured health maintenance organizations (as of 11/1/02 there will be one fully-insured health maintenance organization). These plans are supplemental to Medicare for those retirees eligible for Medicare insurance.

**MILWAUKEE PUBLIC SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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Expenditures for post-retirement life and health care insurance benefits are financed on a pay-as-you-go basis and aggregated approximately \$20,320,000 for the year ended June 30, 2002. Approximately 4,670 participants are currently eligible to receive post-retirement life insurance benefits, and approximately 4,970 participants are eligible to receive post-retirement health care benefits.

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

**12. LIMITATION ON DISTRICT REVENUES**

Wisconsin 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, 2002, the District is below its revenue limitation by approximately \$114,417.

**13. COMMITMENTS AND CONTINGENCIES**

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, 2002 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.

The District leases certain computer equipment with a carrying value of approximately \$4,610,080 from external vendors. The District also leases two facilities under an operating lease that expires in 2012. The lessor obtained financing for the acquisition and renovation of the leased property through the Redevelopment Authority of the City of Milwaukee, and the lease payments being made by the District are equal to the amounts necessary to pay debt service on the lessor's financing. For fiscal year 2002, total operating lease expense of the District was \$7,574,825. The aggregate minimum legal commitments for the five fiscal years subsequent to June 30, 2002 and thereafter for the computers and property are as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2003	\$ 7,700,386
2004	5,774,407
2005	4,376,000
2006	4,376,000
2007	4,379,000
2007-2011	22,388,000
2012-2016	<u>4,028,000</u>
<b>TOTAL</b>	<b><u>\$53,021,793</u></b>

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.

**MILWAUKEE PUBLIC SCHOOLS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**14. SUBSEQUENT EVENTS**

In August of 2002, the City of Milwaukee issued short-term revenue anticipation notes on behalf of the District in the amount of \$133,000,000. The Notes are issued for the purpose of financing the District's operations on an interim basis pending receipt of State school aid payments.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**MILWAUKEE PUBLIC SCHOOLS  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Adopted</u>	<u>Revised</u>	<u>(GAAP Basis)</u>
<b>Revenues</b>			
Property tax levy	\$ 158,263,386	\$ 161,632,008	\$ 161,632,008
Other local sources	4,180,347	6,916,181	9,680,243
State aid:			
Equalization aid	545,600,000	541,388,517	541,388,517
Special classes	40,000,000	40,100,000	41,148,872
Integration	39,600,000	38,830,914	38,830,913
Other state aid	27,124,244	51,708,333	45,394,469
Federal aid:			
Education Consolidation Improvement Act	53,700,990	53,991,003	48,563,189
Other federal aid	27,990,886	73,745,271	54,871,879
Total revenues	<u>896,459,853</u>	<u>968,312,227</u>	<u>941,510,090</u>
<b>Expenditures</b>			
Current operating:			
Instructional services:			
Undifferentiated curriculum	373,525,524	413,067,663	355,934,282
Regular and other curriculum	60,424,424	66,192,315	110,567,911
Special curriculum	97,810,828	97,957,805	93,443,822
Total instructional services	531,760,776	577,217,783	559,946,015
Community services	15,040,482	19,557,979	18,312,322
Pupil and staff services	73,227,063	92,107,621	84,849,657
General and school building administration	79,647,507	91,850,642	82,821,806
Business services	156,180,842	151,070,573	150,643,630
Debt service	-	-	992,893
Other	65,972,914	69,273,585	53,253,456
Total expenditures	<u>921,829,584</u>	<u>1,001,078,183</u>	<u>950,819,779</u>
Excess of revenues over (under) expenditures	<u>\$ (25,369,731)</u>	<u>\$ (32,765,956)</u>	<u>\$ (9,309,689)</u>
<b>Other financing sources (Uses)</b>			
Transfer Out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (351,168)</u>
Net change in fund balance	(25,369,731)	(32,765,956)	(9,660,857)
Fund balance - beginning	118,401,945	127,569,773	127,569,773
Fund balance - ending	<u>\$ 93,032,214</u>	<u>\$ 94,803,817</u>	<u>\$ 117,908,916</u>

See accompanying independent auditors' report and notes to required supplementary information.



**MILWAUKEE PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2002**

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**SCHEDULES OF FUNDING PROGRESS**

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

<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL)</b>	<b>(3) Total Unfunded AAL (2) – (1)</b>	<b>(4) Funded Ratio (1) / (2)</b>	<b>(5) Annual Covered Payroll</b>	<b>Unfunded AAL As a Percentage of Covered Payroll (2) – (1) / (5)</b>
7/1/01	\$40,125,187	\$40,280,250	\$ 155,063	99.62%	\$41,022,453	00.38%
7/1/00	38,305,613	44,985,363	6,679,750	85.15	40,129,546	16.65
7/1/99	35,691,031	43,412,104	7,721,073	82.21	37,624,625	20.52

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

<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL)</b>	<b>(3) Total Unfunded AAL (2) – (1)</b>	<b>(4) Funded Ratio (1) / (2)</b>	<b>(5) Annual Covered Payroll</b>	<b>Unfunded AAL As a Percentage of Covered Payroll (2) – (1) / (5)</b>
7/1/01	\$40,148,172	\$115,223,720	\$75,075,548	34.84%	\$295,633,828	25.40%
7/1/00	33,826,809	103,998,229	70,171,420	32.53	298,981,706	23.47
7/1/99	26,714,235	98,257,006	71,542,771	27.19	295,613,587	24.20

**MILWAUKEE PUBLIC SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2002**

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**1. BUDGETING**

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

In accordance with the Wisconsin Department of Public Instruction's reporting requirements, the Board exercises control over budgeted amounts at the function 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. There were no supplemental budget appropriations necessary during the year.

