Milwaukee Public Schools
Milwaukee, Wisconsin

2011

Comprehensive Annual Financial Report

For the Year Ended June 30, 2011

152nd Edition

152nd EDITION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

BOARD OF SCHOOL DIRECTORS

MILWAUKEE PUBLIC SCHOOLS

5225 West Vliet Street

Milwaukee, Wisconsin

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

MICHAEL BONDS, President

GREGORY E. THORNTON, Ed.D, Superintendent

Prepared by:

The Office of the Chief Financial Officer

Gerald J. Pace, Esq.

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MILWAUKEE PUBLIC SCHOOLS

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

December 14, 2011

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, 2011. The Comprehensive Annual Financial Report is management's financial report to taxpayers, governing board, oversight bodies, voters, employees, and intergovernmental grantors. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District ("District"). To the best of our knowledge and belief, the information presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of MPS. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

REPORTING ENTITY

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

The City is located 70 miles north of the city of Chicago on the western shores of Lake Michigan. The City has a population of approximately 595,000 based on 2010 U. S. Census Bureau Data. The District operates more than 160 sites, has over 81,000 students, and employs over 10,090 educators, administrators, and staff. The Superintendent, appointed by the Board, is the senior official representing MPS.

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

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

LOCAL ECONOMIC ANALYSIS

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

Based upon the Metropolitan Milwaukee Association of Commerce’s August 2011 Economic Trends, August’s seasonally unadjusted unemployment rate average of 8.0% is lower than the 8.5% rate posted one year ago. Currently, the metro Milwaukee area’s jobless rate ranks higher than the state’s 7.3% but lower than the 9.17% rates posted nationally.

The City continues to maintain high bond ratings from three of the major agencies. AA from Standard & Poor’s Corporation, AA+ from Fitch Ratings, and Aa1 from Moody’s Investors Service, Inc. was received on recently issued general obligation bonds of the City.

MAJOR INITIATIVES

While the goals of the District are simple, the work is complex as it relates to the health and success of every student enrolled in Milwaukee Public Schools. The goals are the following:

- Student Achievement
- Effective and Efficient Operations
- Student and Family Support

The following update reflects what has occurred relative to staff time, energy and resources over the course of the 2010-11 school year (FY11).

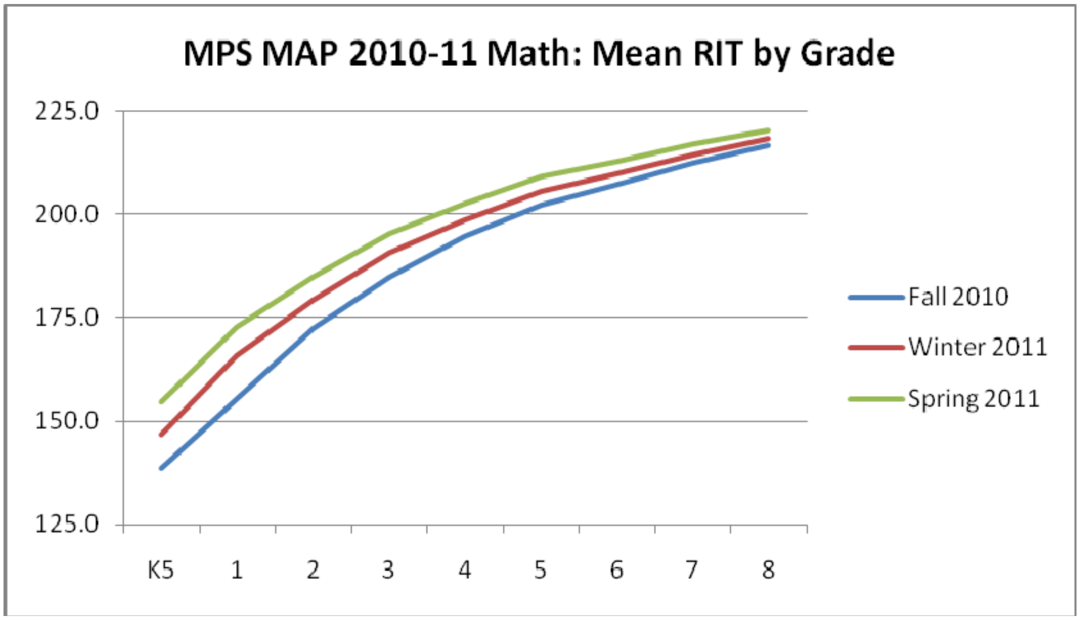
Student Achievement

Transformational work in student achievement had a solid start in fiscal year 2011. Significantly, the District began implementation of the Comprehensive Literacy Plan (CLP), with the first emphasis on K-8 reading. The CLP replaced the multiple reading programs in MPS schools with one consistent approach. The effort started with the retraining of more than 3,000 teachers on the methods and structure of the plan. The literacy materials that were distributed included 43,000 new textbooks, look-for guides, videos and pacing guides for instructors.

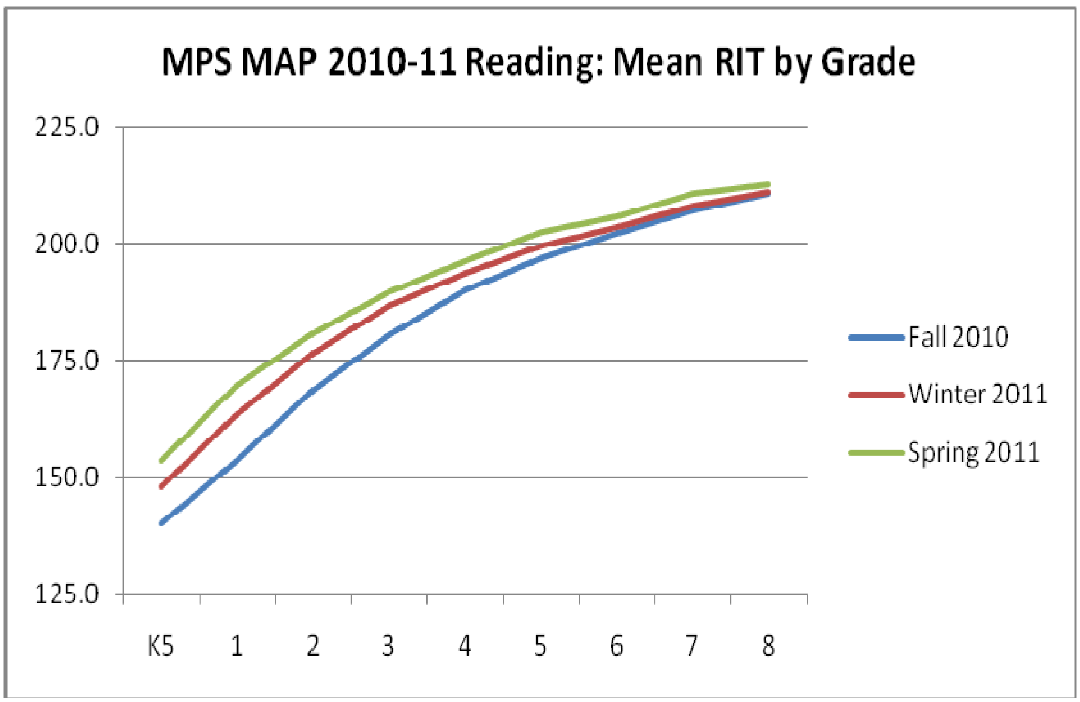
The WKCE (Wisconsin Knowledge and Concepts Examination) was administered in November, two months after the CLP was introduced. Reading proficiency as measured on the WKCE rose approximately two full percentage points across all grades assessed compared to the year before. The District’s proficiency rate totaled 59.3%, compared to 57.4% in 2009-2010. Individual grades varied from these overall trends. In reading, five (3, 4, 5, 6, 7) of the seven grades assessed showed an increase in proficiency compared to the year before while grade eight was unchanged and grade ten declined slightly. Gaps still remain between MPS student performance and that of their peers across the state, yet the results were encouraging.

Increased instructional time, along with clear expectations and monitoring for accountability, set a pace for both literacy and math in the schools. Increased leadership presence in the classrooms meant principals were observing and providing support and feedback to teachers on their instructional practice. These efforts were boosted with support from literacy coaches and professional development that provided aligned guidance on classroom observation and effective feedback. The Chief Academic Officer directed a coordinated effort to provide high-quality professional development across all categories: teacher, coach, and school leader. Saturday Academies, made possible with Federal ARRA (American Recovery & Reinvestment Act) funding, extended the ability of the Curriculum and Instruction Department to enhance instruction in MPS.

The districtwide universal screener/benchmark assessment system MAP (Measures of Academic Progress™) was implemented in the fall of 2010. MAP tests determine a child’s instructional level and measure academic growth throughout the school year, and from year to year in the areas of reading and math. MAP results showed gains from fall to spring in math and reading, from kindergarten through grade eight.



*RIT scales are built from data about the performance of individual examinees on individual items.



With the process underway to reform literacy instruction, attention turned in February to the development of the Comprehensive Mathematics and Science Plan (CMSP) which, like the CLP, would be designed to eliminate multiple District approaches to instruction in those two curricular areas. Community input, earmarked by the participation of business and industry representatives, helped shape the CMSP, to be implemented in school year 2011-2012.

New Regional Structure

The MPS District, encompassing 96-square miles, was divided into regions in 2010-2011. The regional structure was introduced by Superintendent Thornton as a way to provide more direct administrative oversight and support for groups of schools. Five of the regions reflected geographic areas of the city: Central, Northwest, East, South and West, while three regions were “overlays”, in that they provided structure for *categories* of schools (the Charter and Partnership regions) or schools singled out for reforms (the Metro region). Regional Executives, many of who were former principals, assumed leadership roles. They established expectations aligned with the goals for achievement and school climate, set the bar for accountability, provided fiscal oversight and led monthly professional development for school leaders within their regions.

Instruction
MPS efforts to meet Department of Public Instruction requirements for all teachers to be “highly qualified” were successful, with MPS reaching a goal of more than 98% of all teachers listed as highly qualified in 2010-2011. A study by the Wisconsin Center for Education Research showed an equitable distribution of these teachers in MPS schools.

Additional Charter Options
MPS increased its market share for education services in Milwaukee with approval in 2010-11 of eight charter schools that opened in September 2011. The objective was to provide more options to Milwaukee families. The new additions include two campuses for Milwaukee College Prep, which brings to the District its reputation for high expectations and high performance.

Significant in the effort to create these new charter options was the community-driven effort to re-open a high school in the North Division complex, a facility in a key location on the near north side that last housed a comprehensive high school in 2004. The “new” North Division High School replaces Milwaukee African American Immersion School under the federal School Improvement Grant restart model. The Restart Model was also applied to Custer High School in the 2010-11 school year, and the resulting charter operation, School of Career and Technical Education, offers project-based curriculum at the former Custer campus.

Attendance
Student attendance improved in 2010-11. Districtwide attendance rose by two full percentage points, from 88.1% to 90.1%. This is the highest overall attendance rate reported for the District in more than 15 years. It is also the largest annual increase over that time. Increased emphasis on attendance and the issues of truancy are credited, along with an enhanced parent notification system, *Alert Now*, introduced at the start of the school year, enabling schools to trigger automated calls to parents on an hourly basis, thus helping to emphasize the importance of hourly class attendance.

Overall, roughly 65% of all schools in the District recorded an increase in attendance rate in 2010-11 compared to the year before, with the largest increases reported at high schools. Most encouraging was the increase in attendance in the Metro Region, where almost half of all high school-aged students are enrolled.

Attendance rates for each region:

Region	**2010-11**	**2009-2010**	**VARIANCE**
Central	92.7%	92.2%	0.5%
Charter	91.5%	90.6%	0.9%
East	91.0%	90.3%	0.7%
Metro	81.2%	73.7%	7.5%
Northwest	90.1%	89.6%	0.5%
Partnership	76.0%	76.0%	0.0%
South	91.3%	89.4%	1.9%
West	92.6%	92.1%	0.5%

Suspensions
There were fewer student suspensions in 2010-11. The District suspension rate went from 26% to 20.4%, a drop of 5.6%, which resulted in the recovery of more than 38,000 student days. This is the lowest number of student suspensions in more than 10 years. The suspension rate for the least serious category, learning environment disruption, declined to 46% in 2010-11. This category accounted for 71% of all suspensions only three years ago. Nearly 80% of all MPS schools recorded a decrease in their student suspension rates in 2010-11 compared to the year before.

Suspension rates (number of students) for each region:

Region	2010-11	2009-10	VARIANCE
Central	1,969	2,297	-14.3%
Charter	1,635	1,880	-13.0%
East	3,327	3,646	-8.7%
Metro	3,901	5,766	-32.3%
Northwest	2,959	3,417	-13.4%
Partnership	731	878	-16.7%
South	1,712	2,033	-15.8%
West	2,448	2,892	-15.4%

Other significant developments in student achievement:

- The LRE (Least Restrictive Environment) pilot project during spring 2011 paves the way for a larger, Districtwide plan for professional development and support for all MPS schools, to be fully implemented next school year.
- The leveraging of the Talent Development Fund to ensure art, music and physical education in K-8 schools despite significant staff cuts.
- Improved special education customer service and compliance.
- More strategic relationships with partners and institutions of higher learning.
- Consistent parental outreach for Supplemental Education Services (SES) resulted in increased attendance for this state-required resource, with 77% of students enrolled attending the tutoring.
- MPS Academy of Accelerated Learning became the first public Wisconsin elementary school authorized as an International Baccalaureate Primary Years Programme.

<u>Effective and Efficient Operations</u>
Progress has been made toward achieving and maintaining effective, efficient operations in FY 2011.

Driven by two equally compelling needs to move students into programs that serve them better and to save taxpayer funds, the District made significant changes to its inventory of school buildings. MPS owns and maintains over 18.1 million square feet of building area, and operated 184 school programs in 141 buildings (a number of them sharing sites). The changes approved by the Milwaukee Board of School Directors in FY11 include:

- Ten schools closed (Cornerstone Achievement Academy, El Puente High School, Garden Homes Montessori, Genesis High School, Lady Pitts Program for School Aged Parents, Spotted Eagle High School, Wisconsin Learning Transition Success Center, Vel Phillips School for the Arts and Technology, Washington High School, and Phillis Wheatley School).
- Six schools merged to become three schools. Hopkins Street School and Lloyd Street School merged at the end of the school year at the Hopkins site, and will be known as Hopkins Lloyd Community School, and Martin Luther King, Jr. Elementary School merged with Green Bay Avenue School and will retain the King name and operate at the King site. Finally, Fritsche Middle School and Bay View High School merged programs, and will continue as Bay View Middle and High School, featuring grades 6 to 12.
- Tippecanoe School and Dover Street School were moved to the Fritsche campus, which they now share.

- The following schools were relocated and have new names: Thirty-fifth Street School became Barack Obama K-8 School and shares a campus with School of Career and Technical Education. The school formerly known as Kilmer High School was renamed James E. Groppi High School and moved to the building that once housed 27th Street School.

- Six schools were reorganized using School Improvement Grant funds (ALAS, School of Career and Technical Education, Hamilton High School, North Division High School, Northwest Secondary School, and Washington High School of Information Technology)

The District modified its lease rate structures to attract more MPS non-instrumentality charter schools to MPS buildings. As a result, two new non-instrumentality charter schools opened in August 2011 under the banner of Milwaukee College Preparatory, one in the facility made vacant by the merger of Hopkins and Lloyd, and the other in a facility that once housed an MPS school on N. 38th Street.

The sale of the former Jackie Robinson Middle School was completed in July 2011. The school was sold to a developer who plans 64 units of senior and residential housing, and also plans the construction of 14 senior rent-to-own homes on the 4.5 acres that surround the Robinson building.

Phase 1 of the Facilities Master Plan was completed in June 2011, and work began on the deeper visioning of what the District's physical footprint should be. The Phase II work included a plan for community input, and utilized current census and housing data. Phase II provides a basis for decision-making in the updating, sale or demolition of MPS properties.

Labor Agreements
The MPS administration worked collaboratively with organized labor units to achieve agreement on contracts early in the 2010-11 school year. The District's largest employee union, the MTEA (Milwaukee Teachers' Education Association), agreed to a four-year contract retroactive to 2009, and running through 2013. Health care changes in the new MTEA contract, including employee premium contributions, are expected to save up to $50 million over the next two years. Principals and other administrators, members of the ASC (Administrators and Supervisors Council), also negotiated an agreement in 2011. It requires members to make pension contributions, anticipated to save the District $2.7 million in FY12.

Personnel
Retirements in the final months of the school year led to an unprecedented 52 principal openings. The Office of Human Resources, working with the Office of School Administration, created individual school descriptions and postings and, over three months, mounted a hiring process that featured three levels of interviews, starting with parents and staff and ending with the Superintendent.

Six Sigma
An initial round of Six Sigma projects was planned in 2011 and are well underway to successful completion. Six Sigma is a method for improving quality by reducing process defects. Selected MPS Central Services staff members received Six Sigma training and were assigned projects. The projects included management of textbooks, the assignment of special education students, and the District's process for volunteer, recruitment, and training. Once they successfully complete two projects, Six Sigma project managers will earn the title of "black belt". Metrics to measure progress will emerge in future phases for each project.

Financial Operations
There were three key developments in financial operations at MPS. The District received an "unqualified" opinion from external auditors on District financial reports for FY10; there was a successful audit of the District's use of federal stimulus dollars (through the American Recovery and Reinvestment Act); and the District received the Certificate of Excellence from the Government Finance Officers Association for FY10 financial reports, the highest form of recognition in governmental accounting and financial reporting.

Other significant developments in operations:

- Newly negotiated bus contracts resulted in $2 million in savings.

- A switch in vendors for District telephone service and internet providers will yield annual combined savings for the District of more than $700,000.

- Changes in procurement routines yielded cost savings of $3.8 million on bids and RFPs issued during FY11.

- Student data was moved to "cloud storage" (virtual servers hosted by third parties).

- Classified staffing began using an online tool called TAM (Talent Management Model), allowing the District to create and manage job openings and track staffing requests.

- Meals programming for students was expanded to dinner service at all CLC (Community Learning Center) sites.

- MPS' budget analysts designed and conducted FY12 budget review sessions with over 180 school communities, in a new effort to provide consistent oversight on schools' projected spending.

At the end of FY11, a significant financial challenge was handed MPS. Unprecedented cuts to public education were proposed by Wisconsin's governor and later made into law in the 2011-13 state budget. When compared to fiscal year 2010, the District will lose a total of $166 million over a two-year period (fiscal year 2011 and fiscal year 2012).