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

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

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

## **NON-MAJOR FUNDS**

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### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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

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

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.

### **Debt Service Fund**

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

**MILWAUKEE PUBLIC SCHOOLS**  
**COMBINING BALANCE SHEET - NON-MAJOR FUNDS**  
**JUNE 30, 2002**

	<b>TEACH Wisconsin Programs</b>	<b>Categorically Aided Programs</b>	<b>School Nutrition Services</b>	<b>Debt Service</b>	<b>Total</b>
<b>Assets</b>					
Receivable due from other governmental units	\$ -	\$ 5,969,223	\$ 2,686,082	\$ -	\$ 8,655,305
Inventories	-	-	748,180	-	748,180
Due from other funds	6,286,447	-	-	-	6,286,447
Total assets	<u>\$ 6,286,447</u>	<u>\$ 5,969,223</u>	<u>\$ 3,434,262</u>	<u>\$ -</u>	<u>\$ 15,689,932</u>
<b>Liabilities And Fund Balance</b>					
Liabilities:					
Accounts payable	\$ -	\$ 445,907	\$ 12,396	\$ -	\$ 458,303
Due to other funds	102,740	5,523,316	5,541,334	-	11,167,390
Total liabilities	<u>102,740</u>	<u>5,969,223</u>	<u>5,553,730</u>	<u>-</u>	<u>11,625,693</u>
Fund balance (deficit):					
Reserved for inventories	-	-	748,180	-	748,180
Unreserved and undesignated	6,183,707	-	(2,867,648)	-	3,316,059
Total fund balance	<u>6,183,707</u>	<u>-</u>	<u>(2,119,468)</u>	<u>-</u>	<u>4,064,239</u>
Total liabilities and fund balance	<u>\$ 6,286,447</u>	<u>\$ 5,969,223</u>	<u>\$ 3,434,262</u>	<u>\$ -</u>	<u>\$ 15,689,932</u>

See accompanying independent auditors' report.

**MILWAUKEE PUBLIC SCHOOLS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE (DEFICIT) - NON-MAJOR FUNDS**  
**YEAR ENDED JUNE 30, 2002**

	<b>TEACH Wisconsin Programs</b>	<b>Categorically Aided Programs</b>	<b>School Nutrition Services</b>	<b>Debt Service</b>	<b>Total</b>
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ 2,773,885	\$ 2,773,885
Lunchroom sales	-	-	4,230,650	-	4,230,650
State aid-other	10,511,216	-	660,948	-	11,172,164
Federal aid:					
School nutrition services	-	-	23,096,314	-	23,096,314
Other federal aid	-	13,329,524	-	-	13,329,524
Total revenues	<u>10,511,216</u>	<u>13,329,524</u>	<u>27,987,912</u>	<u>2,773,885</u>	<u>54,602,537</u>
<b>Expenditures</b>					
Current operating:					
Regular and other curriculum	-	844,408	-	-	844,408
Special curriculum	-	1,990,080	-	-	1,990,080
Pupil and staff services	10,577,498	10,846,204	-	-	21,423,702
School nutrition services	-	-	28,602,348	-	28,602,348
Debt service:					
Principal	265,917	-	-	2,115,488	2,381,405
Interest	95,093	-	-	658,397	753,490
Total expenditures	<u>10,938,508</u>	<u>13,680,692</u>	<u>28,602,348</u>	<u>2,773,885</u>	<u>55,995,433</u>
Excess of revenues over (under)					
Expenditures	(427,292)	(351,168)	(614,436)	-	(1,392,896)
<b>Other financing sources:</b>					
Operating transfer in	-	351,168	-	-	351,168
Teach Loan	3,034,883	-	-	-	3,034,883
Total other financing sources	<u>3,034,883</u>	<u>351,168</u>	<u>-</u>	<u>-</u>	<u>3,386,051</u>
Excess of revenues and other financing sources over expenditures	2,607,591	-	(614,436)	-	1,993,155
Fund balance (deficit):					
Beginning of year	<u>3,576,116</u>	<u>-</u>	<u>(1,505,032)</u>	<u>-</u>	<u>2,071,084</u>
End of year	<u>\$ 6,183,707</u>	<u>\$ -</u>	<u>\$ (2,119,468)</u>	<u>\$ -</u>	<u>\$ 4,064,239</u>

See accompanying independent auditors' report.