Taking action in the face of the State cuts to District funding, and the end of federal stimulus dollars, the District finalized a $1.1 billion budget for FY12, a plan that is more than $182 million less than the budget for FY11. In late June, a total of 519 employees were laid off, and another 514 vacant positions were eliminated.

<u>Student and Family Support</u>

The MPS annual School Climate Survey showed 96% of parents in 2010-11 reported they "agree" or "strongly agree" that the school their children attend has a friendly and welcoming atmosphere. Ninety- two percent of parents also "agree" or "strongly agree" that students at their child's school are given challenging work and that their school makes sure that classrooms are safe and orderly. These percentages are up 4 to 5 points over the last five years. Student and family support is critical in a District where 82% of the students qualify for free/reduced lunch, an indicator their families are living at or below the poverty level. The District serves approximately 91,000 meals daily, providing a nutritional life-line to a community where it is estimated one in four people is dependent on food stamps.

School nursing services were provided in 135 school buildings in conjunction with partners, and there were more than 164,077 school nurse visits, resulting in a 91% return to class rate. This number does not include medications and treatments given on a regular basis at school, as well as advocacy and outreach efforts aimed at influencing and improving the social determinants of health for our children and families.

Community partnerships continue to provide added value for direct health services to MPS students. Partners include Aurora Health Care, Aurora Visiting Nurse Association, Children's Hospital and Health System, Columbia-St. Mary's, St. Elizabeth Ann Seton Dental Clinic, Froedtert Memorial Lutheran Hospital, Medical College of Wisconsin, Milwaukee Health Department, and many other colleges, universities and community partners.

Significant nursing successes include: improved immunization rates, expanded oral health services, increased vision screening and follow-up and expanded school based health center partnerships. In addition, schools benefitted from safe and healthy school environments created by standardized health services, capacity building, and health process and outcome evaluations aimed at improving health equity and reducing health-related barriers to learning.

Families in a poverty-challenged community often do not have the resources they need to address difficult behavior challenges, and those difficulties can spill over into a school setting. Planning began in FY11 for the creation of the Transition Intervention Experience (TIE) Center. The TIE Center was conceived as a Districtwide intervention for students who repeatedly violate school/district rules. Over-aged seventh, eighth and ninth grade students will be enrolled as part of the Central Services Conference process. The TIE Center, which opened at the start of the 2011-12 school year, will feature staff to teach behaviors that will enable students return to their schools of origin and to achieve success.

PBIS (Positive Behavioral Interventions and Supports) was implemented in a total of 110 schools in 2010-11. PBIS provides staff and students with a structure for creating a calm environment, and involves adopting and reinforcing these routines for students in hallways, classrooms, cafeterias and playgrounds. Of the 110 schools using the system in 2010-11, 26 were in their second year of implementation. A remarkable 77% of the District's PBIS schools reported a reduction in suspensions. In addition, the percent of suspensions due to Learning Environment Violations, the most common reason for disciplinary action, decreased from 61% to 46% when compared to the previous year.

Online communication tools powered many of the District's connections with families. Followers of the District Twitter account (@MilwaukeeMPS) doubled in 2010-11. The District added a Facebook fan page for increased visibility and family and student connections. The Superintendent's blog, http://www.superintendent thornton.blogspot.com/ went live online in March, garnering 20,000 virtual visits in only three months.

The District Event Calendar (the DEC) was launched in April, allowing school and District staff to submit their events to an interactive online tool prominent on the MPS portal homepage. The calendar proved immediately popular with users. By the end of the fiscal year, the DEC had been visited more than 800,000 times. Most viewed items: sports events and family nights hosted by individual schools.

MPS provided before and after school programming at 56 schools in FY11. The District's Community Learning Centers (CLCs) provide a valuable service for families, many of whom have work obligations that would leave children alone before classes begin – or after classes dismiss. CLCs offer homework help, supervised games and other activities.

The MPS CLC program operated at a cost of $5.6 million in FY11, and involved extensive collaboration with nine Milwaukee area community-based organizations:

- Boys & Girls Clubs of Greater Milwaukee
- COA Youth and Family Centers
- Journey House
- Latino Community Center
- Neighborhood House of Milwaukee, Inc.
- Neu-Life Community Resource Center
- Northcott Neighborhood House
- Our Next Generation, Inc.
- Silver Spring Neighborhood Center

Families entrust MPS with their student data; protecting and maintaining that data is a critical responsibility. In FY11, there were three successful audits of student records by the Wisconsin Department of Public Instruction (DPI). Discipline records, specifically expulsion records, were randomly selected for review by DPI.

Other significant developments in student and family support:

- There were regular communications for MPS families and staff members. Letters from the Superintendent for families covered topics including bullying, budget challenges and parent/teacher conferences. In addition, the Superintendent visited with families during his Parent Coffee events, and talked with groups of teachers and other MPS staff during monthly gatherings in his office.

- School Locator debuted on the MPS portal homepage, assisting families with address-based school recommendations, streamlining their enrollment decision process.

- Family Services piloted an online registration process, paving the way for broader implementation of the service in 2011-2012.

- School Safety formed Rapid Response Teams to support schools.

- The Milwaukee Police Department provided a heightened level of training for School Safety Aides to help them deal effectively with issues such as Internet crimes and crowd control.

The administration will continue its strategic focus on the District goals of increased *student achievement* for all children, *effective and efficient operations* and *student and family support.*

ACCOUNTING SYSTEM

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

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

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

BUDGETARY CONTROL

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

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

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

AUDIT SERVICES

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

LONG TERM FINANCIAL PLANNING

As stated in the District Strategic Plan, the District's long-term financial target is to increase resources used to support instruction and instructional support to 65% by 2012. A priority is to address medical benefits to employees and retirees; including OPEB, medical benefits represent the District's second largest expenditure. Specifically, the District is taking the necessary actions to redesign the medical plan for employees and retirees to achieve sustainable benefits and a balance of employee/retiree cost sharing. This will enable the district to begin to address its primary goals commencing with the FY13 budget: 1) to provide a standard of care for students with workable class size for teachers; 2) to restore music, gym and physical education; 3) to raise student achievement; and 4) to offer comprehensive medical benefits to employees and retirees.

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

CASH MANAGEMENT

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

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

The District has funds invested in overnight repurchase agreements, money market funds, US Treasury Notes, non-governmental obligations and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. Treasury, Government or agency instruments with an A1+/P1 (Standard & Poor's and Moody's) credit rating. All of the $25,387,688 invested in money market funds are triple-A rated. The District's $4,869,130 investments in U.S. Treasury Notes is rated triple-A. The corporate bonds obligations of $1,595,478 range from triple-A rated to BAA3.

RISK MANAGEMENT

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

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

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

The District purchases commercial property insurance, auto liability insurance, errors and omissions insurance, fiduciary 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.

The only significant change in the insurance coverage from coverage provided in the prior year for the above described risks effective July 1, 2011 was a reduction in flood and earthquake coverage due to the District's flood losses and insurance market conditions. The per occurrence and annual aggregate limits for flood and earthquake decreased from $100 million to $25 million, the deductible increased from $50,000 to $250,000, and flood coverage at Riverside University High School is excluded, effective July 1, 2011, until flood mitigation work is completed at this site.

DEBT ADMINISTRATION

The City school bonds, notes and capital lease obligations outstanding at June 30, 2011 totaled $415,112,308. Of this total, $57,006,117 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 $358,106,191 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

INDEPENDENT AUDIT

The financial records of the Milwaukee Board of School Directors have been audited by Baker Tilly Virchow Krause, LLP, independent auditors. The auditors' opinion is unqualified. Such an opinion states the basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The auditors' report on the basic financial statements and schedules is included in the financial section of this report.

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

REPORTING ACHIEVEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Milwaukee Public Schools for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. We believe that our current report conforms to the Certificate program requirements. Accordingly, we are submitting it to GFOA to determine its eligibility for certification.

ACKNOWLEDGMENTS

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

Respectfully submitted,

GREGORY E. THORNTON, Ed.D	GERALD J. PACE, Esq.
SUPERINTENDENT OF SCHOOLS	CHIEF FINANCIAL OFFICER

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BOARD OF SCHOOL DIRECTORS

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

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

STANDING COMMITTEES

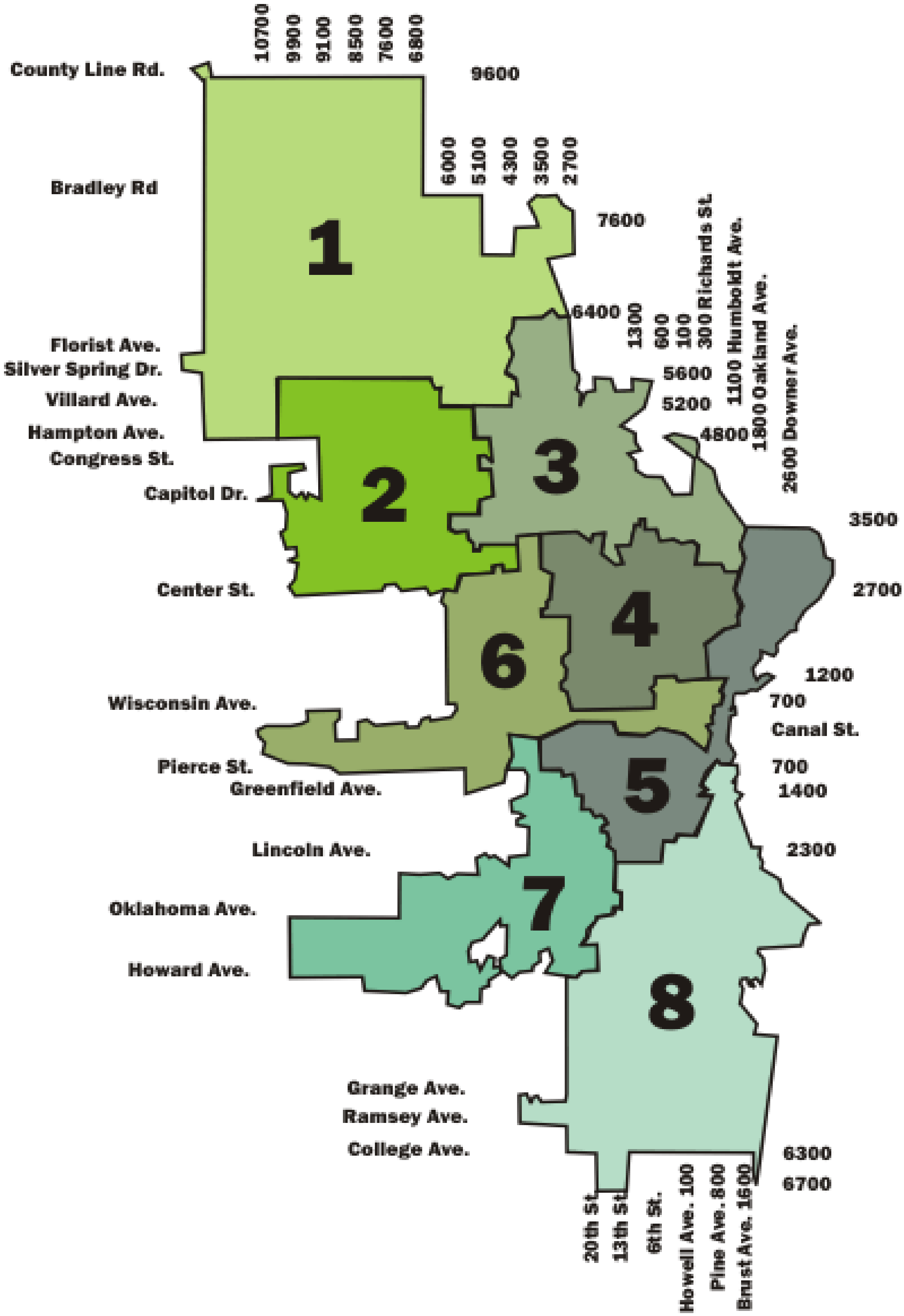
INNOVATION/SCHOOL REFORM COMMITTEE
Directors Miller (Chair), Falk (Vice-chair), Spence, Voeltner, Woodward

LEGISLATION, RULES AND POLICIES COMMITTEE
Directors Blewett (Chair), Holman (Vice-chair), Bonds, Falk, Spence

ACCOUNTABILITY/FINANCE AND PERSONNEL COMMITTEE
Directors Bonds (Chair), Voeltner (Vice-chair), Miller, Sain, Woodward

STRATEGIC PLANNING AND BUDGET COMMITTEE
Directors Falk (Chair), Spence (Vice-chair), Blewett, Bonds, Holman, Miller, Sain, Voeltner, Woodward

PARENT AND COMMUNITY ENGAGEMENT COMMITTEE
Directors Woodward (Chair), Sain (Vice-chair), Blewett, Falk, Holman


County Line Rd.
10700
9900
9100
8500
7600
6800
9600
Bradley Rd
6000
5100
4300
3500
2700
7600
1
6400
1300
600
100
300 Richards St.
1100 Humboldt Ave.
1800 Oakland Ave.
2600 Downer Ave.
Florist Ave.
Silver Spring Dr.
Villard Ave.
Hampton Ave.
Congress St.
Capitol Dr.
5600
5200
4800
2
3
3500
Center St.
2700
4
6
1200
Wisconsin Ave.
700
Canal St.
Pierce St.
Greenfield Ave.
700
1400
5
Lincoln Ave.
2300
7
Oklahoma Ave.
Howard Ave.
8
Grange Ave.
Ramsey Ave.
College Ave.
6300
6700
20th St.
13th St.
6th St.
Howell Ave. 100
Pine Ave. 800
Brust Ave. 1600

MILWAUKEE PUBLIC SCHOOLS
ADMINISTRATIVE OFFICERS

SUPERINTENDENT OF SCHOOLS	Dr. Gregory E. Thornton
Chief of Staff	Ms. Naomi P. Gubernick
Chief Human Resources Officer	Dr. Karen R. Jackson
Chief Academic Officer	Dr. Heidi A. Ramirez
Chief Financial Officer	Mr. Gerald J. Pace
Chief Operations Officer	Ms. Michelle J. Nate
Director, Family Services	Ms. Patricia Gill
Director, School Administration	Ms. Anita M. Pietrykowski
Director, Communications & Public Affairs	Ms. Roseann St. Aubin
Coordinator, Business/Community Partnerships	Ms. Denise Callaway
Coordinator to the Superintendent	Ms. Susan Saller

Milwaukee Public Schools Organizational Chart APPROVED July 29, 2010

Citizens of Milwaukee

Board of School Directors

Office of Board Governance
- Audit/Review Services
- Clerk Services
- Contracted Schools Advocacy Services
- Constituent Ombudsperson & Board Information Services
- Legislative Services

Superintendent of Schools

Office of the Superintendent
- District and School Improvement
- Communications and Public Affairs
- Community and Business Partnerships
- Performance Management
- Strategic Planning
- Grants Development

Accountability & Efficiency
- Contract Compliance
- Financial and Revenue Reporting

Office of the Chief Academic Officer
- Curriculum and Instruction
  - Instructional Materials/Resources
  - Academic Programming (Early Childhood, Multicultural/ Multilingual, AP/IB, G&T, HS Reform, Guidance)
  - Instructional Design/Support
- Specialized Services
  - Special Education
  - Social Work, Parent/ Community Services
  - Psychological Services, Speech/ Language, Health
- Research and Evaluation

Office of School Administration
- Leadership Support and Accountability
- Contracted School Services
- School Safety
- Extended Learning Opportunities

Office of Human Resources
- HR Operations and School Support Services
- Labor Relations
- Orientation, Induction, Training and Evaluation
- Recruitment and Staffing
- Benefits and Insurance Services

Office of Family Services
- Support Services
  - Positive Behavioral Interventions and Supports
  - Safe Schools/Healthy Students
  - Nursing
- Student Services
  - Co-Curricular
  - Student Enrollment
  - Homeless Education
  - Student Discipline
  - Student Records
- Parent Services
  - Parent Resources
  - Parent Organizations
- Faith-Based Connections
- Volunteers

Office of the Chief Operations Officer
- Facilities and Maintenance Services
- Environmental Services
- Facilities Design and Planning
- School Nutritional Services
- Technology
- Transportation
- Recreation

Office of the Chief Financial Officer
- Financial Operations
- Risk Management
- Grants Administration
- Payroll
- Comptroller
- Accounting
- Accounts Payable
- Accounts Receivable
- Procurement

Organizational Development

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, 2010.

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, 2010

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.

President

Executive Director

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FINANCIAL SECTION

Baker Tilly Virchow Krause, LLP
115 S 84th St, Ste 400
Milwaukee, WI 53214-1475
tel 414 777 5500
fax 414 777 5555
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public School ("District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District adopted the provisions of Governmental Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

To the Board of Directors
Milwaukee Public Schools

In accordance with *Government Auditing Standards,* we have also issued our report dated December 14, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress and employer contributions as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
December 14, 2011

INTRODUCTION

This discussion and analysis of the financial performance of Milwaukee Public Schools (MPS or the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. The intent of the management discussion and analysis is to look at the financial performance of MPS as a whole. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

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

- Total net assets of MPS decreased to ($126.1 million) at June 30, 2011, from ($20.9 million) at June 30, 2010, a decline of approximately $105.2 million, or 502.5%. Of this decrease, $131.4 million is attributable to the increase in the District's Other Post Employment Benefits (OPEB) liability at year-end.
- Total revenues increased to $1.296 billion in fiscal year 2011, up from $1.267 billion in fiscal year 2010, an increase of approximately 2.3%.
- Total expenses decreased to $1.401 billion, down from $1.406 billion for the year ended June 30, 2010, a decrease of 0.4%. The decrease is largely attributable to the cost of the Net Pension Asset.

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

- Total fund balances of the District's governmental funds decreased $2.9 million in fiscal year 2011. This decrease included a $413,700 decline in the General Fund, a $2.4 million decrease in the Construction Fund, a $97,151 decrease in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The decrease in the General fund balance is the result of the net of a decrease of $3.4 million budgeted use of applied surplus, a $2.5 million transfer to the Construction Fund to finance debt service paid on outstanding bonds, plus increased revenues of $3.8 million and $1.7 million in handicapped aid and tax increment financing, respectively.
- The decrease in the Construction fund balance is the result of payments for projects previously borrowed with American Recovery and Reinvestment Act (ARRA) funds.
- The $97,151 decrease in the School Nutrition fund balance is attributable to retroactive contract settlements.
- Total fund balances for all governmental funds at June 30, 2011 were $134.0 million. Of this amount, $5.9 million was nonspendable, $19.8 million was restricted for self-insurance, debt service, and flex spending, $44.6 million was committed for construction, $1.1 million was assigned, and $62.6 million remains unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

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

3. Required Supplementary Information (RSI)

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

The **Management's Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2011. It includes an overview of the financial statements of the District and a report on the budgetary highlights.

The **Basic Financial Statements** section includes both *Government-wide* and *Fund Financial Statements*. *Government-wide financial statements* report information about MPS as a whole, using accounting methods similar to those used by private sector companies. Two government-wide statements are presented. The **statement of net assets** includes all of the District's assets and liabilities of the governmental funds. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net assets. The **statement of activities** includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of these government-wide statements is to present a snapshot of the District's *net assets,* and to provide an explanation of material changes that occurred since the prior year. Net assets—the difference between assets and liabilities—is one way to measure the District's financial strength.

The *fund financial statements* provide detailed information about the District's significant *funds*, rather than MPS as a whole. A *fund* is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. Funds are created to carry on specific activities or attain certain objectives in accordance with special regulations or limitations. There are three types of funds: governmental, proprietary, and fiduciary. MPS does not have any proprietary funds. Table 1 summarizes various features of each of these funds.

Table 1

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets

Total net assets decreased from the prior year by $105.2 million. This decrease is largely the result of a $131.4 million increase in the District's Other Post-Employment Benefit (OPEB) liability. The Government Accounting Standards Board Statement 45 requires MPS to report its OPEB liability beginning with the 2008 fiscal year. The District's OPEB obligation at June 30, 2011 was $520.6 million. This amount reflects the unfunded portion of the fiscal year 2011 cost of healthcare benefits owed to current and future MPS retirees. The District's total OPEB liability as actuarially determined at July 1, 2009 is $2.398 billion.

MPS ended its fiscal year with net assets of ($126.1 million), of which $499.8 million was invested in capital assets (net of related debt), $11.2 million was restricted for debt service, and ($637.1) million was an unrestricted deficit. The unrestricted deficit is the result of the OPEB liability noted above as well as the District's pension liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of $168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2011 the balance of the outstanding pension debt grew to $179.2 million due to the fact the pension financing includes capital appreciation securities which accrete over time.

MILWAUKEE PUBLIC SCHOOLS

Table 2

Condensed Statement of Net Assets

(in thousands)

	Governmental Activities		
	2011	**2010**	**Difference**
Capital assets, net	$ 625,418	$ 628,002	$ (2,584)
Noncapital assets	286,614	276,860	9,754
Intangible assets	12,985	11,822	1,163
Total assets	925,017	916,684	8,333
Current liabilities	137,288	140,125	(2,837)
Noncurrent liabilities	913,866	797,495	116,371
Total liabilities	1,051,154	937,620	113,534
Net assets:			
Invested in capital assets, net of related debt	499,760	494,531	5,229
Restricted	11,248	4,700	6,548
Unrestricted (deficit)	(637,145)	(520,167)	(116,978)
Total net assets	$ (126,137)	$ (20,936)	$ (105,201)

Capital Assets decreased by $2.6 million. The decrease is the net result of Construction in Progress decreasing by $1.0 million, Buildings and Furniture increasing by $19.0 million, and Accumulated Depreciation increasing by $20.6 million.

Notable changes in Noncapital Assets occurred in the areas of Cash and Investments, Due from other Governments, Deferred Cash Flow Hedges-Unrealized Loss on Derivatives, and Net Pension Assets.

Cash and Investments decreased by $5.8 million and Due from other Governments increased by $10.3 million because cash spent before June 30, 2011 was not received until after June 30, 2011.

Deferred Cash Flow Hedges-Unrealized Loss on Derivatives is reported as the District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, a decrease in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net assets. For the reporting period, all the District's derivatives meet the effectiveness test. The current asset component of the decrease in fair value is $9.7 million and the noncurrent asset component is $18.2 million.

Net Pension Assets increased to $15,576,085 for the Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan and the Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers. This $15,576,085 reflects the impact of the District's contribution in excess of Annual Required Contribution (ARC) by prepaying the fiscal year 2012 obligation.

Current liabilities decreased $2.8 million in the current year due to an increase of $5.4 million in Accounts Payable and Other Current Liabilities that is primarily due to increase in accrued self insurance of $3.6 million, a decrease in Unearned Revenue of $3.1 million, a $3.8 million decrease in the Current Portion of Long-Term Obligations, and a decrease of $1.9 million in Deferred Cash Flow Hedges-Unrealized Loss on Derivatives. The decrease of $3.1 million in Unearned Revenue is attributable to a reduction in the amount of Microsoft refunds due as a result of a court-ordered settlement. The Current Portion of Long-Term Obligations decrease is primarily due to a $1.4 million decrease in worker's compensation claims and $1.8 million decrease in capital leases. The Deferred Cash Flow Hedges-Unrealized Loss on Derivatives recognizes the liability associated with the decrease in fair value of District hedges.

Noncurrent Liabilities jumped by $116.4 million primarily due to the $131.4 million increase in the OPEB liability and a decrease of $11.2 million in principal payments.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2011 with a decrease in net assets of $105.2 million, compared to a decrease of $139.3 in fiscal year 2010.

MILWAUKEE PUBLIC SCHOOLS
Table 3

Schedule of Revenues and Expenses
(in thousands)

	Governmental Activities		
	2011	**2010**	**Difference**
Program revenues:			
Charges for services	$ 12,448	$ 12,348	$ 100
Operating grants and contributions	353,888	355,599	(1,711)
Capital grants and contributions	11,533	11,118	415
Total program revenues	377,869	379,065	(1,196)
General revenues:			
Property taxes	293,506	295,833	(2,327)
Other taxes	1,730	59	1,671
Federal and state aid	618,077	590,404	27,673
Interest and investment earnings	290	759	(469)
Miscellaneous	4,637	1,076	3,561
Total general revenues	918,240	888,131	30,109
Total revenues	1,296,109	1,267,196	28,913
Expenses:			
Instruction	863,185	887,816	(24,631)
Community services	27,499	25,538	1,961
Pupil and staff services	160,716	143,518	17,198
General administration	117,817	132,145	(14,328)
Business services	169,960	159,725	10,235
School nutrition	44,205	40,555	3,650
Interest on long-term debt	17,927	17,166	761
Total expenses	1,401,309	1,406,463	(5,154)
Increase (decrease) in net assets	$ (105,200)	(139,267)	34,067

Total revenues increased $28.9 million, or 2.3% over the prior year. The greatest changes came in the areas of General- Federal and State Aid. Federal and State Aid increased by $27.7 million as a result of a $30 million increase in equalization aid. In the prior year, the state subsidized $28.8 million of equalization aid with Federal Stimulus Aid. The Federal Stimulus Aid was reported as Other Federal revenues in the prior year.

Total expenses decreased by $5.2 million, or 0.4%. This decline is primarily attributable to a decrease in Instruction $24.6 million, which is partially offset by an increase in Pupil and staff services $17.2 million. The large decrease in Instruction cost is due to $11.9 million of Net Pension Assets and $10.5 million of impaired assets written down in prior year. The increase in Pupil and staff services is primarily due to an increase in salaries and benefits of $8.3 million, $6 million in personal services and $1.1 million in general supplies.

Capital Assets

Table 4 shows that at June 30, 2011, MPS had $1.125 billion in capital assets including Land, Buildings, leasehold improvements, and Furniture and equipment. This amount represents a net increase of $21.2 million from the previous year. The primary driver of this increase is Buildings, which rose $18.8 million, and a $3.2 million increase in Software.

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

Milwaukee Public Schools
Table 4

Change in Capital and Intangible Assets

(in thousands)

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital and intangible assets:				
Land	$ 31,689	$ —	$ —	$ 31,689
Construction in progress	14,797	17,754	18,756	13,795
Buildings	960,827	18,756	—	979,583
Leasehold improvements	9,269	—	—	9,269
Furniture and equipment	48,062	928	651	48,339
Software	39,009	5,328	2,162	42,175
Total capital assets	1,103,653	42,766	21,569	1,124,850
Accumulated depreciation and amortization	(463,828)	(23,265)	(646)	(486,447)
Totals	$ 639,825	$ 19,501	$ 20,923	$ 638,403

Long-term Debt

Long-term debt at June 30, 2011 was $358.1 million with debt retirements totaling $11.2 million.

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

	July 1, 2010	Issuances	Retirements	June 30, 2011
Governmental activities:				
Americans with Disabilities Act loans	$ 11,345	$ —	$ 792	$ 10,553
TEACH loan	1,659	—	809	850
Neighborhood School Initiative bonds	99,607	—	4,127	95,480
Qualified School Construction Bonds	48,878	—	—	48,878
Qualified Zone Academy bonds	5,668	—	1,108	4,560
Pension refinancing debt	176,360	—	(2,883)	179,243
Capital leases	14,626	—	3,696	10,930
Other intergovernmental debt	11,193	—	3,581	7,612
Total debt	$ 369,336	$ —	$ 11,230	$ 358,106

The District reduced TEACH loans outstanding in the 2011 fiscal year by $809,282. The TEACH wiring loan program is sponsored by the state of Wisconsin and provides loans to schools and libraries for the purpose of installing the telecommunications wiring infrastructure necessary to provide local area networking and internet connections. This program offers a significant benefit to MPS in that one-half the amount borrowed is immediately forgiven by the state. MPS has entered into two TEACH loan agreements with the state totaling $15,144,033.

The NSI debt is part of a state of Wisconsin-sponsored program intended to increase the capacity and improve the quality of Milwaukee's neighborhood schools. The outstanding debt is in the form of revenue bonds issued by the Redevelopment Authority of the City of Milwaukee on behalf of MPS, and is secured through bond insurance and a moral obligation pledge by the state of Wisconsin. A total of $112,040,000 of NSI debt was issued, with the first tranche issued in February 2002 (Series 2002A) in the amount of $33,300,000, and the second tranche sold on November 5, 2003 (Series 2003A) in the amount of $78,740,000. On February 1, 2007 MPS completed an advance refunding of $29,260,000 of the second tranche (Series 2003A) and also retired $5.1 million of bonds from that same tranche. Approximately $4.1 million of NSI debt was retired in fiscal year 2011.

The Qualified Zone Academy Bond (QZAB) debt is in the form of lease-purchase agreements collateralized by the assets purchased with the proceeds. The QZAB program is sponsored by the Internal Revenue Service (IRS) and provides interest-free capital for the purpose of promoting academic programs in partnership with the business community. QZAB debt has been used to support the purchase of furniture and equipment, and to make building improvements at several MPS schools. Interest on the debt is paid by the IRS via tax credits to the lender. QZAB debt decreased by $1.1 million in fiscal year 2011.

In December 2003, the city of Milwaukee, in connection with an intergovernmental cooperation agreement, issued $168,051,136 in bonds on behalf of the District to refund pension-related debt for the Wisconsin Retirement System totaling $165,505,293. In June 2006, MPS spent $5.9 million to retire $8.5 million of face value pension-related capital appreciation notes. The fiscal year 2011 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

MPS has entered into capital leases for the purpose of making major modifications to five school facilities. The five include the Milwaukee Education Center (MEC), Grand Avenue School, Congress School, Craig Montessori School, and Fratney Street School. The financing vehicle for all capital leases is lease revenue bonds. In fiscal year 2010, MPS through an intergovernmental cooperation with the city of Milwaukee, issued general obligation bonds (GO bonds) sufficient to retire the lease revenue bonds associated with the capital leases for MEC and Grand Avenue School. These GO bonds have the same maturity as the refunded debt and will be retired in fiscal year 2014. The Congress, Craig, and Fratney debt will be retired in 2026. The amount outstanding at year end 2011 was $10.8 million, down $515,000 from the previous year**.**

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

FUND FINANCIAL STATEMENTS

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

- The year-end General fund balance decreased $413,700 over the prior year-end. The decrease in the General fund balance is the result of the net of a decrease of $3.4 million budgeted use of applied surplus, a $2.5 million transfer to the Construction Fund to finance debt service paid on outstanding bonds, plus increased revenues of $3.8 million and $1.7 million in handicapped aid and tax increment financing, respectively.
- The decrease in the Construction fund balance is the result of payments for projects previously borrowed with American Recovery and Reinvestment Act (ARRA) funds.
- The $97,151 decrease in the School Nutrition fund balance deficit is attributable retroactive contract settlements.

NOTES TO BASIC FINANCIAL STATEMENTS

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

BUDGETARY HIGHLIGHTS

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

In June 2010, the MPS Board of School Directors (the Board) adopted the District's fiscal 2011 budget (July 1, 2010 – June 30, 2011). The adopted budget by necessity used a *projection* of the fiscal 2011 student enrollment. In October 2010, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2010, as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state general aids and property taxes, are predicated on actual MPS enrollment.

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

In October 2010, the Board approved a revised fiscal year 2011 (FY11) General Fund expenditure budget in the amount of $1,255,763,476. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures came within 7.0% of the FY11 revised General Fund budget.

Current Economic Facts and Next Year's Budget

District enrollment declined 1.45% in fiscal year 2012 due to demographics and competition from both private and public schools. Student participation in the Milwaukee Parental Choice Program (estimated 10.3% increase in FY12 school vouchers) and Open Enrollment in suburban districts (3.6% actual increase in FY12 Open Enrollment) are major factors in declining enrollments.

In October 2011, the MPS Board approved a revised FY12 General Fund budget of $1,139,130,542. The FY11 budget includes prior year encumbrances and carryover appropriation authority and represents a 10.1% decrease over the revised 2011 general fund budget.

The state-imposed revenue limit for FY12 decreased to $823,514,126, a 6.4% decrease over FY11. The decrease is due to:

- $53.1 million decrease based on a $555.70 reduction in the per pupil revenue limit which was established in the state budget process;

- declining enrollment exemption decrease of $2.7 million; from $16.1 million to $13.4 million; and

- $108,542 decrease in the transfer of service exemption portion of the revenue limit; from $7.8 million to $7.7 million.

State general aids decreased 9.4% to $537,737,214. The change in equalization and integration aids is attributed to state formula changes that reduced aids and declining enrollment that reduced aids.

The main priority of the FY12 budget is to keep as many resources as possible in the classroom - the most important place in the district. The proposed budget:

- Increases the number of charter schools to improve market share of students in MPS.
- Begins the centralization process of school budgets to enable school leaders to spend more time on instructional leadership. The FY12 budget includes centralizing the following:
    - guidance counselor positions,
    - long-term leaves for teaching staff, and
    - extra hours for building operations staff.
- Provides additional instructional and operational support for principals.
- Funds the Transition Intervention Experience Center (TIE) to address the needs of chronically disruptive students. The center will provide interventions and supports for these students to transition back into their schools of origin.

REQUESTS FOR INFORMATION

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

Milwaukee Public Schools
Department of Finance
5225 West Vliet Street
Milwaukee, WI 53208
Or visit our website at: www.milwaukee.k12.wi.us

BASIC FINANCIAL STATEMENTS

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2011

		Governmental Activities
Assets		
Current assets:		
Cash and investments (note 2)	$	59,434,432
Accounts receivable, net (note 3)		26,289,765
Due from other governments (note 3)		87,578,622
Inventory (note 1(g))		586,777
Prepaid expenses (note 1(g))		3,032,231
Deferred cash flow hedges-unrealized loss on derivatives (note 7)		9,694,948
Total current assets		186,616,775
Noncurrent assets:		
Restricted cash and investments (note 1(d))		59,656,045
Deposits for self-insurance (note 1(l))		3,723,449
Deferred charges—bond issuance costs (note 1(m))		2,852,681
Deferred cash flow hedges-unrealized loss on derivatives (note 7)		18,188,700
Capital assets not being depreciated (note 5)		45,483,763
Capital assets being depreciated, net (note 5)		579,934,881
Intangible assets being amortized, net (note 5A)		12,984,897
Net Pension assets (note 10)		15,576,085
Total noncurrent assets		738,400,501
Total assets		925,017,276
Liabilities		
Current liabilities:		
Accounts payable and other current liabilities		82,061,978
Accrued interest payable on long-term liabilities		4,571,062
Unearned revenue (note 1(j))		18,543,351
Current portion of long-term obligations (note 7)		22,416,911
Derivative instruments liability (note 7)		9,694,948
Total current liabilities		137,288,250
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		895,677,254
Derivative instruments liability (note 7)		18,188,700
Total liabilities		1,051,154,204
Net Assets		
Invested in capital assets, net of related debt		499,760,461
Restricted for debt service		11,247,463
Unrestricted (Deficit)		(637,144,852)
Total net assets	$	(126,136,928)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2011

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expenses) revenues and changes in net assets
Governmental activities:					
Instruction	$ 863,184,570	5,270,970	284,307,386	11,532,654	(562,073,560)
Support services:					
Community services	27,499,000	1,981,562	6,693,672	—	(18,823,766)
Pupil and staff services	160,715,900	—	16,187,840	—	(144,528,060)
General, administration, and central services	117,817,193	—	—	—	(117,817,193)
Business services	169,960,141	1,962,560	7,058,695	—	(160,938,886)
School nutrition services	44,205,351	3,233,097	39,640,325	—	(1,331,929)
Interest on long-term debt	17,926,945	—	—	—	(17,926,945)
Total support services	538,124,530	7,177,219	69,580,532	—	(461,366,779)
Total school district	$ 1,401,309,100	12,448,189	353,887,918	11,532,654	(1,023,440,339)

General revenues:	
Taxes:	
Property taxes levied for general purposes	259,744,794
Property taxes levied for construction	14,729,342
Property taxes levied for debt service	5,698,454
Property taxes levied for community services	13,334,418
Other taxes	1,729,836
Federal and state aid not restricted to a specific purpose:	
General (equalization aid)	544,914,729
Other	73,161,388
Miscellaneous	4,636,939
Interest and investment earnings	289,979
Total general revenues	918,239,879
Change in net assets	(105,200,460)
Net assets—Beginning of Year	(20,936,468)
Net assets—Ending of Year	$ (126,136,928)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2011