# STATISTICAL SECTION



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**GENERAL DISTRICT REVENUE BY SOURCE AND OTHER FINANCING SOURCES\***  
**LAST TEN FISCAL YEARS**  
(IN THOUSANDS)

<b>REVENUE</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Local Sources:</b>					
Property Tax Levy	\$ 174,734	\$ 169,721	\$ 160,561	\$ 192,089	\$ 154,263
Payments made by City on behalf of the District in lieu of taxes	23,500	21,320	15,025	13,850	6,605
Cafeteria and Lunchroom Sales	4,231	3,789	3,671	3,303	3,141
Interest on Investments	667	916	1,144	1,394	1,386
Other Local Sources	<u>9,513</u>	<u>15,353</u>	<u>7,243</u>	<u>5,783</u>	<u>4,660</u>
Total local sources	212,645	211,099	187,644	216,419	170,055
<b>State aid:</b>					
Equalization aid	542,433	532,489	522,070	486,666	467,189
Supplemental aid	27,041	21,616	8,912	7,829	4,673
Handicapped	41,149	40,369	38,473	38,729	37,511
Integration - Resident	34,909	34,563	34,991	32,919	31,469
Integration - Non Resident	3,922	3,877	3,243	3,315	3,167
Transportation	2,145	2,566	2,512	2,474	2,478
Other state aid	<u>27,381</u>	<u>25,241</u>	<u>23,850</u>	<u>25,262</u>	<u>21,749</u>
Total state aid	678,980	660,721	634,051	597,194	568,236
<b>Federal aid:</b>					
School Nutrition Services	23,096	21,773	22,261	22,408	22,080
Education Consolidation Improvement Act	48,563	55,355	52,528	46,769	49,389
Special Project Grants	68,201	50,040	38,341	37,278	29,276
Erate Refunds	3,119	-	-	-	-
Other federal aid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total federal aid	142,979	127,168	113,130	106,455	100,745
<b>Other Financing Sources:</b>					
Proceeds from sale of fixed assets			-	-	-
Operating Transfer In	351				
Capital leases	3,983	5,620	3,359	13,315	8,823
Teach Loan	3,035	1,331	193		
Proceeds from City of Milwaukee general obligation notes and bonds	5,900	2,000	-	905	2,000
Qualified Zone Academy Bonds	8,590	-	-		
Neighborhood Schools Initiative	33,300	-	-		
Erate Refunds		-	-		
Total revenue and other Financing Sources	<u>\$ 1,089,763</u>	<u>\$ 1,007,939</u>	<u>\$ 938,377</u>	<u>\$ 934,288</u>	<u>\$ 849,859</u>

\* Includes all the revenues of all Governmental Fund types and items formerly called Expendable Trust Funds.



TABLE 1

<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>
\$ 178,875	\$ 221,881	\$ 234,459	\$ 233,715	\$ 235,457
10,766	10,779	6,859	3,796	-
2,814	2,651	2,618	2,682	2,638
1,293	911	630	632	463
<u>6,329</u>	<u>7,381</u>	<u>5,105</u>	<u>6,426</u>	<u>3,624</u>
200,077	243,603	249,671	247,251	242,182
425,856	351,436	307,867	283,324	259,311
3,919	3,956	4,017	5,225	5,459
37,814	39,028	40,584	39,847	40,095
27,851	29,803	26,187	24,539	22,259
3,436	4,683	4,115	4,587	4,649
2,398	2,399	2,436	2,525	2,490
<u>18,244</u>	<u>16,994</u>	<u>17,256</u>	<u>17,242</u>	<u>16,535</u>
519,518	448,299	402,462	377,289	350,798
21,223	20,011	20,020	19,218	18,900
42,770	38,878	40,035	35,593	27,712
5,651	5,034	4,543	4,109	4,080
-	-	-	-	-
<u>16,399</u>	<u>14,330</u>	<u>12,932</u>	<u>11,207</u>	<u>13,097</u>
86,043	78,253	77,530	70,127	63,789
1,181	-	-	-	-
-	3,765	-	-	-
5,000	5,000	-	5,000	77
<u>\$ 811,819</u>	<u>\$ 778,920</u>	<u>\$ 729,663</u>	<u>\$ 699,667</u>	<u>\$ 656,846</u>

**GENERAL DISTRICT EXPENDITURES BY FUNCTION \***  
**LAST TEN FISCAL YEARS**  
(IN THOUSANDS)

FUNCTION	2002	2001	2000	1999	1998
Operating Expenditures:					
Instructional Services:					
Undifferentiated Curriculum	\$ 340,336	\$ 320,618	\$ 310,523	\$ 299,604	\$ 265,907
Regular and Other Curriculum	110,652	111,248	114,106	127,972	122,735
Special Curriculum	<u>94,921</u>	<u>89,629</u>	<u>86,410</u>	<u>85,333</u>	<u>87,527</u>
Total Instructional Services	545,909	521,495	511,039	512,909	476,169
Community Services	18,602	6,101	5,483	6,986	6,737
Pupil and Staff Services	104,943	97,011	90,485	89,936	73,852
General and School Building					
Administration	83,659	74,586	72,227	69,334	65,689
Business Services	183,198	166,527	176,517	154,296	149,100
School Nutrition Services	28,385	27,781	26,539	26,835	25,353
Debt Service	2,774	2,725	2,675	2,640	2,567
Other	54,231	61,079	49,127	28,582	17,985
Capital outlay:					
Sites and Buildings	8,972	5,694	8,095	8,268	9,080
Furniture and Equipment	<u>20,033</u>	<u>18,879</u>	<u>10,872</u>	<u>22,299</u>	<u>28,025</u>
Total Expenditures	<u>\$ 1,050,706</u>	<u>\$ 981,878</u>	<u>\$ 953,059</u>	<u>\$ 922,085</u>	<u>\$ 854,557</u>

\*Includes all Governmental Fund types plus compensated absences and items formerly called Expendable Trust Funds.