Assets		General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	$	42,859,544	16,574,888	—	—	59,434,432
Receivables, net:						
Accounts (note 3)		26,172,180	6,000	111,585	—	26,289,765
Due from other governmental units (note 3)		64,777,266	—	9,003,260	13,798,096	87,578,622
Due from other funds (note 4)		35,336,859	—	—	—	35,336,859
Total receivables		126,286,305	6,000	9,114,845	13,798,096	149,205,246
Restricted cash and investments (note 1(d))		16,062,694	43,593,351	—	—	59,656,045
Inventories (note 1(g))		586,777	—	—	—	586,777
Prepaid expenditures (notes 1(g))		3,032,231	—	—	—	3,032,231
Deposits for self-insurance (note 1(l))		3,723,449	—	—	—	3,723,449
Total assets	$	192,551,000	60,174,239	9,114,845	13,798,096	275,638,180
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$	7,499,569	225,562	1,293,512	83,692	9,102,335
Contracts payable		8,281,431	3,758,763	20,794	—	12,060,988
Accrued salaries and wages		13,846,753	—	—	—	13,846,753
Deferred revenue (note 1(j))		24,270,471	—	14,658	—	24,285,129
Accrued claims for self-insurance (note 9)		43,922,652	—	—	—	43,922,652
Accrued pension payable (note 10)		3,101,941	—	—	—	3,101,941
Other accrued expenditures		27,309	—	—	—	27,309
Due to other funds (note 4)		—	11,585,410	10,037,045	13,714,404	35,336,859
Total liabilities		100,950,126	15,569,735	11,366,009	13,798,096	141,683,966
Fund balances (deficits):						
Non-Spendable						
Inventories		586,777	—	—	—	586,777
Prepaid Expenditures		3,032,231	—	—	—	3,032,231
Noncurrent Advances		2,251,164	—	—	—	2,251,164
Restricted:						
Self-insurance deposits		3,723,449	—	—	—	3,723,449
Debt service		15,818,504	—	—	—	15,818,504
Flex Spending		241,978	—	—	—	241,978
Committed:						
Construction		2,122	44,604,504	—	—	44,606,626
Assigned for 2012 budget appropriation		1,123,863	—	—	—	1,123,863
Unassigned		64,820,786	—	(2,251,164)	—	62,569,622
Total fund balances (deficits)		91,600,874	44,604,504	(2,251,164)	—	133,954,214
Total liabilities and fund balances	$	192,551,000	60,174,239	9,114,845	13,798,096	275,638,180

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

June 30, 2011

Total fund balances—governmental funds			$	133,954,214
Amounts reported for governmental activities in the statement of net assets are different because:				
Bond costs of issuance are capitalized at the government-wide level and amortized over the life of the related bonds				2,852,681
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmenta funds:				
Cost of capital assets	$	1,082,675,369		
Accumulated depreciation		(457,256,725)		
Net capital assets				625,418,644
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmenta funds:				
Cost of intangible assets	$	42,174,864		
Accumulated depreciation		(29,189,967)		
Net capital assets				12,984,897
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmenta funds				15,576,085
Grant and other receivables that are not collected within 90 days after year-end are not considered to be available to pay for the current period’s expenditures and, therefore, are deferred in the funds				5,741,778
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		(448,129,102)		
Bonds premium and discounts		1,445,736		
Discount on capital appreciation bonds		99,506,888		
Capital leases payable		(10,929,713)		
Accrued bond interest payable		(4,571,062)		
Compensated absences payable (vacation and sick leave)		(29,863,484)		
OPEB liability		(520,600,193)		
Workers’ compensation claims payable		(6,031,995)		
Self-insurance claims payable		(876,378)		
Life insurance benefits and other long-term liabilities		(2,615,924)		
Total long-term debt liabilities				(922,665,227)
Total net assets—government activities			$	(126,136,928)

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, 2011

		General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:						
Property tax levy	$	273,079,212	14,729,342	—	5,698,454	293,507,008
Other taxes		108,820	—	—	—	108,820
Lunchroom sales		—	—	3,226,519	—	3,226,519
Other local sources		10,920,421	909,891	6,557	—	11,836,869
Microsoft Settlement Refunds		6,706,515	—	—	—	6,706,515
State aid:						
Equalization aid		544,914,729	—	—	—	544,914,729
Special classes		49,429,225	—	—	—	49,429,225
Integration		39,158,028	—	—	—	39,158,028
Other state aid		71,938,535	3,694	1,004,873	—	72,947,102
Federal aid:						
Education Consolidation Improvement Act		121,910,586	—	—	—	121,910,586
School nutrition services		—	—	38,163,553	—	38,163,553
Erate refunds		3,346,923	—	—	—	3,346,923
Other federal aid		61,104,594	—	749,101	40,926,390	102,780,085
Miscellaneous		4,533,161	—	—	—	4,533,161
Interest and investment earnings		185,426	104,555	—	—	289,981
Total revenues		1,187,336,175	15,747,482	43,150,603	46,624,844	1,292,859,104
Expenditures:						
Current:						
Instructional services:						
Undifferentiated curriculum		408,281,267	—	—	—	408,281,267
Regular and other curriculum		153,723,073	—	—	—	153,723,073
Special curriculum		157,796,084	—	—	11,908,443	169,704,527
Total instructional services		719,800,424	—	—	11,908,443	731,708,867
Community services		23,467,701	—	—	—	23,467,701
Pupil and staff services		129,016,403	—	—	29,017,947	158,034,350
General and school building administration		118,430,195	—	—	—	118,430,195
Business services		170,709,794	—	—	—	170,709,794
School nutrition services		—	—	43,247,754	—	43,247,754
Capital Outlay		1,131,777	20,716,022	—	—	21,847,799
Debt Service:						
Principal		4,505,249	—	—	9,593,886	14,099,135
Interest		532,831	—	—	13,643,504	14,176,335
Bond administrative fees		4,999	—	—	106,526	111,525
Total expenditures		1,167,599,373	20,716,022	43,247,754	64,270,306	1,295,833,455
Excess of revenues over (under) expenditures		19,736,802	(4,968,540)	(97,151)	(17,645,462)	(2,974,351)
Other financing sources (uses):						
Long-Term Debt Issued		—		—	—	—
Proceeds from sale of assets		18,128	20,649	—	—	38,777
Transfers In (Out)		(20,168,630)	2,523,168	—	17,645,462	—
Total other financing sources (uses), net		(20,150,502)	2,543,817	—	17,645,462	38,777
Net change in fund balances		(413,700)	(2,424,723)	(97,151)	—	(2,935,574)
Fund balances (deficit):						
Beginning of year		92,014,574	47,029,227	(2,154,013)	—	136,889,788
End of year	$	91,600,874	44,604,504	(2,251,164)	—	133,954,214

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2011

Net change in fund balances—total governmental funds		$ (2,935,574)
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	$ 21,847,799	
Depreciation and amortization expense reported in the statement of activities	(23,265,141)	
Amount by which capital outlays are less than depreciation and amortization in the current period		(1,417,342)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to increase net assets		(4,174)
Some revenues will not be collected for several months after the District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds		3,210,759
Some expenses reported in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in the government funds.		15,576,085
Bond, note, and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.		
Repayments:		
Bonds and notes		14,099,135
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Net increase in accrued interest payable	(514,084)	
Accretion of interest on capital appreciation bonds	(2,882,882)	
Amortization of bond premium and discount	13,942	
Amortization of bond issuance costs	(256,062)	
Net decrease in compensated absences payable (vacation and sick pay)	2,145,307	
Net increase in workers' compensation claims payable	(452,050)	
Net increase in OPEB liability	(131,449,543)	
Net increase in general insurance claims payable	56,432	
Net decrease in life insurance benefits payable	(390,409)	
Net adjustment		(133,729,349)
Change in net assets of governmental activities		$ (105,200,460)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Assets

June 30, 2011

Assets		Pension and Other Post Employment Benefits trusts	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	$	—	1,139,194	5,786,890
Investments (note 2)		—	1,727,598	—
Money market accounts		5,564,369	—	—
Treasury and agency securities		5,397,816	—	—
Mortgage-backed securities		64,848	—	—
Nongovernment obligations		5,067,575	—	—
Municipal bonds		30,904	—	—
Investment in the State of Wisconsin		164,917,431	—	—
Receivables-interest and contributions		710,311	—	—
Total assets		181,753,254	2,866,792	5,786,890
Liabilities				
Accounts payable and accrued expenses		4,062,728	—	—
Due to student organizations		—	—	5,786,890
Total liabilities		4,062,728	—	5,786,890
Net Assets				
Held in trust for:				
Supplemental benefits		177,690,526	—	—
Endowments		—	2,866,792	—
Total net assets	$	177,690,526	2,866,792	—

See accompanying notes to the basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2011

		Pension and Other Post Employment Benefits trusts	Private purpose trust
Additions:			
Employer contributions	$	34,563,144	—
Participants contributions		77,383,576	—
Private donations		—	607,021
Interest income		—	4,854
Investment income, net of expenses		31,194,491	—
Total additions		143,141,211	611,875
Deductions:			
Benefits paid to participant's or beneficiaries		88,189,590	—
Distribution of participant contribution accounts		219,319	—
Administrative expenses		177,007	—
Scholarships and awards		—	499,954
Total deductions		88,585,916	499,954
Changes in net assets		54,555,295	111,921
Net assets—beginning of year		123,135,231	2,754,871
Net assets—end of year	$	177,690,526	2,866,792

See accompanying notes to the basic financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

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

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

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

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization and; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. This report does not contain any component units.

(b) Basis of Presentation

Government-wide Statements—The statement of net assets and the statement of activities present financial information about the District as a whole. They include all funds of the District except for fiduciary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Interfund services provided and used are not eliminated.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

1) Donations that are received pursuant to a trust agreement that restricts the use of the donations to the extent of the interest or other earnings of the fund. These trusts are maintained by the District for the purpose of scholarships for students.

2) Donations that are received pursuant to a trust agreement that restricts the use of the donation to a specified purpose but allows for the principal and interest to be

expended. These trusts are maintained by the District to include scholarships, donations toward specified activities within schools, and trusts to support extracurricular programs.

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

(c) Measurement Focus and Basis of Accounting

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year except for property taxes, which must be collected within 60 days after year-end and for federal and state grant revenues which is at the most 180 days. Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants, and charges for services. Other revenue is recorded when received. Expenditures are recorded when the fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences that are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical funds, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

(d) Restricted Cash and Investments

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used to finance project costs or the retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

(e) Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible accounts is reported at year-end.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

(f) Investments

The District has adopted an investment policy. Provisions of the policy are discussed in Note (2).

Investments, including investments of the pension trust funds, are reported at fair value based on quoted market prices. Short-term investments are reported at cost, which approximates fair value. Investments principally consist of U.S. Government securities, mortgage-backed securities, corporate bonds obligations, money market mutual funds, and investments in the State of Wisconsin Fixed Retirement Investment Trust Fund (Trust Fund). The fair value of investments in the Trust Fund is the same as the value of the pooled shares. Although not subject to direct regulators' oversight, the Trust Fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin State Statutes. Purchases and sales of securities are recorded on a trade-date basis. Net investment income in the Trust Fund consists of realized and unrealized gains and losses and investment income.

(g) Inventories and Prepaid Items

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

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

(h) Capital Assets and Intangible Assets

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

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

(i) Property Taxes

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

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

(j) Deferred Revenue

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

(k) Compensated Absences

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

Sick leave benefits are available for subsequent use and, in certain situations, a portion vests upon retirement. A liability for sick pay has been calculated using the vesting method in which leave amounts for both employees who currently are eligible to receive termination payments upon retirement and other employees who are expected to become eligible in the future to receive such payments are included.

(l) Insurance Deposits

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a reserve of fund balance aggregating $3,723,449 at June 30, 2011 to provide for payment of future claims.

(m) Bond Premiums, Discounts, and Issuance Costs

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

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

(n) Claims and Judgments

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

(o) Net Assets

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

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

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

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

(p) Fund Balance

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

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

- Unassigned fund balance—This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

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

(q) Use of Estimates

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

(r) New Accounting Pronouncements

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. This Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The District implemented this Statement beginning with fiscal year July 1, 2010.

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No.61, *The Financial Reporting Entity: Omnibus*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* Application of these standards may restate portions of these financial statements.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	$ 92,405,627	$ 87,384,833
Demand deposits	9,834,303	8,937,163
Repurchase Agreement	3,000,000	31,770,203
Money market funds	25,387,688	25,387,688
U.S. Treasury Notes	4,869,130	4,869,130
Corporate Bonds	1,595,478	1,595,478
Certificate of Deposit	20,000	20,000
Total Cash and Investments	$ 137,112,226	$ 159,964,495

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted cash and investments	$ 59,434,432
Restricted cash and investments	59,656,045
Per statement of net assets – Fiduciary Funds	
Private purpose trust	2,866,792
Other post employment benefits trust	9,368,067
Agency	5,786,890
Total Cash and Investments	$ 137,112,226

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

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

baseball park district, or the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

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

The District has funds invested in overnight repurchase agreements, money market funds, US Treasury Notes, non-governmental obligations and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. Treasury, Government or agency instruments with an A1+/P1 (Standard & Poor's and Moody's) credit rating. All of the $25,387,688 invested in money market funds are triple-A rated. The District's $4,869,130 investments in U.S. Treasury Notes is rated triple A. The corporate bonds obligations of $1,595,478 range from triple-A rated to BAA3.

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

As of June 30, 2011 the District had the following investments, shown with their maturities.

		Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**Less Than 5**	**5-10**	**Over 10**
Repurchase Agreement	$31,770,203	$ 31,770,203	-	-	-
Money market funds	25,387,688	25,387,688	-	-	-
U.S. Treasury Notes	4,869,130	-	3,654,813	1,140,770	73,547
Corporate Bonds	1,595,478	-	866,534	636,613	92,331
	$63,622,499	57,157,891	4,521,347	1,777,383	165,878

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

At year-end the District's demand deposit balance (exclusive of funds held and controlled by the treasurer of the City) was $40,707,366, of which $31,770,203 was invested in overnight repurchase agreements. Of the $40,707,366 bank balance, $7,330,005 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit

Guarantee Fund, and $33,377,360 was uninsured, with the bank posting securities at 125% of the value of the repurchase agreements. However, the posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized. The District is taking steps to have the securities held in its name, thereby qualifying them as collateral.

Funds held and controlled by the treasurer of the City are insured by the FDIC and the Wisconsin Public Deposit Guarantee Fund. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (excluding interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of $650,000. Milwaukee Public Schools' deposits with the City Treasurer for investments are all insured or collateralized on June 30, 2011.

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

The Trustees of the Plan have adopted a Statement of Investment Policy (the Policy). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (SWIB funds), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at M&I Investment Management Corp. (M&I), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of: (1) assets invested as part of the 1989 bond dedication program; and (2) six months benefit payments, net of payments from the employee contribution account and payments from the 1989 bond dedication program, plus six months administrative expense; and (3) assets relating to employee contributions. The portfolio is rebalanced toward the Policy targets quarterly. For 2011, the SWIB Core Fund asset-mix policy targets were 28% to U.S. Stocks, 33% to Fixed Income, 25% to International Stocks, 6% to Real Estate, and 12% to Alternative Investments. The target allocations total 104%, reflecting the possibility of introducing leverage into the portfolio. For 2011, the SWIB Variable Fund asset-mix policy targets were 69% to U.S. Stocks, 30% to International Stocks, and 1% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and M&I. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. M&I is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

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

The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2011.

Investment	Duration (Years)	Fair Value	
SWIB Core and Variable Funds	26% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 11.0 years. Additional detail on the SWIB fixed income investments is included below.	$	44,127,993
Money market accounts	0.1	$	1,228,351
U.S. Treasuries, Agencies, and Government Bonds	5.2	$	114,879
Municipal Bonds	3.2	$	25,986
Mortgage-backed securities	1.2	$	58,820
Non-government obligations	3.0	$	1,099,504
Mutual Funds	5.6	$	182,310

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	3.5	$ 30 Million
Asset Backed Securities	N/A	$ 2 Million
Certificate of Deposit	0.2	$ 15 Million
Commerical Paper	0.2	$ 94 Million
Corporate Bonds and Private Placements	4.9	$ 5,058 Million
Corporate Bonds and Private Placements	N/A	$ 79 Million
Future Contracts	6.5	$ 142 Million
Future Contracts	N/A	$ (6)Million
Government Agency	2.6	$ 595 Million
Government Agency	N/A	$ 7 Million
Commercial Mortgages	N/A	$ 23 Million
Municipal Bonds	11.0	$ 94 Million
Pooled Investments	0.0 to 6.8	$14,074 Million
Repurchase Agreements	0.1	$ 1 Million
Foreign Gov't/Agency Bonds	6.9	$ 3,751 Million
Foreign Gov't/Agency Bonds	N/A	$ 3 Million
United States Treasuries	7.3	$ 4,526 Million

Note: On June 30, 2011, SWIB's Core Fund and Variable Fund had $76.7 billion and $5.8 billion in assets, respectively. As of June 30, 2011, the Plan's assets were invested 85% in the SWIB Core Fund, 9% in the SWIB Variable Fund, and 6% in portfolios managed by M&I. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolios for the payment of benefits and expenses and employee contributions, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds and in the separate accounts managed by M&I on June 30, 2011. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 2011	M&I 2011
P-1 or A-1	2%	45%
UST	16%	2%
AGY	2%	2%
AAA	6%	2%
AA	11%	11%
A	6%	15%
BBB	6%	15%
BB	2%	0%
B	2%	0%
CCC	1%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Collective Trust or Mutual Funds	36%	7%
Not-Rated	10%	1%

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

SWIB's Core Fund's Government/Credit Portfolio shall maintain an average quality rating of A or better. Non-Investment Grade securities shall not exceed 15% of each portfolio's market value. Securities sold to SWIB under Rule 144A may not exceed 20% of the portfolios market value. Financial futures, options, and swaps are permitted for purposes of adjusting duration, taking or modifying credit positions, or investing anticipated cash flows, subject to SWIB's guidelines. For SWIB's Global Bond Portfolio, overall portfolio quality must be maintained at an average rating of A or better. Corporate securities may not exceed 20% of the portfolio's market value. Emerging Market Debt is limited to sovereign debt of countries in the J.P. Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the portfolio's market value. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.

C. Custodial Credit Risk

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

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling

$203.4 million on June 30, 2011 that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $28.8 million on June 30, 2011, all of which were uncollateralized and uninsured. In total, these deposits represented 0.3% of the combined assets of the SWIB Core and Variable Funds on June 30, 2011.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 10 and 18 tri-party repurchase agreements totaling $1,582 million on June 30, 2011. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 1.9% of the combined assets of the SWIB Core and Variable Funds on June 30, 2011.

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2011, $19.9 billion of the SWIB Core and Variable Funds' $82.5 billion in currency exposure was denominated in foreign currency. For the M&I managed portfolios, there was no foreign currency exposure.

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

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Plan Net Assets. At June 30, 2011, the Plan's interest in the plan net assets of the Core Trust was approximately 0.052% , and the Plan's interest in the plan net assets of the Variable Trust was approximately 0.078%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at June 30, 2011 (in thousands):

	2011
Future contracts	$ 1,370,136
Foreign exchange forward and spot contracts – sold	2,698,940
Foreign exchange forward and spot contracts – purchased	(2,687,946)
Options – puts	(67,802)
Options - calls	(3,048)

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The Trustees of the Plan have adopted a Statement of Investment Policy (the Policy). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (SWIB funds), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at M&I Investment Management Corp. (M&I), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of: (1) assets invested as part of the 1989 bond dedication program; and (2) six months benefit payments, net of payments from the 1989 bond dedication program, plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. For 2011, the SWIB Core Fund asset-mix targets were 28% to U.S. Stocks, 33% to Fixed Income, 25% to International Stocks, 6% to Real Estate, and 12% to Alternative Investments. The target allocations total 104%, reflecting the possibility of introducing leverage into the portfolio. For 2011, the SWIB Variable Fund asset-mix targets were 69% to U.S. Stocks, 30% to International Stocks, and 1% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and M&I. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. M&I is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

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

The following schedule displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2011.

Investment	Duration (Years)	Fair Value
SWIB Core and Variable Funds	27% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 11.0 years. Additional detail on the SWIB fixed income investments is included below.	$ 120,789,438
Money market accounts	0.1	$ 1,432,558
U.S. Treasuries, Agencies, and Government Bonds	6.5	$ 413,807
Municipal Bonds	15.3	$ 4,918
Mortgage-backed securities	1.6	$ 6,032
Non-government obligations	2.6	$ 1,584,008
Mutual Funds	4.7	$ 606,275

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	3.5	$ 30 Million
Asset Backed Securities	N/A	$ 2 Million
Certificate of Deposit	0.2	$ 15 Million
Commerical Paper	0.2	$ 94 Million
Corporate Bonds and Private Placements	4.9	$ 5,058 Million
Corporate Bonds and Private Placements	N/A	$ 79 Million
Future Contracts	6.5	$ 142 Million
Future Contracts	N/A	$ (6 Million)
Government Agency	2.6	$ 595 Million
Government Agency	N/A	$ 7 Million
Commerical Mortgages	N/A	$ 23 Million
Municipal Bonds	11.0	$ 94 Million
Pooled Investments	0.0 to 6.8	$14,074 Million
Repurchase Agreements	0.1	$ 1 Million
Foreign Gov't/Agency Bonds	6.9	$ 3,751 Million
Foreign Gov't/Agency Bonds	N/A	$ 3 Million
United States Treasuries	7.3	$ 4,526 Million

Note: On June 30, 2011, SWIB's Core Fund and Variable Fund had $76.7 billion and $5.8 billion in assets, respectively. As of June 30, 2011, the Plan's assets were invested 88.3% in the SWIB Core Fund, 9.4% in the SWIB Variable Fund, and 2.3% in portfolios managed by M&I. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds and in the separate accounts managed by M&I on June 30, 2011. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 2011	M&I 2011
P-1 or A-1	2%	35%
UST	16%	10%
AGY	2%	0%
AAA	6%	1%
AA	11%	10%
A	6%	16%
BBB	6%	12%
BB	2%	0%
B	2%	0%
CCC	1%	0%
CC	0%	0%
C	0%	0%
D	0%	0%
Collective Trusts & Mutual Funds	36%	15%
Not-Rated	10%	1%

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

SWIB's Core Fund's Government/Credit Portfolio shall maintain an average quality rating of A or better. Non-Investment Grade securities shall not exceed 15% of the portfolio's market value. For SWIB's Global Bond Portfolio, overall portfolio quality must be maintained at an average rating of A or better. Corporate securities may not exceed 20% of the portfolio's market value. Emerging Market Debt is limited to sovereign debt of countries in the J.P. Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the portfolio's market value. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.

C. Custodial Credit Risk

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

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling $203.4 million on June 30, 2011, that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $28.8 million on June 30, 2011, all of which were uncollateralized and uninsured. In total, these deposits represented 0.3% of the combined assets of the SWIB Core and Variable Funds, on June 30, 2011.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 10 and 18 tri-party repurchase agreements totaling $1,582 million June 30, 2011. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 1.9% of the combined assets of the SWIB Core and Variable Funds on June 30, 2011.

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2011, $19.9 billion of the SWIB Core and Variable Funds' $82.5 billion in currency exposure was denominated in foreign currency. For the M&I managed portfolios, there was no foreign currency exposure.

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F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Plan Net Assets. At June 30, 2011, the Plan's interest in the plan net assets of the Core Trust was approximately 0.142%, and the Plan's interest in the plan net assets of the Variable Trust was approximately 0.202%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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Options – puts	(67,802)
Options - calls	(3,048)

(3) Receivables

Receivables as of June 30, 2011 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

		General Fund	Construction Fund	School Nutrition Services Fund	Nonmajor Fund	Total
Receivables:						
Accounts	$	26,658,699	6,000	111,585	—	26,776,284
Intergovernmental-federal		46,543,079	—	9,003,260	13,798,096	69,344,435
Intergovernmental-state		18,234,187	—	—	—	18,234,187
Gross receivables		91,435,965	6,000	9,114,845	13,798,096	114,354,906
Less allowance for uncollectibles		(486,519)	—	—	—	(486,519)
Total receivables, net	$	90,949,446	6,000	9,114,845	13,798,096	113,868,387

The District expects to collect all receivables within one year except for $552,186.

Accounts Receivable includes $16.7 million from the settlement of a class action lawsuit with Microsoft Corporation. The settlement will be paid in the form of hardware and software vouchers upon the expenditure of eligible costs. The District has reported $14.4 million of this balance as deferred/unearned revenue pending the future expenditures for eligible costs.

(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, 2011 represent due to/from balances among all funds:

	Due from other funds			
	General Fund	**Nonmajor Fund**	**Total**	**Due In More Than One Year**
Due to other funds:				
Construction fund	$ 11,585,410	—	11,585,410	—
Nutrition fund	10,037,045	—	10,037,045	2,251,164
Nonmajor funds	13,714,404	—	13,714,404	—
Total	$ 35,336,859	—	35,336,859	2,251,164

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

The following balances as of June 30, 2011 represent transfer in/out balances among all funds:

Fund Transferred To	Fund Transferred From	Amount	Reason
Construction	General Fund	$ 2,523,168	To fund current year expenditures
Debt Service Fund	General Fund	17,645,462	To fund current year debt service

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 31,688,681	—	—	31,688,681
Construction in progress	14,797,209	17,754,497	18,756,624	13,795,082
Total capital assets, not being depreciated	46,485,890	17,754,497	18,756,624	45,483,763
Capital assets, being depreciated:				
Buildings	960,826,586	18,756,624	—	979,583,210
Leasehold improvements	9,269,204	—	—	9,269,204
Furniture and equipment	48,062,301	927,905	651,014	48,339,192
Total capital assets, being depreciated	1,018,158,091	19,684,529	651,014	1,037,191,606
Less accumulated depreciation for:				
Buildings	(390,295,936)	(19,667,362)	—	(409,963,298)
Leasehold improvements	(2,407,242)	(393,442)	—	(2,800,684)
Furniture and equipment	(43,937,660)	(1,201,924)	(646,841)	(44,492,743)
Total accumulated depreciation	(436,640,838)	(21,262,728)	(646,841)	(457,256,725)
Total capital assets, being depreciated	581,517,253	(1,578,199)	4,173	579,934,881
Capital assets, net	$ 628,003,143	16,176,298	18,760,797	625,418,644

Depreciation expense for governmental activities for the year ended June 30, 2011 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	13,637,084
Community services		415,698
Pupil and staff services		2,441,237
General, administration and central services		1,843,223
Business services		2,254,489
School nutrition		670,997
Total depreciation	$	21,262,728

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2011 was as follows:

		Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:					
Intangible assets, not being amortized:					
Work in progress	$	4,125,188	3,165,397	2,162,847	5,127,738
Total intangible assets, not being depreciated		4,125,188	3,165,397	2,162,847	5,127,738
Intangible assets, being amortized:					
Software	$	34,884,279	2,162,847	—	37,047,126
Total intangible assets, being amortization		34,884,279	2,162,847	—	37,047,126
Less accumulated amortization for:					
Software		(27,187,554)	(2,002,413)	—	(29,189,967)
Total accumulated amortization		(27,187,554)	(2,002,413)	—	(29,189,967)
Intangible assets, net	$	11,821,913	3,325,831	2,162,847	12,984,897

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Amortization expense for governmental activities for the year ended June 30, 2011 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	1,284,270
Community services		39,148
Pupil and staff services		229,903
General, administration and central services		173,585
Business services		212,316
School nutrition		63,191
Total amortization	$	2,002,413

(6) Short-term Borrowings

To finance on an interim basis MPS' general operating costs pending receipt of state school aid payments, the City of Milwaukee issued $50,000,000 of commercial paper on September 15, 2010, and $45,000,000 of commercial paper on October 7, 2010. The entire $95,000,000 of commercial paper was retired October 27, 2010 using proceeds received from $225,000,000 of Revenue Anticipation Notes (RANs), Series 2010 M8, issued October 27, 2010. $50,000,000 of the RANs matured December 29, 2010, with the remaining $175,000,000 maturing June 27, 2011. Interest is payable at maturity. The debt was repaid in June, 2011 from the District's equalization aid allocations received from the state government.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2011 totaled $415,112,308. Of this total, $57,006,117 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 $358,106,191 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee:						
American with Disabilities Act loans:						
4.75% – 5.375%, due in annual installments to June 2014	$ 300,000	80,000	—	20,000	60,000	20,000
4.74% – 5.625%, due in annual installments to September 2015	2,000,000	799,816	—	133,304	666,512	133,304
3.59%, due in annual installments to September 2016	3,095,000	1,031,270	—	206,254	825,016	206,254
3.74%, due in annual installments to March 2017	1,205,000	160,404	—	80,205	80,199	80,199
4.0 – 5.0%, due in annual installments to September 2017	660,000	307,754	—	44,042	263,712	43,952
4.0 – 5.0%, due in annual installments to February 2019	335,000	335,000	—	—	335,000	—
4.0 – 5.0%, due in annual installments to February 2014	670,000	268,000	—	67,000	201,000	67,000
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,582,676	—	—	4,582,676	—
2.5 – 3.0%, due in annual installments to Februrary 2019	2,700,000	2,430,000	—	270,000	2,160,000	270,000
5.0%, due in installments to Februrary 2024	1,350,000	1,350,000	—	—	1,350,000	—
General Obligation Bonds:						
1.5 – 3.0%, due in May 2014	11,020,000	11,020,000	—	3,470,000	7,550,000	3,585,000
Plus: Premium on issuance	334,110	172,802	—	110,490	62,312	—
Qualified School Construction Bonds:						
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	—
Less: Discount on issuance	(450,000)	(421,875)	—	(28,125)	(393,750)	—
5.25%, due August 15th, 2014 to Februrary 2027	37,300,000	37,300,000	—	—	37,300,000	—
TEACH loan, 5.0%, due in annual installments to March 2012	15,144,033	1,659,026	—	809,282	849,744	849,744
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	100,790,000		4,195,000	96,595,000	4,555,000
Plus: Premium on issuance	1,357,121	323,996	—	58,767	265,229	—
Less: Discount on 2007A issuance	(338,503)	(253,030)	—	(21,360)	(231,670)	—
Less: Deferred amount of refunding	(1,677,174)	(1,253,687)	—	(105,830)	(1,147,857)	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	5,668,324	—	1,108,081	4,560,243	879,205
Pension debt refinancing:						
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	37,375,000	—	—	37,375,000	—
Less: Discount	(25,232,986)	(15,501,027)	—	(1,357,239)	(14,143,788)	—
Capital appreciation bonds, due in annual installments beginning April 1, 2026 through April 1, 2041	110,525,000	110,525,000	—	—	110,525,000	—
Less: Discount	(94,805,878)	(86,888,743)	—	(1,525,643)	(85,363,100)	—
Pension bonds, variable interest rate "index-linked", interest due in semi-annual installment, principal due at maturity on October 1, 2043	130,850,000	130,850,000	—	—	130,850,000	—
Capital leases-Microsoft and other leases	11,504,297	3,335,679	—	3,180,966	154,713	154,713
Capital lease—MEC/Grand Avenue & CCF	46,890,000	11,290,000	—	515,000	10,775,000	530,000
Total intergovernmental cooperation agreement debt		$ 369,336,385	—	11,230,194	358,106,191	11,374,371

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	$ 369,336,385	—	11,230,194	358,106,191	11,374,371
Accrued compensated absences	32,008,791	5,536,874	7,682,181	29,863,484	7,700,000
Accrued OPEB Obligation	389,150,650	196,701,424	65,251,881	520,600,193	—
Workers' compensation claims	5,579,945	3,377,253	2,925,203	6,031,995	2,900,000
General insurance claims	932,810	3,202,492	3,258,924	876,378	57,139
Life insurance benefits	1,940,464	390,409	—	2,330,873	385,401
Liability for other long-term benefits	285,051	—	—	285,051	—
Total long-term obligations	$ 799,234,096	209,208,452	90,348,383	918,094,165	22,416,911

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

The District has recognized workers' compensation claims liability in the governmental funds of approximately $2,230,320 as of June 30, 2011. Accordingly, the total liability for workers' compensation claims was approximately $8.3 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2011 are as follows:

	Principal	Interest	Total
Fiscal year ended June 30:			
2012	$ 10,689,666	14,068,644	24,758,310
2013	10,252,932	13,765,320	24,018,252
2014	9,050,845	13,424,538	22,475,383
2015	10,180,841	13,153,463	23,334,304
2016	10,141,468	12,870,059	23,011,527
2017 – 2021	65,756,126	58,782,283	124,538,409
2022 – 2026	73,742,222	47,938,117	121,680,339
2027 – 2031	87,080,001	29,582,825	116,662,826
2032 – 2036	71,390,000	18,858,950	90,248,950
2037 – 2041	81,320,001	10,123,713	91,443,714
2042 – 2044	18,525,000	1,729,283	20,254,283
Total	$ 448,129,102	234,297,195	682,426,297

Interest on the $130,850,000 variable rate pension debt (index-linked bonds), included in the schedule of future payments above, is based upon the one-month LIBOR rate (the London Interbank Offered Rate) plus 25 basis points (.25%) and is adjusted monthly. The LIBOR interest rate was 0.18555% as of June 30, 2011.

The District leases land and buildings with a historical cost and accumulated amortization of $12,415,000 and $1,640,000. In addition, the District has capital leases for computers with a historical cost of $11,504,297 and accumulated amortization of $11,349,584.

Future minimum lease payments under these capital leases at June 30, 2011 are as follows:

Fiscal year ended June 30:		
2012	$	1,149,333
2013		986,028
2014		988,940
2015		985,243
2016		985,180
2017 – 2021		4,921,514
2022 – 2026		4,878,019
Total minimum lease payments		14,894,257
Less amount representing interest		(3,964,544)
Present value of minimum lease payments	$	10,929,713

The maximum allowable amount of City debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City (Wisconsin State Statute Chapter 67.03). Wisconsin State Statute Chapter 119.49 further authorizes referendum-approved bonding in an additional amount equivalent to 2% of the equalized taxable property for school capital purposes. The total equalized taxable property in the City for calendar year 2011 was $27,936,389,500 and the 5% debt limit was $1,396,819,475. No referendum-approved debt is outstanding at June 30, 2011.

The District has pledged future Intradistrict Aid revenues to repay $109,545,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2004 and June 30, 2024. The bonds are payable solely from pledged revenues and are payable through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 33.6% of net revenues at the point of the highest debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2011 is $126,782,164. Principal and interest paid for the year ended June 30, 2011 was $8,266,676 while the Intradistrict Aid revenues were $36,130,070.

Revenue debt payable at June 30, 2011 consists of the following:

Neighborhood Schools Initiative Bonds

Amounts Outstanding

	Principal	Interest	Total
Fiscal year ended:			
2012	$ 4,555,000	3,919,868	8,474,868
2013	4,960,000	3,745,504	8,705,504
2014	5,375,000	3,547,258	8,922,258
2015	5,820,000	3,324,649	9,144,649
2016	6,300,000	3,076,675	9,376,675
2017	6,805,000	2,801,995	9,606,995
2018	7,350,000	2,498,206	9,848,206
2019	7,930,000	2,164,129	10,094,129
2020	8,545,000	1,798,094	10,343,094
2021	8,705,000	1,421,549	10,126,549
2022	9,355,000	1,036,138	10,391,138
2023	10,015,000	635,500	10,650,500
2024	10,880,000	217,600	11,097,600
	$ 96,595,000	30,187,164	126,782,164

Prior-Year Defeasance of Debt

In prior years, the District defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2011, $29.3 million of bonds outstanding are considered defeased. The bonds are callable on August 1, 2013.

Derivative Instruments - Interest Rate Swap Agreements

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

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

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2011 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows(amounts in thousands; gains shown as positive amounts, losses as negative):

	2011 Change in Fair Value		Fair Value, End of 2011		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	$9,695	Derivative	($27,884)	$130,850

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the District's hedging derivative instruments outstanding at June 30, 2011, along with the credit rating of the associated counterparty (amounts in thousands).

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$10,850	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	D
B	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	D
C	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	A2

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

Terms. The bonds and the related swap agreements mature on October 1, 2043 and the swaps' aggregate notional amount of $130,850,000 matches the $130,850,000 par amount of the variable-rate bonds. The swaps were entered into at the same time the bonds were issued in December 2003, and continue to remain in effect after the conversion to index-linked bonds on July 7, 2005. Starting in fiscal year 2024, the notional value of the swap and the principal amount of the bonds decline until the debt is completely retired. Under the swap agreements, the District pays the counterparty a fixed payment of 5.56% and receives a variable payment computed as the 1-month London Interbank Offered rate (LIBOR) plus 20 basis points (.20%). Conversely, the District pays the bond's index linked coupon rate of LIBOR plus 25 basis points (0.25%).

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

Risks of Derivative Instruments

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

As of June 30, 2011 the District was not exposed to credit risk because the swaps had negative fair value. There are two swap counterparties with whom the District has a total of three swap agreements. The credit ratings of the counterparties are provided in the prior table. To mitigate the potential for credit risk, if the credit quality is below Aa3 by Moody's Investor's Service, AA- by Standard & Poor's, and AA- by Fitch Ratings, the fair value of the swap will be fully collateralized by the counterparty. Collateral is posted with the trustee of the bonds.