TABLE 2

<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>
\$ 253,813	\$ 251,517	\$ 233,347	\$ 215,918	\$ 208,115
118,421	109,107	116,859	119,780	116,385
<u>81,816</u>	<u>76,033</u>	<u>74,865</u>	<u>72,187</u>	<u>69,784</u>
454,050	436,657	425,071	407,885	394,284
5,333	5,273	5,400	5,819	5,787
68,838	61,403	61,647	54,055	50,704
61,239	55,921	52,658	49,091	46,356
143,730	131,473	130,531	123,496	117,524
25,208	22,987	22,715	21,389	21,621
1,571	1,571	913	-	-
14,694	18,380	12,818	14,752	11,436
6,054	7,539	7,641	5,044	5,788
<u>25,259</u>	<u>24,180</u>	<u>25,267</u>	<u>8,241</u>	<u>6,518</u>
<u>\$ 805,976</u>	<u>\$ 765,384</u>	<u>\$ 744,661</u>	<u>\$ 689,772</u>	<u>\$ 660,018</u>

**COMPARATIVE PER CAPITA COST STATISTICS  
LAST TEN YEARS**

TABLE 3

	<b>Cost Per Pupil *</b>
1992 - 1993 .....	6,575
1993 - 1994 .....	6,831
1994 - 1995 .....	7,382
1995 - 1996 .....	7,556
1996 - 1997 .....	7,768
1997 - 1998 .....	8,022
1998 - 1999 .....	8,718
1999 - 2000 .....	9,036
2000 - 2001 .....	9,502
2001 - 2002 .....	10,228

\* The total General District Expenditures by Function (Table 2) are divided by the total Enrollment for State Aid (Table 12).

**ASSESSED AND EQUALIZED VALUATION -  
CITY OF MILWAUKEE  
(IN THOUSANDS)**

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

TABLE 4

Year	Assessed Valuation	Assessed Valuation Increase/(Decrease) Over Prior Years	Equalized Valuation
1972 .....	2,690,340	60,915	5,258,402
1973 .....	2,793,281	102,941	5,281,415
1974 *.....	6,173,995	3,380,715	6,254,371
1975 .....	6,213,594	39,599	6,885,391
1976 .....	6,096,761	(116,834)	7,284,706
1977 .....	5,860,570	(236,191)	7,744,959
1978 .....	8,332,979	2,472,409	8,453,477
1979 .....	7,789,446	(543,533)	9,345,784
1980 .....	7,680,434	(109,012)	10,252,337
1981 .....	7,459,893	(220,540)	10,404,727
1982 .....	10,432,662	2,972,769	10,762,198
1983 .....	10,542,257	109,595	10,906,324
1984 .....	11,001,963	459,705	11,025,039
1985 .....	11,076,974	75,011	11,152,473
1986 .....	11,140,003	63,029	11,181,029
1987 .....	11,303,217	163,214	11,709,716
1988 .....	11,865,999	562,782	12,002,681
1989 .....	12,017,462	151,463	12,648,530
1990 .....	12,614,531	597,069	12,808,708
1991 .....	12,701,237	86,706	13,189,084
1992 .....	13,336,770	635,533	13,279,156
1993 .....	13,345,968	9,198	14,047,985
1994 .....	14,029,734	683,766	14,363,706
1995 .....	13,976,649	(53,085)	14,821,109
1996 .....	14,850,607	873,958	15,041,199
1997 .....	14,914,137	63,530	15,511,857
1998 .....	16,072,114	1,157,977	16,228,218
1999 .....	15,773,850	(298,264)	16,701,225
2000 .....	17,582,995	1,809,145	17,344,251
2001 .....	17,699,784	116,789	19,453,830

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

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

**MILWAUKEE PUBLIC SCHOOLS  
PROPERTY TAX RATES AND LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN YEARS**

<u>Levy for Year (C)</u>	<u>Milwaukee School Board (A)</u>		<u>City of Milwaukee (B)</u>		<u>Milwaukee Area District Board of Vocational, Technical and Adult Education</u>		<u>County of Milwaukee</u>	
<b>TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL</b>								
1992	\$18.67	45.2 %	\$11.54	28.0 %	\$2.06	5.0 %	\$5.79	13.7 %
1993	18.45	45.4	11.50	28.3	2.00	4.9	5.48	13.5
1994	18.59	45.8	10.93	26.9	2.09	5.2	5.59	13.8
1995	15.46	42.2	10.47	28.5	2.04	5.6	5.41	14.7
1996	14.28	40.5	10.09	28.6	2.10	6.0	5.74	16.3
1997	9.97	33.9	9.81	33.3	2.01	6.8	5.72	19.4
1998	9.02	31.6	9.47	33.2	2.11	7.4	5.96	20.9
1999	9.44	33.4	9.20	32.5	2.01	7.1	5.72	20.2
2000	8.95	31.9	9.12	32.5	2.16	7.7	5.82	20.7
2001	8.81	31.5	9.86	35.2	2.00	7.1	5.46	19.5

**TAX LEVIES (IN THOUSANDS)**

1992	\$229,721	\$141,986	\$25,376	\$69,242
1993	237,095	148,963	25,755	70,658
1994	242,620	142,794	27,307	72,965
1995	238,537	144,049	28,081	74,326
1996	221,958	138,750	28,967	78,897
1997	181,336	143,061	29,388	83,308
1998	167,446	139,417	31,020	87,779
1999	181,736	145,555	31,847	90,387
2000	169,562	141,279	33,455	90,017
2001	180,874	169,678	34,437	93,946

(A) Includes allocation of debt service requirement on debt incurred for schools, initially included in the tax levy by the City of Milwaukee (\$.57 in 2000).