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

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

Termination risk – Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default and mergers in which the successor entity does not meet credit criteria. The District or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. The swaps may be terminated by the District at any time. A swap may be terminated by a counterparty if the District's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" by Moody's Investors Service. If a swap is terminated, the variable-rate bonds will no longer carry a synthetic interest rate and the District would be subject to interest costs reflective of the variable interest rates. Also, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. The swap's currently have a cumulative negative fair value of $27.9 million.

Rollover risk – Rollover risk occurs when the hedging derivative instrument does not extend to the maturity of the hedgeable item. When the hedging derivative instrument terminates, the hedgeable item will no longer have the benefit of the hedging derivative instrument. Because the District's swap agreements extend to the maturity of the hedged debt, the District is not exposed to rollover risk.

Swap payments and associated debt – Using rates as June 30, 2011, debt service requirements of the variable-rate index-linked bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (as rates vary, variable rate interest payments and net swap payments will vary):

	Variable-rate bonds		rate	
	Principal	Interest	swaps, net	Total
Fiscal year ended June 30:				
2012	$ —	242,792	7,097,893	7,340,685
2013	—	242,792	7,097,893	7,340,685
2014	—	242,792	7,097,893	7,340,685
2015	—	242,792	7,097,893	7,340,685
2016	—	242,792	7,097,893	7,340,685
2017 – 2021	—	1,213,961	35,489,464	36,703,425
2022 – 2026	18,825,000	1,173,209	34,298,119	54,296,328
2027 – 2031	31,250,000	913,679	26,710,896	58,874,575
2032 – 2036	31,250,000	623,757	18,235,193	50,108,950
2037 – 2041	31,000,000	334,840	9,788,872	41,123,712
2042 – 2044	18,525,000	57,196	1,672,087	20,254,283
Totals	$ 130,850,000	5,530,602	161,684,096	298,064,698

(8) Fund Balance

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

The formula established by this action, and the application thereof as of June 30, 2011, is as follows:

General fund unassigned fund balance	$	64,820,786
Amount required to fund six months of the school operation's property tax levy:		
Subsequent year's school operations school levy ($280,232,990) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (76) to total calendar school year days (180)		118,320,596
General fund unassigned fund balance deficiency	$	(53,499,810)

(9) Risk Management

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

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

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

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

The only significant change in the insurance coverage from coverage provided in the prior year for the above described risks effective July 1, 2011 was a reduction in flood and earthquake coverage due to the District's flood losses and insurance market conditions. The per occurrence and annual aggregate limits for flood and earthquake decreased from $100 million to $25 million, the deductible increased from $50,000 to $250,000 and flood coverage at Riverside University High School is excluded effective July 1, 2011, until flood mitigation work is completed at this site. After mitigation work is completed, which is anticipated to be before November 1, 2011, flood coverage at this site will be reinstated at $5 million annual aggregate and $1 million deductible. To fill this $1 million deductible, the District has purchased federal flood insurance ($.5 million contents and $.5 million building). Settled claims from insured losses have not exceeded commercial insurance coverage for each of the past three years.

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

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

		Year ended June 30	
		2011	**2010**
Beginning of year liability	$	44,013,910	44,925,890
Current year claims and changes in estimate		247,346,348	246,279,551
Claim payments		(243,766,106)	(247,191,531)
End of year liability	$	47,594,152	44,013,910

The District has recognized the liability for health and dental benefits, which totaled $35,839,535 and $34,297,226 as of June 30, 2011 and 2010, respectively, in the general fund. The District has also recognized a liability of $2,230,320 and $978,414 as of June 30, 2011 and 2010, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $5.8 million of other insurance related liabilities. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

(10) Retirement Plans

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

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

2011 Wisconsin Acts 10 and 32 change the required employer and employee contributions and what the District is allowed to pay towards WRS contributions for its certificated employees. These Acts prohibit the District from paying any portion of the employee-required WRS contribution on behalf of certificated employees who participate in the WRS. The implementation of employee required contributions is delayed for certificated employees who are covered at the time the law became effective on June 29, 2011 by a collective bargaining agreement that provides otherwise. Where such collective bargaining agreement exists, the District is required under law to continue to pay all or a portion of the employee's share of the WRS contribution until any such agreement expires or is extended or modified in a manner that is inconsistent with the 2011 Wisconsin Act 32 (this Act allows school districts and their unions to negotiate a single Memorandum of Understanding modifying bargaining agreements entered into before February 1, 2011 within 90 days of the July 1, 2011 effective date of the Act but only if the modifications effectuates a reduction in negotiated compensation or fringe benefit costs.) Accordingly, the District pays all of the employee and employer contributions to the WRS for teachers and psychologists covered under union contracts to July 1, 2013. For all other certificated employees (mainly principals, assistant principals represented by the Administrators and Supervisors Council) the employee pays the employee required contribution and the District pays the employer required contribution effective with the May 13, 2011 paycheck. Prior to these Acts the District paid all employer and employee contributions to the WRS.

The payroll for the District's employees covered by the WRS for the year ended December 31, 2010 was approximately $421,773,000; the District's total payroll was $551,317,000. The total required contribution for the year ended December 31, 2010 was approximately $46,395,000, which consisted of $20,245,000, or 4.8% of payroll, from the District and $26,150,000, or 6.2% of payroll, from the District on behalf of the employees. The District issued bonds in the amount of $168.051 million through the Redevelopment Authority of the City and the City to fund the pension-related debt to the WRS for the unfunded accrued liability for pension service, which reduced the WRS contribution rate effective January 1, 2004 by 2%. The amount contributed equaled the required contribution. Total contributions for years ending December 31, 2009 and 2008 were $43,886,000 and $43,822,000, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive retirement benefits. Employees may retire at age 55 and receive actuarially reduced benefits. For employees actively enrolled in WRS as of January 1, 2000 or after, retirement benefits are calculated as 1.765% of final average earnings for each year of creditable service prior to January 1, 2000 and 1.6% for creditable service after December 31, 1999. Final average earnings are the average of the employee's three highest years of earnings. Employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested. The WRS also provides death and disability benefits for employees. Eligibility for, and the amount of all benefits, is determined under Chapter 40 and 50 of the Wisconsin State Statutes.

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

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

Employees' Retirement System of the City of Milwaukee—All eligible District employees (classified employees, principally non-teachers) participate in the Employees' Retirement System of the City (the System), a cost-sharing, multiple-employer, defined benefit public employee retirement system (PERS). Part-time classified employees (defined by the System as 12-month employees who work less than 1,040 hours per year and 10-month employees who work less than 800 hours per year) who are eligible under adopted rules and regulations and who have evidenced their intent to join the System and all full-time classified employees (defined by the System as employees who work 2,080 hours a year for non-teachers and 1,600 hours for 10-month school year teachers) are eligible to participate in the System.

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

Due to the global pension settlement, employees eligible for enrollment on or after January 1, 2000 may consent to the global pension settlement and participate in the System combined fund. The consenting employees are required to pay 1.6% of their pensionable earnings for the first eight years from the enrollment date. Effective August 29, 2011, the Common Council of the City of Milwaukee eliminated the 1.6% employee contribution for the COLA effective (get date) for classified employees who are also paying the 5.5% employee required contribution. Also, employees enrolled as of January 1, 2000 have the option to object to global pension settlement. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. The System uses the projected unit credit actuarial cost method to determine employer contribution rates. Based on actuarial valuation dated January 1, 2010, the District is not required to make any employer contributions on January 1, 2011.

The payroll for the District's employees covered by the System for the year ended December 31, 2010 was \$111,733,245; the District's total payroll was \$551,317,000. The total required contribution including retroactive adjustments for the year ended December 31, 2010 was \$14,139,000 or 12.7% of covered payroll, from the District on behalf of the employees and equaled the required contribution. Total contributions for the years ending December 31, 2009 and 2008 were \$7,017,000 and \$6,509,000, respectively, equal to the required contributions for each year.

Employees who retire at or after age 60, or who retire at age 55 and have completed 30 years of creditable service, are entitled to receive a retirement benefit. The System provides a service retirement benefit equal to 2% of the member's final average salary times the total number of years of all creditable service, limited to 70% of final average salary. Benefits are fully vested upon completion of four years of service. All active employees as of January 1, 2000 shall receive a one-time 5% bonus payable in a single lump sum upon retirement or death to employee's beneficiary. Active employees enrolled between January 1, 2000 and June 27, 2000 and who consent to the global pension settlement or enrolled on or after June 28, 2000 shall make a biweekly employee contribution of 1.6% of their pensionable earnings to pay for their cost of living adjustment (COLA) improvement upon completion of the first eight years of employment. As previously mentioned, the Common Council of the City of Milwaukee eliminated the 1.6% employee contribution for the COLA effective August 29, 2011 for classified employees who are also paying the 5.5% employee required contribution. The COLA shall be 1.5% annually beginning after the 2^{nd}, 3^{rd}, and 4^{th} anniversary after retirement and 2% after the 6^{th} year of the employee's retirement or death. Upon completion of eight years of service, employees terminating covered employment may withdraw their funds and forfeit all rights to any subsequent benefit. The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 36 of the City charter.

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

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Plan does not provide for any post retirement increases.

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

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

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

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

(b) Annual Pension Costs and Actuarial Assumptions Used

The District's annual pension costs for the year ended June 30, 2011 and related actuarial assumptions used for the current year and related information for each plan is as follows:

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Contribution rates as a percentage of payroll:			
District		2.660%	1.248%
Plan participants		—	—
Annual required contribution	$	3,595,479	15,645,398
Interest on net pension obligation		(23,062)	(52,943)
Adjustment to annual required contribution		9,615	—
Annual pension cost		3,582,032	15,592,455
Contributions made including prior year prepayment		7,196,396	27,366,748
Increase (decrease) in net pension obligation		(3,614,364)	(11,774,293)
Net pension prepayment, beginning of year		—	(187,428)
Net pension prepayment, end of year	$	(3,614,364)	(11,961,721)

The funded status of the plans of July 1, 2010, the most recent actuarial valuations date, was as follows:

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial accrued liability(AAL)	$	52,695,253	228,417,032
Actuarial value of plans assets		42,306,659	102,968,116
Unfunded Actuarial Accrued Liability	$	10,388,594	125,448,916
Funded ratio (actuarial value of plan assets/AAL)		80.29%	45.08%
Covered payroll (active plan members)	$	26,473,931	342,784,884
UAAL as a percentage of covered payroll		39.24%	36.60%

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

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial valuation date	July 1, 2010	July 1, 2010
Actuarial cost method	Projected unit credit	Entry age normal
Amortization method	5- year closed, level dollar	The loss at July 1, 2006, due to the valuation of deferred vested temporary benefits is amortized over a 15-year closed period commencing July 1, 2006, on a level dollar basis. Unfunded liabilities not attributable to the loss due to valuation of deferred vested temporary benefits are amortized using a 25-year closed period, level-dollar amortization commencing July 1, 2007. The resulting amortization period is 21.18 and is in accordance with GASB 25 and 27 requirements.
Actuarial Valuation Method	5-year smoothed market	5-year smoothed market
Investment rate of return	8.0%	8.0%

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Projected salary increases:		
Certificated participants	Wage inflation of 3.0% per year with additional service-based increases of up to 3.5% per year.	Wage inflation of 3.0% per year plus additional service-based increases of up to 4.80%
Classified participants	4.0% per year	N/A
Cost of Living Increases	0.0% per year	0.0% per year
Mortality Table	1994 GAM, sex distinct	1994 GAM, sex distinct

(c) Three-Year Trend Information

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

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

		Annual required contribution	% of annual pension cost contributed		Net pension prepayment
Fiscal year beginning July 1:					
2010	$	3,595,476	100%	$	(3,614,364)
2009		3,242,746	100%		-
2008		2,482,200	100%		(2,500,000)

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	Annual required contribution	% of annual pension cost contributed	Net pension prepayment
Fiscal year beginning July 1:			
2010	$ 15,645,398	100%	$ (11,961,721)
2009	15,641,408	100%	(187,428)
2008	15,235,493	100%	(11,447,452)

(11) Post-Employment Life and Healthcare Insurance Benefits

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

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

An employee with 70 percent or more of the maximum accumulated sick leave at the time of retirement, in accordance with collective bargaining agreements and Board policy, will receive a monthly Board subsidy at the Board's share of the PPO/Indemnity active single plan or family plan premium rate in effect as of the employee's date of retirement. (Certain bargaining units and certain non-represented employees who submit a retirement notice by either March 1 or April 1 will receive the greater of the June 30th or July 1st premium rate as their monthly Board subsidy in accordance with their collective bargaining agreement and Board policy.) A special one-time provision providing the higher PPO/Indemnity active single plan or family plan premium rate of March 31, 2011 or July 1, 2011 was extended to certain bargaining units and non-represented employees who gave their retirement notice by April 1, 2011 and retired by the end of their regular work year in June, 2011. Generally, the Board subsidy for health insurance remains fixed for the lifetime of the retiree while the retiree continues enrollment in an MPS health plan. MPS will reimburse the retiree for the retiree's Medicare Part B premium in an amount not to exceed the Board subsidy. Employees who meet all other eligibility retirements, but do not meet the 70 percent maximum accumulated eligibility requirement for the Board subsidy, may continue coverage in an MPS health plan as a retiree on a self-paid basis at the group premium rate. There are also disability retirement provisions that provide for lifetime health coverage for the disabled retiree and eligible dependents. The surviving spouse coverage provisions for death of an employee in active service or after retirement for certain collective bargaining units and non-represented employees provide lifetime health coverage for the surviving spouse and limited coverage for eligible dependents at the established Board subsidy rate.

Effective August 1, 2011, all active employees pay premium contributions for health insurance based on either a percentage of the active premium rate or a percentage of salary in accordance with their collective bargaining agreement and Board Policy. This is as a result of settlement of all union contracts in late 2010 and early 2011. Prior to this, there was no employee premium contribution for most active employees. Certain non-represented employees paid 5 percent of their health plan premium. Board members pay any premium difference between the health plan they selected and the lowest cost health plan. The conditional employee premium contribution of 2.5 percent for those enrolled in the PPO/Indemnity Health Plan if the premium for this plan increases greater than 17 percent was eliminated August 1, 2011. This conditional premium share was never triggered.

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

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

Effective July 1, 2010 the District established an IRC Section 115 trust for the purpose of holding assets and funding for the District's postemployment health and life insurance benefits. The trust is reported as a fiduciary fund in the District's financial statement. For fiscal year ending June 30, 2011, the District contributed $65,251,881 (including pre-funding contributions, Medicare Part D and ERRP contributions) to the Retiree Plan. For fiscal year ending June 30, 2011, total member contributions to the Retiree Plan were $11,456,100.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to plan, and changes in the district's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$194,969,742
Interest on Net OPEB Obligation	17,706,356
Adjustment to annual required contribution	(15,974,674)
Annual OPEB cost	196,701,424
MPS Contributions made	(65,251,881)
Increase in Net OPEB Liability	131,449,543
Net OPEB obligation, beginning of year	389,150,650
Net OPEB obligation, end of year	$520,600,193

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2011 and the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$196,701,424	33.2%	$520,600,193
6/30/10	$187,867,651	32.3%	$389,150,650
6/30/09	$190,432,565	31.3%	$261,946,200

The funded status of the plan as of July 1, 2009, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$2,398,129,600
Actuarial value of plan assets	—
Unfunded Actuarial Accrued Liability (UAAL)	$2,398,129,600
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (active plan members)	$ 507,339,100
UAAL as a percentage of covered payroll	472.7 %

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

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

The District's OPEB financial disclosure information for fiscal year ending, June 30, 2011 was based on the assumptions and methods in the July 1, 2009 actuarial valuation. The health benefit and eligibility changes that became effective on April 1, 2011 in accordance with the 2010/2011 union contract settlements and Board policy for non-represented employees are not expected to significantly impact the Annual Required Contribution for fiscal year end on June 30, 2011 and the impact of such changes will be measured in the subsequent valuation as of July 1, 2011. The entry age normal actuarial cost method was used. The District established an IRC Section 115 trust to contribute 105 percent of actual retiree healthcare claims to the trust beginning July 1, 2010. The actuarial assumptions include a 4.55 percent investment rate of return that reflects the District's prefunding policy and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates include a 3 percent inflation assumption**.** The Retiree Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. In accordance with the GASB No. 45 standard, the unfunded actuarial liability is amortized over a 30 year period with an open amortization method. Financial statements of the Other Post Employment Benefits Trust are included on pages 92 and 93.

(12) Limitation on District Revenues

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

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

For the fiscal year ended June 30, 2011, the District met its revenue limitation.

(13) School Nutrition Deficit

The School Nutrition Services Fund had a deficit of $2,251,164. The deficit is anticipated to be funded through future operations.

(14) Excess Expenditures Over Appropriations

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2011:

Fund	Excess Expenditures
General Fund:	
Milwaukee County Collaborative	$ 67,073
Contracted Kindergarten	65,584
Summer School	3,148,363
S.E. Asian/Native American Program	16,573
Instrumental Music	720,215
Office of School Administration	259,242
Textbook Adoption	468,057
Musical Festival	1,372
Transportation	2,515,983
Debt Service	4,390,048
Special and Contingent Funds	2,052,816
CAMP	3,364,681
School Nutrition Services Fund	640,419
Debt Service	5,114,077

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

(15) Commitments and Contingencies

(a) Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2011 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.

(b) Contractual Commitments

The District has $31.5 million of encumbrances outstanding as of June 30, 2011 of which $24.3 million are contractual commitments.

(c) Litigation

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

(d) Class Action Litigation

The District has no reasonable measurable estimate of the cost to remedy the situation related to the Districts' pending class action litigation. A decision on the retrospective remedy was rendered by the District Court in June, 2009 which was subsequently appealed and stayed by the Seventh Circuit Court of Appeals pending the outcome of the appeal. Oral arguments were heard in front of the Seventh Circuit in September, 2010.

(e) ***Interest Rate Swap Agreement***

In December 2003, Milwaukee Public Schools (MPS), in cooperation with the City of Milwaukee (City) and the Redevelopment Authority of the City of Milwaukee (RACM), issued $168,051,135 of debt instruments to fully fund its previously unfunded actuarial accrued liability for employee pensions owed to the Wisconsin Retirement System. Of this amount, $130,850,000 was issued in the form of variable rate debt. To fix the interest rate relative to this variable rate debt, the City, acting as agent for MPS, entered into agreements with the firms of Lehman Brothers Special Financing, Inc. and Morgan Stanley in the amounts of $70,850,000 and $60,000,000 respectively. Each of the agreements expires October 1, 2043, when the last of the variable rate debt is retired.

On September 15, 2008, Lehman Brothers Holdings Inc., parent company of Lehman Brothers Special Financing, declared bankruptcy. On the weekend of October 5, 2008, Lehman Brothers Special Financing declared bankruptcy. The declaration of bankruptcy by these organizations necessitates the replacement of the agreements between the City / MPS and Lehman Brothers Special Financing with similar agreements with another firm or firms.

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

(f) FCC Channels

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

(16) Subsequent Events

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, the City of Milwaukee issued $50,000,000 of commercial paper on October 12, 2011 maturing on December 7, 2011 and $25,000,000 of commercial paper on October 26, 2011 maturing November 10, 2011. $145,000,000 of Revenue Anticipation Notes (RANs), Series 2011 M6, were issued November 9, 2011. The commercial paper matures in December 2011 and the RANs mature June 27, 2012. Interest is payable at maturity.

REQUIRED SUPPLEMENTARY INFORMATION

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Func

Year ended June 30, 2011

	Budgeted amounts Adopted	Budgeted amounts Revised	Actual (GAAP basis)	Variance with Revised Budget
REVENUES:				
Property Tax Levy	$ 279,274,534	$ 273,079,212	$ 273,079,212	$ -
Equalization & Integration Aids	586,488,154	589,894,186	584,072,757	(5,821,429)
Other State Aids	66,536,231	66,229,480	76,164,317	9,934,837
Federal Aids	9,700,000	13,100,000	6,793,634	(6,306,366)
Other Local Revenues	18,971,778	19,915,488	19,755,302	(160,186)
Applied Surplus	3,400,000	3,400,000	-	(3,400,000)
SCHOOL OPERATIONS & EXTENSION	964,370,697	965,618,366	959,865,222	(5,753,144)
CAMP	-	-	3,765,918	3,765,918
GRANTS	226,847,624	276,126,623	223,705,035	(52,421,588)
Total Revenues	1,191,218,321	1,241,744,989	1,187,336,175	(54,408,814)
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	148,053,216	157,695,174	150,624,701	7,070,473
Middle Schools	43,520,652	43,774,662	42,912,832	861,830
K-8 Schools	216,992,469	214,433,915	205,991,623	8,442,292
Elementary Schools	138,093,513	131,865,892	128,288,420	3,577,472
Charter Schools	85,967,687	83,417,376	80,348,997	3,068,379
School To Work Transition	3,125,503	3,106,877	2,882,774	224,103
School Age Parents	1,912,906	1,924,061	1,755,273	168,788
Alternative Schools	6,593,276	5,921,729	5,261,475	660,254
Agency Programs	24,780,403	24,102,535	22,453,824	1,648,711
Home & Hospital Instruction	922,651	917,146	699,359	217,787
Milwaukee County Collaborative	1,317,497	1,304,881	1,371,954	(67,073)
Contracted Kindergarten	1,881,735	1,842,425	1,908,009	(65,584)
Guidance Positions		487,944	465,003	22,941
Summer School	4,043,055	4,145,337	7,293,700	(3,148,363)
School Special Funds	52,163,628	51,003,723	50,455,924	547,799
S.E. Asian/Native American Program	276,957	278,381	294,954	(16,573)
Interscholastic Athletics/Academics	5,490,631	5,473,918	5,203,369	270,549
Driver Education	385,694	711,346	371,463	339,883
School Safety Operations	3,834,851	4,418,024	3,869,290	548,734
Instrumental Music	1,256,273	1,250,651	1,970,866	(720,215)
Schools Program Funds	1,776,755	1,894,554	1,626,117	268,437
MTEC/Compton	145,241	144,007		144,007
Peer Evaluation & Mentor Teachers	3,025,779	3,410,881	2,919,767	491,114
Social Work Services	290,915	294,768	280,776	13,992
EEN Itinerant Allied Services	7,802,735	7,855,672	6,592,734	1,262,938
Special Education Optional Services	205,355	208,440	201,444	6,996
Non-MPS Special Education Costs	3,188,017	3,246,854	2,964,399	282,455
TABS Program	771,456	774,837	601,005	173,832
TOTAL - PROGRAM ACCOUNTS	**$** 757,818,850	755,906,010	729,610,052	26,295,958

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

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2011

	Budgeted amounts		Actual	Variance with Revised Budget
	Adopted	Revised	(GAAP basis)	
INDIRECT & SUPPORT SERVICES				
Board of School Directors	$ 415,455	$ 623,383	$ 417,270	$ 206,113
Office of Board Governance	8,036,404	3,859,102	2,487,196	1,371,906
Office of Accountability and Efficiency	-	1,791,237	1,323,902	467,335
Office of Superintendent	4,556,169	3,171,574	2,746,847	424,727
Office of School Administration	-	2,177,858	2,437,100	(259,242)
Office of Academic Support	3,015,443	4,175,221	3,439,456	735,765
Office of Chief Financial Officer	-	5,023,529	4,212,579	810,950
Office of Family Services	2,902,062	2,962,802	2,913,746	49,056
Dept. of Special Services	5,148,105	4,386,240	3,945,696	440,544
Office of Planning & Operations	55,655,291	62,260,466	50,398,833	11,861,633
Dept. of Human Resources	5,245,661	6,187,723	5,244,511	943,212
TOTAL - INDIRECT & SUPPORT	84,974,590	96,619,135	79,567,136	17,051,999
OTHER ACCOUNTS				
Textbook Adoptions	5,727,848	5,842,800	6,310,857	(468,057)
Partnership Academy	56,296	142,939	85,036	57,903
Safety Supplement	2,355,350	2,822,814	2,489,993	332,821
Technology Licenses	3,724,859	3,951,501	3,247,638	703,863
Music Festival	-	4,043	5,415	(1,372)
Transportation	54,465,366	55,135,312	57,651,295	(2,515,983)
School District Insurances	10,565,781	10,273,425	10,066,988	206,437
Debt Service (includes NSI)	-	653,031	5,043,079	(4,390,048)
Utilities & Leases	26,824,605	26,936,224	26,648,452	287,772
Special & Contingent Funds	807,017	17,941,915	19,994,731	(2,052,816)
TOTAL - OTHER ACCOUNTS	104,527,122	123,704,004	131,543,484	(7,839,480)
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	8,480,620	8,999,416	7,351,197	1,648,219
Earn to Learn	60,000	101,037	39,294	61,743
Summer School Wrap-around	2,553,623	3,539,037	1,094,102	2,444,935
Summer Read Program	-	100,000	79,866	20,134
Community Arts Program	1,193,960	1,848,665	1,019,365	829,300
Partnership for Humanities	0	500,000	80,595	419,405
District Insurances	338,196	338,196	296,645	41,551
Other	-	2,508,184	2,508,184	-
Special & Contingent Fund	528,841	835,212	191,973	643,239
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	13,155,240	18,769,747	12,661,221	6,108,526
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES	(12,482,259)	(15,362,043)	(15,514,346)	152,303
SCHOOL OPERATIONS & EXT. FUND	947,993,543	979,636,853	937,867,547	41,769,306
CAMP	-	-	3,364,681	(3,364,681)
GRANTS	226,847,624	276,126,623	226,367,145	49,759,473
Total Expenditures	1,174,841,167	1,255,763,476	1,167,599,373	88,164,098
Excess of revenues over (under) expenditures	16,377,154	(14,018,487)	19,736,802	33,755,289
Transfer In (Out)	(16,377,154)	(12,531,385)	(20,168,630)	(7,637,245)
Proceeds from sale	-	-	18,128	18,128
Change in Fund Balance	$ -	$ (26,549,872)	(413,700)	$ 26,136,172
Fund balance-beginning of year			92,014,574	
Fund balance-end of year			$ 91,600,874	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

Year ended June 30, 2011

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
Revenues:				
Lunchroom sales	$ 4,122,500	$ 4,000,000	$ 3,226,519	$ (773,481)
Other local sources	—	—	6,557	6,557
State aid:				
School nutrition aid	867,000	1,000,000	1,004,873	4,873
Federal aid:				
School nutrition aid	33,423,800	36,100,000	38,163,553	2,063,553
Other federal aid	—	686,469	749,101	62,632
Total revenues	38,413,300	41,786,469	43,150,603	1,364,134
Expenditures:				
Current operating:				
School Nutrition Services	38,413,300	42,607,335	43,247,754	(640,419)
Total expenditures	38,413,300	42,607,335	43,247,754	(640,419)
Excess of revenues over(under) expenditures	—	(820,866)	(97,151)	723,715
Transfer In	—	—	—	-
Net change in fund balances	$ —	—	(97,151)	(97,151)
Fund deficit—beginning of year			(2,154,013)	
Fund deficit—end of year			$ (2,251,164)	

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Year ended June 30, 2011

Schedules of Funding Progress

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

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/2010	$ 42,306,659	$ 52,695,253	$ 10,388,594	80.29 %	$ 26,473,931	39.24 %
7/1/2009	43,207,285	53,727,359	10,520,074	80.42	28,690,983	36.67
7/1/2008	44,570,940	53,278,752	8,707,812	83.70	30,534,301	28.52
7/1/2007	42,807,076	52,832,971	10,025,895	81.02	32,942,251	30.43
7/1/2006	40,082,362	50,604,106	10,521,744	79.21	34,756,344	30.27
7/1/2005	39,409,013	49,456,069	10,047,056	79.68	37,250,400	26.97

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/2010	$ 102,968,116	$ 228,417,032	$ 125,448,916	45.08 %	$ 342,784,884	36.60 %
7/1/2009	99,077,126	225,134,052	126,056,926	44.01	353,723,230	35.64
7/1/2008	94,204,651	217,642,068	123,437,417	43.28	350,580,446	35.21
7/1/2007	82,256,327	210,656,973	128,400,646	39.05	341,271,505	37.62
7/1/2006	70,897,370	188,159,912	117,262,542	37.68	320,407,690	36.60
7/1/2005	60,596,308	174,359,298	113,762,990	34.75	321,226,581	35.42

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

Fiscal year beginning	Annual Required Contribution	Percentage Contributed
7/1/2010	$ 3,595,479	100 %
7/1/2009	3,242,746	100
7/1/2008	2,482,200	100
7/1/2007	2,576,104	100
7/1/2006	3,096,247	100
7/1/2005	2,814,526	100

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Fiscal year beginning	Annual Required Contribution	Percentage Contributed
7/1/2010	$ 15,645,398	100 %
7/1/2009	15,641,408	100
7/1/2008	15,235,493	100
7/1/2007	15,408,267	100
7/1/2006	14,113,631	100
7/1/2005	13,440,927	100

See Independent Auditors Report and accompanying Notes to Required Supplementary Informatior

MILWAUKEE PUBLIC SCHOOLS
Required Supplementary Information
Year Ended June 30, 2011

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	n/a	n/a	n/a	n/a	n/a	n/a
7/1/2009	-	$2,398,129,645	$2,398,129,645	0%	$507,339,126	472.7%
7/1/2008	n/a	n/a	n/a	n/a	n/a	n/a
7/1/2007	-	$2,222,673,800	$2,222,673,800	0%	$501,184,000	443.5%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Postemployment Health Care Plan

Fiscal Year Beginning	Annual Required Contribution	Percentage Contributed
7/1/2010	$ 194,969,742	34.7%
7/1/2009	186,702,017	32.7
7/1/2008	189,880,613	31.3

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

See Independent Auditors Report and accompanying Notes to Required Supplementary Information

(1) Budgeting

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

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

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

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

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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Special Revenue Funds

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

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

Debt Service Fund

Debt Service Fund—This fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the governmental funds.

MILWAUKEE PUBLIC SCHOOLS

Combining Balance Sheet—Nonmajor Governmental Funds

June 30, 2011

Assets		Special Revenue: Categorically Aided Programs	Debt Service	Total
Receivables due from other governmental units	$	13,798,096	—	13,798,096
Total assets	$	13,798,096	—	13,798,096
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$	83,692	—	83,692
Due to other funds		13,714,404	—	13,714,404
Total liabilities		13,798,096	—	13,798,096
Fund balances:				
Unreserved and undesignated		—	—	—
Total fund balances		—	—	—
Total liabilities and fund balances	$	13,798,096	—	13,798,096

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2011

		Special Revenue		
		Categorically Aided Programs	Debt Service	Total
Revenues:				
Property taxes	$	—	5,698,454	5,698,454
Federal aid:				
Other federal aid		40,926,390	—	40,926,390
Total revenues		40,926,390	5,698,454	46,624,844
Expenditures:				
Instructional services—special curriculum		11,908,443	—	11,908,443
Pupil and staff services		29,017,947	—	29,017,947
Debt service:				
Principal		—	9,593,886	9,593,886
Interest		—	13,643,504	13,643,504
Bond administrative fees		—	106,526	106,526
Total expenditures		40,926,390	23,343,916	64,270,306
Excess of revenues over (under) expenditures		—	(17,645,462)	(17,645,462)
Other financing sources:				
Transfers In		—	17,645,462	17,645,462
Total other financing sources (uses), net		—	17,645,462	17,645,462
Net changes in fund balances		—	—	—
Fund balances:				
Beginning of year		—	—	—
End of year	$	—	—	—

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

Year ended June 30, 2011

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Federal aid:			
Other federal aid	$ 49,439,097	49,349,873	40,926,390
Total revenues	49,439,097	49,349,873	40,926,390
Expenditures:			
Current operating:			
Special curriculum	14,386,214	14,360,251	11,908,443
Pupil and staff services	35,052,883	34,989,622	29,017,947
Total expenditures	49,439,097	49,349,873	40,926,390
Net change in fund balance	$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			$ —

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

Year ended June 30, 2011

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Property taxes	$ —	5,698,454	5,698,454
Total revenues	—	5,698,454	5,698,454
Expenditures:			
Current operating:			
Debt service	16,377,154	18,229,839	23,343,916
Total expenditures	16,377,154	18,229,839	23,343,916
Excess of revenues over (under) expenditures	(16,377,154)	(12,531,385)	(17,645,462)
Other financing sources (uses)			
Transfers In (Out)	16,377,154	12,531,385	17,645,462
Total other financing sources (uses), net	16,377,154	12,531,385	17,645,462
Net changes in fund balances	$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			—

Pension Trust Funds

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

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

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

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

Agency Fund

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

MILWAUKEE PUBLIC SCHOOLS

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

June 30, 2011

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Other Post Employment Benefits trust	Total
Assets					
Investments					
Money market accounts	$	1,228,351	1,432,558	2,903,460	5,564,369
U.S. treasury and agency securities		114,879	413,807	4,869,130	5,397,816
Mortgage-backed securities		58,820	6,028	—	64,848
Nongovernment obligations		1,281,814	2,190,283	1,595,478	5,067,575
Municipal Bonds		25,986	4,918	—	30,904
Investment in the State of Wisconsin		44,127,993	120,789,438	—	164,917,431
Receivables-interest and contributions		12,960	21,756	675,595	710,311
Total assets		46,850,803	124,858,788	10,043,663	181,753,254
Liabilities					
Liabilities:					
Accounts payable and accrued expenses		406,188	1,199,011	2,457,529	4,062,728
Total liabilities		406,188	1,199,011	2,457,529	4,062,728
Net Assets					
Held in trust for supplemental pension benefits	$	46,444,615	123,659,777	7,586,134	177,690,526

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2011

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Other Post Employment Benefits trust	Total
Additions:					
Employer contributions	$	7,196,396	27,366,748	—	34,563,144
Participants contributions		—	—	77,383,576	77,383,576
Investment income, net of expenses		8,570,567	22,517,315	106,609	31,194,491
Total additions		15,766,963	49,884,063	77,490,185	143,141,211
Deductions:					
Benefits paid to participant's or beneficiaries		4,683,943	13,608,816	69,896,831	88,189,590
Distribution of participant contribution accounts		219,319	—	—	219,319
Administrative expenses		50,691	119,096	7,220	177,007
Total deductions		4,953,953	13,727,912	69,904,051	88,585,916
Changes in net assets		10,813,010	36,156,151	7,586,134	54,555,295
Net assets—Beginning of Year		35,631,605	87,503,626	—	123,135,231
Net assets—Ending of Year	$	46,444,615	123,659,777	7,586,134	177,690,526

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Schedule of Changes in Assets and Liabilities

Year ended June 30, 2011

Assets		Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Cash and cash equivalents	$	5,754,010	12,036,900	(12,004,020)	5,786,890
Total assets		5,754,010	12,036,900	(12,004,020)	5,786,890
Liabilities					
Liabilities:					
Due to student organizations		5,754,010	12,036,900	(12,004,020)	5,786,890
Total liabilities	$	5,754,010	12,036,900	(12,004,020)	5,786,890

Milwaukee Public Schools

STATISTICAL SECTION

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

Contents **Page**

MILWAUKEE PUBLIC SCHOOLS
Statement of Net Assets
Last Ten Fiscal Years

Governmental activities

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	$ 499,760,461	494,531,410	499,644,800	483,877,761	473,612,564	481,469,344	475,757,763	456,936,816	434,581,357	415,911,456
Restricted for debt service	11,247,463	4,699,678	8,351,394	16,045,169	14,472,771	1,796,177	13,502,378	9,518,692	3,089,752	-
Unrestricted (Deficit)	(637,144,852)	(520,167,556)	(389,665,110)	(249,579,105)	(102,111,255)	(97,025,340)	(122,424,347)	(113,587,990)	(115,140,875)	(56,959,502)
Total net assets	$ (126,136,928)	(20,936,468)	118,331,084	250,343,825	385,974,080	386,240,181	366,835,794	352,867,518	322,530,234	358,951,954