(B) Excludes allocation of debt service requirement on debt incurred for schools, initially included in the tax levy of the City of Milwaukee (\$.57 in 2000).

(C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy requirements.

Source: City of Milwaukee, Assessor's Office.

TABLE 5

State of Wisconsin		Milwaukee Metropolitan Sewerage District		Total	
<b>TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL</b>					
\$0.21	0.5 %	\$3.12	7.6 %	\$41.23	100.0 %
0.20	0.5	2.99	7.4	40.62	100.0
0.21	0.5	3.16	7.8	40.57	100.0
0.21	0.6	3.07	8.4	36.66	100.0
0.21	0.6	2.81	8.0	35.23	100.0
0.20	0.7	1.72	5.9	29.43	100.0
0.21	0.7	1.77	6.2	28.54	100.0
0.20	0.7	1.72	6.1	28.29	100.0
0.21	0.8	1.80	6.4	28.06	100.0
0.20	0.7	1.68	6.0	28.01	100.0

**TAX LEVIES (IN THOUSANDS)**

\$2,637	\$38,423	\$507,385
2,656	38,523	523,650
2,810	41,234	529,730
2,873	42,191	530,057
2,964	38,654	510,190
3,008	25,110	465,211
3,102	26,039	454,803
3,246	27,152	479,923
3,340	27,876	465,529
3,469	28,876	511,280

**TAX RATES FOR SCHOOL PURPOSES  
LAST TEN YEARS  
( PER \$1,000 OF ASSESSED VALUE )**

TABLE 6

<b>Year</b>	<b>School Operations</b>	<b>Construction</b>	<b>Extension</b>	<b>Total</b>
1991	\$17.67	\$0.62	\$0.38	\$18.67
1993	17.48	0.60	0.37	18.45
1994	17.68	0.56	0.35	18.59
1995	14.53	0.57	0.36	15.46
1996	13.44	0.51	0.33	14.28
1997	9.23	0.44	0.30	9.97
1998	8.32	0.40	0.30	9.02
1999	8.61	0.48	0.35	9.44
2000	8.14	0.49	0.32	8.95
2001	8.00	0.52	0.29	8.81

**TAX LEVIES FOR SCHOOL PURPOSES  
LAST TEN YEARS**

<b>Year</b>	<b>School Operations</b>	<b>Construction</b>	<b>Extension</b>	<b>Total</b>
1992	\$219,460,586	\$ 7,700,000	\$ 4,684,245	\$231,844,831
1993	224,164,277	7,700,000	4,570,723	236,435,000
1994	220,610,916	7,700,000	4,771,837	233,082,753
1995	202,936,592	7,700,000	4,996,113	215,632,705
1996	161,804,737	7,700,000	5,333,642	174,838,379
1997	146,410,265	7,700,000	5,452,011	159,562,276
1998	160,074,588	7,700,000	5,718,371	173,492,959
1999	146,513,018	8,123,121	5,924,868	160,561,007
2000	154,374,123	9,273,404	6,073,405	169,720,932
2001	158,610,459	10,328,700	5,795,434	174,734,593



**CITY OF MILWAUKEE -  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
December 31, 2001  
(IN THOUSANDS)**

TABLE 7

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable to City of Milwaukee	City of Milwaukee's Share of Debt
Direct Debt:			
City of Milwaukee (A) .....	\$601,246	100.00 %	\$601,246
Overlapping Debt:			
Milwaukee Area Technical College District Board of Vocational, Technical and Adult Education ...	81,600	38.03	31,032
County of Milwaukee .....	490,579	46.50	228,119
Milwaukee Metropolitan Sewerage Area (B).....	525,199	47.65	<u>250,257</u>
Total Overlapping Debt			
<b>Total District and Overlapping Debt</b>			<b><u><u>\$1,110,654</u></u></b>

(A) Excludes \$83,066 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.

(B) Includes \$257,134 low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the Milwaukee Metropolitan Sewerage District.

**SCHOOL ACCOMMODATIONS  
LAST THIRTY-FIVE YEARS**

TABLE 8

	<b>Instructional Staff (a)</b>	<b>Number of School Buildings</b>	<b>Average School Year Daily Membership</b>
1967 - 1968	5,037	153	118,317 (b)
1968 - 1969	5,276	156	122,526 (b)
1969 - 1970	5,316	156	123,699 (b)
1970 - 1971	5,556	157	124,783 (b)
1971 - 1972	5,811	158	123,365 (b)
1972 - 1973	5,825	160	123,432 (b)
1973 - 1974	5,772	160	118,283 (b)
1974 - 1975	5,915	164	113,291 (b)
1975 - 1976	6,182	163	108,300 (b)
1976 - 1977	6,083	161	105,581 (b)
1977 - 1978	5,974	156	96,618 (b)
1978 - 1979	5,836	151	91,929 (b)
1979 - 1980	5,679	150	87,679 (b)
1980 - 1981	5,313	150	84,379 (b)
1981 - 1982	5,167	150	82,632 (b)
1982 - 1983	5,019	150	82,353 (b)
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

(a) Including principals

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

**NUMBER AND DISTRIBUTION OF INSTRUCTIONAL STAFF  
LAST TEN YEARS**

TABLE 9

CLASSIFICATIONS	1992 - 1993	1993 - 1994	1994 - 1995	1995 - 1996	1996 - 1997	1997 - 1998	1998 - 1999	1999 - 2000	2000 - 2001	2001 - 2002
<b>Senior High and Middle Schools:</b>										
Principals .....	36	36	37	37	37	37	37	37	37	38
Assistant Principals .....	105	105	105	117	118	120	119	111	116	113
Teachers .....	<u>2,435</u>	<u>2,435</u>	<u>2,453</u>	<u>2,473</u>	<u>2,434</u>	<u>2,456</u>	<u>2,491</u>	<u>2,425</u>	<u>2,320</u>	<u>2,291</u>
Total .....	<u>2,576</u>	<u>2,576</u>	<u>2,595</u>	<u>2,627</u>	<u>2,589</u>	<u>2,613</u>	<u>2,647</u>	<u>2,573</u>	<u>2,473</u>	<u>2,442</u>
<b>Elementary Schools:</b>										
Principals .....	111	111	111	112	113	113	115	107	120	117
Assistant Principals .....	60	65	64	73	77	81	85	79	86	84
Teachers .....	<u>3,166</u>	<u>3,235</u>	<u>3,235</u>	<u>3,202</u>	<u>3,310</u>	<u>3,381</u>	<u>3,544</u>	<u>3,599</u>	<u>3,705</u>	<u>3,762</u>
Total .....	<u>3,337</u>	<u>3,411</u>	<u>3,410</u>	<u>3,387</u>	<u>3,500</u>	<u>3,575</u>	<u>3,744</u>	<u>3,785</u>	<u>3,911</u>	<u>3,963</u>
<b>Special Schools and Classes:</b>										
Principals .....	4	4	4	5	3	3	3	1	1	1
Assistant Principals .....	7	7	6	4	2	2	2	2	2	2
Teachers .....	<u>887</u>	<u>801</u>	<u>801</u>	<u>659</u>	<u>691</u>	<u>812</u>	<u>791</u>	<u>753</u>	<u>741</u>	<u>746</u>
Total .....	<u>898</u>	<u>812</u>	<u>811</u>	<u>668</u>	<u>696</u>	<u>817</u>	<u>796</u>	<u>756</u>	<u>744</u>	<u>749</u>
<b>Summary:</b>										
Principals .....	151	151	152	154	153	153	155	145	158	156
Assistant Principals .....	172	177	175	194	197	203	206	192	204	199
Teachers .....	<u>6,488</u>	<u>6,489</u>	<u>6,489</u>	<u>6,334</u>	<u>6,435</u>	<u>6,649</u>	<u>6,826</u>	<u>6,777</u>	<u>6,766</u>	<u>6,799</u>
Total .....	<u>6,811</u>	<u>6,817</u>	<u>6,816</u>	<u>6,682</u>	<u>6,785</u>	<u>7,005</u>	<u>7,187</u>	<u>7,114</u>	<u>7,128</u>	<u>7,154</u>
Superintendent, Deputy and Assistant Superintendent, Department Directors and Assistants, Guidance and Psychological Counselors, Librarians and Supervisors .	<u>533</u>	<u>588</u>	<u>587</u>	<u>790</u>	<u>711</u>	<u>747</u>	<u>763</u>	<u>766</u>	<u>708</u>	<u>735</u>
Grand Total .....	<u>7,344</u>	<u>7,387</u>	<u>7,403</u>	<u>7,472</u>	<u>7,496</u>	<u>7,752</u>	<u>7,950</u>	<u>7,880</u>	<u>7,836</u>	<u>7,889</u>

**COMPARATIVE STATEMENT OF ANNUAL SCHOOL CENSUS**  
 Children Between 4 and 19 Years of Age  
 Residing in the City of Milwaukee

<b>Years</b>	<b>Total Number of Children</b>	<b>Increase or (Decrease) Over Prior Year</b>	<b>Males</b>	<b>Increase or (Decrease) Over Prior Year</b>	<b>Females</b>
1968	201,125	(4,404)	102,844	(2,198)	98,281
1969	199,899	(1,226)	102,043	(801)	97,856
1970	197,815	(2,084)	100,734	(1,309)	97,081
1971	193,827	(3,988)	98,569	(2,165)	95,258
1972	188,169	(5,658)	95,729	(2,840)	92,440
1973	179,821	(8,348)	91,643	(4,086)	88,178
1974	172,258	(7,563)	87,713	(3,930)	84,545
1975	167,370	(4,888)	85,316	(2,397)	82,054
1976	161,099	(6,271)	81,963	(3,353)	79,136
1977	152,435	(8,664)	77,734	(4,229)	74,701
1978	148,378	(4,057)	75,519	(2,215)	72,859
1979	133,507	(14,871)	68,491	(7,028)	65,016
1980	133,639	132	68,245	(246)	65,394
1981	130,215	(3,424)	66,550	(1,695)	63,665
1982	131,748	1,533	67,085	535	64,663
1983	134,734	2,986	68,642	1,557	66,092
1984	140,729	5,995	71,689	3,047	69,040
1985	147,347	6,618	75,066	3,377	72,281
1986	148,768	1,421	75,391	325	73,377
1987	145,593	(3,175)	73,844	(1,547)	71,749
1988	148,416	2,823	75,196	1,352	73,220
1989	150,714	2,298	76,520	1,324	74,194
1990	150,723	9	76,382	(138)	74,341
1991 *	128,540	(22,183)	65,230	(11,152)	63,310
1992	144,452	15,912	73,180	7,950	71,272
1993	145,499	1,047	73,772	592	71,727
1994	149,545	4,046	75,893	2,121	73,652
1995	151,541	1,996	76,471	578	75,070
1996	151,710	169	76,778	307	74,932
1997	151,027	(683)	76,429	(349)	74,598
1998	153,227	2,200	77,533	1,104	75,694
1999	154,328	1,101	78,141	608	76,187
2000	154,977	649	78,599	458	76,378
2001	150,256	(4,721)	76,048	(2,551)	74,208
2002	149,992	(264)	76,142	94	73,850

\* Data collection method was not consistent with prior years and may not have produced accurate data.

TABLE 10

<b>Increase or (Decrease) Over Prior Year</b>	<b>Attending Public Schools</b>	<b>Attending Private Schools</b>	<b>Total Attending Schools</b>	<b>Percent Attending Schools</b>
(2,206)	129,648	45,997	175,645	87.3%
(425)	130,622	42,711	173,333	86.7%
(775)	130,617	39,851	170,468	86.2%
(1,823)	130,147	36,978	167,125	86.2%
(2,818)	128,757	33,567	162,324	86.3%
(4,262)	124,370	30,840	155,210	86.3%
(3,633)	118,890	27,974	146,864	85.3%
(2,491)	115,758	27,437	143,195	85.6%
(2,918)	113,336	26,475	139,811	86.8%
(4,435)	104,619	25,078	129,697	85.1%
(1,842)	100,859	26,275	127,134	85.7%
(7,843)	93,296	26,011	119,307	89.4%
378	91,069	25,436	116,505	87.2%
(1,729)	82,520	31,238	113,758	87.4%
998	80,683	29,623	110,306	83.7%
1,429	83,148	31,149	114,297	84.8%
2,948	87,243	31,601	118,844	84.4%
3,241	93,406	31,464	124,870	84.7%
1,096	96,520	30,961	127,481	85.7%
(1,628)	94,744	30,997	125,741	86.4%
1,471	98,438	31,140	129,578	87.3%
974	99,988	29,988	129,976	86.2%
147	99,079	29,346	128,425	85.2%
(11,031)	86,407	27,012	113,419	88.2%
7,962	100,017	28,346	128,363	88.9%
455	100,728	27,956	128,684	88.4%
1,925	103,452	28,196	131,648	88.0%
1,418	106,886	27,816	134,702	88.8%
(138)	106,910	27,931	134,841	88.9%
(334)	107,121	27,455	134,576	89.1%
1,096	108,786	27,723	136,509	89.1%
493	111,712	27,207	138,919	90.0%
191	110,397	28,342	138,739	89.5%
(2,170)	107,905	26,479	134,384	89.4%
(358)	109,852	25,066	134,918	90.0%

**ANNUAL ENUMERATION OF CHILDREN RESIDING  
IN THE CITY OF MILWAUKEE  
AS OF JUNE 30, 2002**

TABLE 11

Ages	Males	Females	Total	Attended Public School	Attended Parochial or Private School	Did Not Attend School
0	879	817	1,696	0	0	1,696
1	2,893	2,833	5,726	0	0	5,726
2	3,323	3,210	6,533	0	0	6,533
3	<u>3,772</u>	<u>3,664</u>	<u>7,436</u>	<u>255</u>	<u>91</u>	<u>7,089</u>
Total	<u>10,867</u>	<u>10,524</u>	<u>21,391</u>	<u>255</u>	<u>91</u>	<u>21,044</u>
4	3,920	3,781	7,701	1,637	369	5,690
5	4,481	4,392	8,873	5,073	915	2,885
6	4,899	4,700	9,599	6,778	1,443	1,378
7	5,018	4,814	9,832	7,507	1,785	539
8	5,073	4,924	9,997	7,979	1,808	208
9	5,150	5,022	10,172	8,244	1,821	107
10	5,297	5,051	10,348	8,378	1,881	89
11	5,191	5,035	10,226	8,307	1,826	92
12	5,127	5,151	10,278	8,237	1,938	103
13	4,980	4,770	9,750	7,843	1,802	105
14	4,730	4,525	9,255	7,464	1,689	102
15	4,585	4,436	9,021	7,371	1,516	133
16	4,475	4,448	8,923	7,333	1,430	159
17	4,443	4,240	8,683	7,038	1,380	264
18	4,186	4,105	8,291	6,203	1,284	802
19	4,587	4,456	9,043	4,460	2,179	2,401
Total 4 - 19	<u>76,142</u>	<u>73,850</u>	<u>149,992</u>	<u>109,852</u>	<u>25,066</u>	<u>15,057</u>
Grand Total	<u><u>87,009</u></u>	<u><u>84,374</u></u>	<u><u>171,383</u></u>	<u><u>110,107</u></u>	<u><u>25,157</u></u>	<u><u>36,101</u></u>

**POPULATION AND PUPILS  
RESIDING IN THE CITY OF MILWAUKEE  
LAST TEN YEARS**

TABLE 12

	<b>1992- 1993</b>	<b>1993- 1994</b>	<b>1994- 1995</b>	<b>1995- 1996</b>	<b>1996- 1997</b>	<b>1997- 1998</b>	<b>1998- 1999</b>	<b>1999- 2000</b>	<b>2000- 2001</b>	<b>2001- 2002</b>
Total number of school age children according to city wide child census .....	145,499	149,545	151,541	151,710	151,027	153,227	154,328	154,977	150,256	149,992
Enrollment for State Aid:*										
Third Friday .....	99,481	100,767	100,652	101,060	103,507	106,337	104,249	103,660	101,744	101,618
Summer School .....	<u>850</u>	<u>222</u>	<u>221</u>	<u>240</u>	<u>255</u>	<u>196</u>	#####	<u>1,819</u>	<u>1,585</u>	<u>1,113</u>
Total .....	100,331	100,989	100,873	101,300	103,762	106,533	105,765	105,479	103,329	102,731
Average Number Enrolled:										
Senior High .....	19,675	24,568	24,202	25,514	25,618	25,851	25,433	26,009	25,157	25,389
Junior High/Middle .....	16,413	14,399	14,327	14,273	21,863	21,992	21,860	22,039	22,841	23,974
Elementary .....	<u>55,878</u>	<u>53,601</u>	<u>63,346</u>	<u>65,182</u>	<u>58,320</u>	<u>58,866</u>	<u>58,375</u>	<u>57,567</u>	<u>55,571</u>	<u>53,940</u>
Total .....	91,966	92,568	101,875	104,969	105,801	106,709	105,668	105,615	103,569	103,303
Average Number Attending:										
Senior High .....	15,694	20,146	18,394	19,084	19,188	19,758	19,382	20,463	19,396	19,727
Junior High/Middle .....	14,346	12,499	12,221	12,275	18,758	18,746	18,603	19,168	19,848	20,927
Elementary .....	<u>51,346</u>	<u>49,556</u>	<u>57,898</u>	<u>60,228</u>	<u>53,888</u>	<u>54,510</u>	<u>53,848</u>	<u>53,880</u>	<u>51,846</u>	<u>50,240</u>
Total .....	81,386	82,201	88,513	91,587	91,834	93,014	91,833	93,511	91,090	90,894

\* Non-resident and choice students not included.

**CITY OF MILWAUKEE  
CONSTRUCTION, BANK DEPOSITS, AND PROPERTY VALUE  
LAST TEN YEARS  
(IN THOUSANDS)**

Year	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Bank Deposits (A)</u>
	Number of Permits	Value	Number of units	Value	
1992	50	43,193	384	15,965	10,902,215
1993	57	41,785	290	20,084	11,173,595
1994	68	43,548	203	11,796	11,819,678
1995	71	39,983	390	20,776	13,013,020
1996	77	37,780	183	12,122	16,205,221
1997	86	161,479	345	27,512	17,921,013
1998	79	68,042	589	45,257	20,832,537
1999	95	128,344	203	20,442	15,975,126
2000	88	99,968	352	35,184	17,926,606
2001	99	106,537	542	99,106	23,185,907

(A) Firstar Bank - Milwaukee was purchased by Firstar Bank - Cincinnati in October, 1999, and is no longer included.

Sources: Construction data from the City of Milwaukee Department of Neighborhood Services. Bank deposits at year-end as reported to U.S. Federal Reserve, Chicago, except for 1991, which is September 30, 1991 deposits amount. Equalized Property Value is determined by the State of Wisconsin. Nontaxable property value is estimated by the City of Milwaukee, Assessor's Office.



TABLE 13

Real Property Value		Non-taxable
Commercial	Equalized Residential	
4,998,917	7,075,739	3,409,892
5,006,339	7,298,070	3,547,799
5,175,813	7,521,850	3,599,941
5,268,072	7,911,127	3,448,884
5,388,417	8,246,386	3,497,462
5,409,709	8,501,628	3,525,520
5,475,827	8,859,451	3,566,982
6,221,962	9,683,606	3,456,294
6,241,899	10,187,868	3,384,708
7,011,654	11,364,344	3,422,534

**CITY OF MILWAUKEE  
PRINCIPAL TAXPAYERS  
December 31, 2001  
(IN THOUSANDS)**

TABLE 14

Taxpayer	Type of Business	2001 Assessed Valuation	Percentage of Total Assessed Valuation
First Security Bank N.A./Firststar	Banking	\$ 197,383	1.12 %
Northwestern Mutual Life Insurance Company	Insurance	166,879	0.94
Teachers Insurance & Annuity Association of America	Real Estate	103,316	0.58
Towne Realty	Real Estate	82,697	0.47
Marcus Corporation	Hotels/Motels/Restaurants	75,214	0.43
Great Lakes REIT LP	Real Estate	68,095	0.38
Miller Brewing	Brewery	65,832	0.37
Metropolitan Associates	Real Estate	63,592	0.36
Allen Bradley Company	Electric Motors, Electronic Components, Control Division	56,649	0.32
100 E. Wisconsin Joint Venture	Real Estate	<u>55,166</u>	<u>0.31</u>
Total		<u><u>\$ 934,823</u></u>	<u><u>5.28 %</u></u>

Source: City of Milwaukee, Assessor's Office