MILWAUKEE PUBLIC SCHOOLS
Changes in Net Assets
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:										
Instruction	$ 863,184,570	887,815,447	864,409,791	826,151,034	676,103,840	664,810,169	652,714,635	645,880,553	624,575,792	589,940,807
Support services:										
Community services	27,499,000	25,538,287	25,574,386	19,658,453	20,110,243	23,270,780	20,560,706	18,154,857	21,757,475	18,606,289
Pupil and staff services	160,715,900	143,517,392	138,220,288	132,463,255	122,202,632	117,138,777	110,034,688	105,549,340	128,557,769	106,353,611
General, administration, and central services	117,817,193	132,145,392	118,454,437	117,404,599	111,430,021	112,657,972	108,742,800	116,816,130	110,763,906	108,170,630
Business services	169,960,141	159,725,009	161,738,970	176,006,641	162,219,265	155,889,203	162,748,023	140,825,201	179,310,149	154,803,929
School nutrition services	44,205,351	40,555,069	40,891,942	40,654,079	36,515,840	32,793,305	32,165,131	31,249,035	29,348,112	28,672,131
Interest on long-term debt	17,926,945	17,166,361	16,181,174	16,771,008	18,130,489	20,176,300	16,245,344	6,250,445	3,920,507	1,373,719
Insurance	-	-	-	-	-	-	-	-	8,733,676	-
Total support services	$ 538,124,530	518,647,510	501,061,197	502,958,035	470,608,490	461,926,337	450,496,692	418,845,008	482,391,594	417,980,309
Total expenses	$ 1,401,309,100	$ 1,406,462,957	1,365,470,988	1,329,109,069	1,146,712,330	1,126,736,506	1,103,211,327	1,064,725,561	1,106,967,386	1,007,921,116
Program revenues:										
Charges for services:										
Instruction	$ 5,270,970	4,668,475	5,508,572	9,168,741	8,224,655	9,925,797	3,130,444	2,309,821	1,486,516	992,481
Community services	1,981,562	2,022,823	1,994,701	2,333,636	2,934,878	1,906,234	1,930,856	3,246,347	2,876,220	3,634,145
Business services	1,962,560	1,755,862	2,000,182	1,571,882	296,678	103,409	281,329	111,642	143,894	153,322
Nutrition services	3,233,097	3,900,398	4,186,989	3,915,031	3,991,342	4,391,811	4,747,456	4,754,985	4,331,344	4,230,650
Interest on long-term debt						-	-	296,612	-	-
Operating grants and contributions:										
Instruction	284,307,386	288,369,454	314,249,488	211,544,865	187,252,284	204,453,803	105,071,902	106,964,376	103,818,468	82,443,894
Community services	6,693,672	7,218,268	8,472,311	6,389,186	6,031,898	9,864,927	7,318,142	7,629,273	10,009,747	11,562,944
Pupil and staff services	16,187,840	15,608,318	15,106,248	10,811,749	3,679,418	3,746,360	3,583,626	2,864,019	3,108,062	4,979,715
General, administration, and central services		-	-	-	-	-	-	-	-	714,331
Business services	7,058,695	6,631,649	7,140,808	6,867,633	2,779,926	3,511,831	44,078,275	41,609,807	41,786,993	41,114,899
Nutrition services	39,640,325	37,770,914	34,803,122	32,462,000	30,879,192	25,961,118	25,176,146	24,876,913	24,582,985	23,757,262
Capital grants and contributions:										
Instruction	11,532,654	11,118,264	1,698,541	10,906,976	5,371,128	9,759,824	20,355,818	11,334,558	13,918,003	33,847,928
General, administration, and central services	-	-	-	-	-	-	726,957	5,732,070	2,502,693	-
Business services	-	-	-	-	-	-	-	639,448	-	3,118,872
Total program revenues	$ 377,868,761	379,064,425	395,160,962	295,971,699	251,441,399	273,625,114	216,400,951	212,369,871	208,564,925	210,550,443
Net (expense)/revenue	$ (1,023,440,339)	(1,027,398,532)	(970,310,026)	(1,033,137,370)	(895,270,931)	(853,111,392)	(886,810,376)	(852,355,690)	(898,402,461)	(797,370,673)
General revenues and other changes in net assets:										
Taxes:										
Property taxes levied for general purposes	$ 259,744,794	274,190,085	257,763,742	223,761,147	192,891,583	183,710,164	180,704,104	168,470,699	168,452,670	166,503,260
Property taxes levied for construction	14,729,342	9,074,793	17,001,718	16,975,373	14,580,539	13,237,040	12,266,054	-	-	-
Property taxes levied for debt service	5,698,454	2,342,002	1,870,414	-	13,546,414	8,843,502	6,469,806	6,723,273	4,644,357	2,773,885
Property taxes levied for community services	13,334,418	10,226,234	11,142,826	10,340,610	9,327,455	8,077,455	8,002,455	8,004,465	8,004,465	5,797,660
Other taxes	1,729,836	59,021	49,468	133,509	2,369,741	-	-	-	-	-
Federal and state aid not restricted to a specific purpose:										
General (equalization aid)	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,749	575,069,738	556,169,239	542,432,938
Other	73,161,388	75,412,753	78,351,979	70,601,690	71,253,170	69,325,745	116,147,856	123,574,539	122,784,828	105,517,681
Interest and investment earnings	289,979	759,476	1,159,402	2,496,060	3,535,723	2,823,351	1,773,508	761,505	662,490	857,961
Gain on sales of property		-	-	817,921	-	-	10,200	-	1,262,537	-
Other	4,636,939	1,075,826	1,045,095	-	916,544	-	1,200,921	88,755	335	-
Total general revenues	$ 918,239,879	888,130,980	838,297,285	895,938,956	895,004,830	872,515,778	900,778,653	882,692,974	861,980,921	823,883,385
Change in net assets	$ (105,200,460)	(139,267,552)	(132,012,741)	(137,198,414)	(266,101)	19,404,386	13,968,277	30,337,284	(36,421,540)	26,512,712

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable	$ 3,619,008									
Restricted										
Self-insurance deposits	3,723,449									
Debt service	15,818,504									
Flex Spending	241,978									
Committed for Construction	2,122									
Assigned	1,123,863									
Unassigned	67,071,860									
Reserved		35,081,314	56,034,728	70,201,296	83,119,252	73,378,466	54,166,313	41,006,883	31,870,360	34,732,538
Unreserved		56,933,260	40,610,378	28,063,255	27,510,956	35,971,431	45,933,995	40,801,363	53,322,314	83,176,378
Total general fund	$ 91,600,784	92,014,574	96,645,106	98,264,551	110,630,208	109,349,897	100,100,308	81,808,246	85,192,674	117,908,916
Other Governmental Funds										
Committed										
Construction	$ 44,604,504									
Assigned										
Unassigned	(2,251,164)									
Reserved		9,341,521	9,191,384	12,494,623	14,210,055	32,798,010	56,974,895	90,457,405	14,148,758	748,180
Unreserved										
Construction fund		37,687,706	-	858,122	(1,328,640)	(1,417,829)	(14,836,707)	(11,772,547)	8,172,565	42,331,044
Special revenue fund		(2,154,013)	(5,557,534)	(5,628,473)	(4,214,279)	(4,033,184)	(1,927,970)	(320,546)	2,120,932	3,316,059
Total all other governmental funds	$ 42,353,340	44,875,214	3,633,850	7,724,272	8,667,136	27,346,997	40,210,218	78,364,312	24,442,255	46,395,283

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

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Property tax levy	$ 293,507,008	295,833,114	287,778,700	251,077,130	230,345,991	213,803,808	207,442,419	183,198,437	181,046,160	174,734,593
Other taxes	108,820	97,291	92,608	88,839	291,341	—	—	—	—	—
Lunchroom sales	3,226,519	3,853,462	4,180,102	3,774,957	3,875,772	4,391,811	4,747,456	4,754,985	4,331,344	4,230,650
Other local sources	11,836,869	10,288,493	12,686,419	16,967,736	11,729,344	14,656,297	13,550,964	9,221,099	10,531,728	10,009,451
Lawsuit Settlement Refunds	6,706,515	6,796,310	—	—	—	—	—	—	—	—
State aid:										
Equalization aid	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,739	575,069,738	556,169,239	542,432,938
Special classes	49,429,225	46,323,816	47,564,912	42,288,233	39,265,952	39,188,603	39,419,557	40,437,993	40,312,755	41,148,872
Integration	39,158,028	40,804,682	41,276,129	41,864,808	45,208,452	43,660,426	38,661,528	39,437,167	38,717,298	38,830,913
Other state aid	72,947,102	73,460,777	76,658,767	55,720,015	51,424,988	53,759,282	52,338,422	52,217,130	54,522,686	56,566,633
Federal aid:										
Education Consolidation Improvement Act	121,910,586	121,231,450	102,207,198	81,727,901	70,566,992	72,246,390	69,124,917	59,694,854	55,238,900	48,563,189
School nutrition services	38,163,553	36,525,598	33,501,200	31,387,925	30,114,964	25,961,118	24,531,108	24,215,335	23,925,082	23,096,314
Erate refunds	3,346,923	1,920,868	1,751,957	3,638,805	1,661,683	—	4,510,353	639,448	857,304	3,118,872
Other federal aid	102,780,085	111,175,815	157,572,767	79,462,513	69,013,674	79,134,117	78,325,787	90,929,422	85,519,496	68,201,403
Intergovernmental aid from the City of Milwaukee	—	191,000	—	6,000,000	—	9,240,442	14,265,000	11,334,558	8,660,000	23,500,000
Miscellaneous	4,533,161	1,222,859	932,475	816,009	916,544	—	—	—	—	—
Interest and investment earnings	289,981	759,476	1,159,402	2,496,060	3,535,721	2,823,350	1,798,305	1,058,117	662,490	—
Total revenues	$ 1,292,859,104	1,265,475,801	1,237,275,277	1,188,123,577	1,144,535,079	1,145,364,165	1,122,919,555	1,092,208,283	1,060,494,482	1,034,433,828
Expenditures:										
Instructional services:										
Undifferentiated curriculum	$ 408,281,267	419,013,141	426,468,415	420,350,045	420,196,158	430,564,038	418,322,709	426,491,163	394,787,592	355,934,282
Regular and other curriculum	153,723,073	162,055,281	152,019,378	139,085,524	113,231,381	105,796,528	99,908,858	103,609,583	113,717,969	111,412,319
Special curriculum	169,704,527	158,358,450	141,682,491	128,758,524	126,898,396	113,370,170	113,285,852	101,456,920	102,170,548	95,433,902
Total instructional services	731,708,867	739,426,872	720,170,284	688,194,093	660,325,935	649,730,736	631,517,419	631,557,666	610,676,109	562,780,503
Community services	23,467,701	23,184,162	23,482,483	19,337,638	20,022,461	23,127,716	20,591,303	18,191,494	21,442,778	18,312,322
Pupil and staff services	158,034,350	141,633,899	136,274,148	130,014,574	120,056,089	115,122,913	109,425,025	106,347,902	127,129,819	106,273,359
General and school building administration	118,430,195	128,618,542	118,520,404	112,066,634	109,867,741	111,227,914	108,422,951	116,968,619	115,847,360	82,821,806
Business services	170,709,794	160,335,051	161,983,843	154,214,637	160,817,367	151,129,644	153,790,477	156,312,056	164,931,353	150,643,630
School nutrition services	43,247,754	39,803,908	39,547,617	38,476,566	35,782,244	32,210,593	32,006,084	31,097,577	29,209,501	28,602,348
Capital Outlay	21,847,799	19,371,066	21,845,269	38,476,566	27,701,230	46,591,605	66,940,733	82,496,380	52,056,355	38,182,842
Debt service:										
Principal	14,099,135	18,929,274	11,849,070	11,037,918	14,931,291	18,826,401	10,884,355	10,592,638	4,787,763	3,134,930
Interest	14,176,335	13,261,491	13,407,173	13,698,240	14,426,612	14,646,900	13,955,810	4,212,525	2,878,039	992,858
Bond issuance cost	111,525	2,113,376	33,858	480,561	625,649	—	—	3,282,941	—	—
Other	—	—	—	—	—	799,375	1,162,108	1,383,820	1,485,527	53,253,456
Total expenditures	$ 1,295,833,455	1,286,677,641	1,247,114,149	1,205,997,427	1,164,556,619	1,163,413,797	1,148,696,265	1,162,443,618	1,130,444,604	1,044,998,054
Excess of revenues over (under) expenditures	$ (2,974,351)	(21,201,840)	(9,838,872)	(17,873,850)	(20,021,540)	(18,049,632)	(25,776,710)	(70,235,335)	(69,950,122)	(10,564,226)
Other financing sources (uses) (note 7):										
Long-Term Debt Issued	$	49,300,000	4,050,000	—	—	—	5,889,478	—	—	—
Proceeds from City of Milwaukee general obligation bonds	—	—	—	—	—	—	—	1,005,000	7,060,000	5,900,000
Proceeds from Pension bonds	—	—	—	—	—	—	—	168,051,136	—	—
Payment for refunded pension debt	—	—	—	—	—	—	—	(165,505,293)	—	—
Proceeds from qualified zone academy bonds	—	—	—	—	1,078,100	2,021,000	—	2,650,000	4,979,000	8,590,000
Proceeds from Neighborhood Schools Initiative bonds	—	—	—	—	—	—	—	78,740,000	—	33,300,000
Premium on NSI bonds	—	—	—	—	—	—	—	1,357,121	—	—
Proceeds from Sale of Property	38,777	287,395	—	—	—	—	25,200	—	1,306,175	—
Proceeds from Teach Loan	—	—	—	—	—	—	—	—	1,935,677	3,034,883
Proceeds from capital leases		11,504,297	—	—	—	12,415,000	—	34,475,000	—	—
Insurance proceeds from fire		60,980	79,005	2,997,170	1,000,000	—	—	—	—	—
Refunding bond debt issued		11,020,000	—	—	31,865,000	—	—	—	—	—
Payment for refunded bond debt		(14,360,000)	—	—	(30,982,607)	—	—	—	—	—
Discount on debt issued	—	—	—	—	(338,503)	—	—	—	—	—
Refunding intergovernmental debt issued	—	—	—	—	—	—	847,676	790,000	—	—
Payment for refunded intergovernmental debt	—	—	—	—	—	—	(847,676)	(790,000)	—	—
Total other financing sources (uses), net	$ 38,777	57,812,672	4,129,005	2,997,170	2,621,990	14,436,000	5,914,678	120,772,964	15,280,852	50,824,883
Net change in fund balance	$ (2,935,574)	36,610,832	(5,709,867)	(14,876,680)	(17,399,550)	(3,613,632)	(19,862,032)	50,537,629	(54,669,270)	40,260,657
Debt service as a percentage of noncapital expenditures	2.3%	2.8%	2.1%	2.2%	2.7%	3.1%	2.4%	1.7%	0.7%	0.4%

MILWAUKEE PUBLIC SCHOOLS

Assessed and Equalized Valuation—City of Milwaukee

(in thousands)

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

Assessed Year		Assessed valuation	Assessed valuation increase (decrease) over prior years	Equalized valuation
1981	....	7,459,893	(220,540)	10,404,727
1982	....	10,432,662	2,972,769	10,762,198
1983	....	10,542,257	109,595	10,906,324
1984	....	11,001,963	459,705	11,025,039
1985	....	11,076,974	75,011	11,152,473
1986	....	11,140,003	63,029	11,181,029
1987	....	11,303,217	163,214	11,709,716
1988	....	11,865,999	562,782	12,002,681
1989	....	12,017,462	151,463	12,648,530
1990	....	12,614,531	597,069	12,808,708
1991	....	12,701,237	86,706	13,189,084
1992	....	13,336,770	635,533	13,279,156
1993	....	13,345,968	9,198	14,047,985
1994	....	14,029,734	683,766	14,363,706
1995	....	13,976,649	(53,085)	14,821,109
1996	....	14,850,607	873,958	15,041,199
1997	....	14,914,137	63,530	15,511,857
1998	....	16,072,114	1,157,977	16,228,218
1999	....	15,773,850	(298,264)	16,701,225
2000	....	17,582,995	1,809,145	17,344,251
2001	....	17,699,784	116,789	19,453,830
2002	....	19,866,255	2,166,471	20,298,387
2003	....	21,009,517	1,143,262	21,730,754
2004	....	22,772,419	1,762,902	23,491,773
2005	....	25,222,149	2,449,730	26,256,714
2006	....	28,354,952	3,132,803	30,226,984
2007	....	29,374,373	1,019,421	31,887,192
2008	....	30,431,675	1,057,302	32,257,525
2009	....	28,944,573	(1,487,102)	31,266,329
2010	....	28,048,464	(896,109)	29,520,783

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 th
assessed valuation and the equalized valuation include Tax Incremental Financing Districts

MILWAUKEE PUBLIC SCHOOLS

Property Tax Rates—Direct and Overlapping Government

Last Ten Years

Budget year	Milwaukee School Board (B)		City of Milwaukee (A)		Milwaukee Area District Board of Vocational, Technical, and Adult Education		County of Milwaukee		State of Wisconsin		Milwaukee Metropolitan Sewerage District		Total (C)	
	TAX RATES PER $1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL													
2001	$8.81	31.5 %	9.86	35.2 %	$2.00	7.1 %	$5.46	19.5 %	$0.20	0.7 %	$1.68	6.0 %	$28.01	100.0 %
2002	9.11	30.8	10.22	34.6	2.23	7.6	5.91	20.0	0.22	0.7	1.87	6.3	29.56	100.0
2003	8.55	31.4	9.51	34.9	2.05	7.5	5.20	19.1	0.20	0.7	1.74	6.4	27.25	100.0
2004	8.12	31.0	9.22	35.2	2.04	7.8	4.94	18.9	0.21	0.8	1.64	6.3	26.17	100.0
2005	8.84	34.2	8.52	32.9	2.00	7.7	4.70	18.2	0.21	0.8	1.59	6.2	25.86	100.0
2006	8.35	34.1	8.08	33.0	1.96	8.0	4.43	18.1	0.20	0.8	1.48	6.0	24.50	100.0
2007	7.48	33.4	7.28	32.5	1.89	8.4	4.18	18.7	0.19	0.8	1.39	6.2	22.41	100.0
2008	7.96	34.4	7.46	32.2	1.92	8.3	4.22	18.3	0.19	0.8	1.39	6.0	23.14	100.0
2009	8.75	36.3	7.59	31.6	1.94	8.1	4.20	17.5	0.18	0.8	1.37	5.7	24.03	100.0
2010	9.41	36.2	8.42	32.4	2.06	8.0	4.48	17.2	0.18	0.7	1.43	5.5	25.98	100.0

(A) State law prohibits the City from raising property taxes more than 2% plus 60% growth of new development.

(B) Overlapping rates are those of local and county governments that apply to property owners within the City of Milwaukee.

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

Source: City of Milwaukee

MILWAUKEE PUBLIC SCHOOLS

Tax Rates for School Purposes

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

Budget Year	School Operations	Construction	Extension	Total(a)
2002	7.68	0.50	0.28	8.46
2003	7.11	0.45	0.35	7.91
2004	6.80	0.48	0.33	7.61
2005	7.72	0.51	0.33	8.20
2006	7.71	0.53	0.32	7.68
2007	6.07	0.43	0.27	6.77
2008	6.60	0.50	0.31	7.41
2009	7.44	0.49	0.32	8.25
2010	8.36	0.53	0.35	8.94
2011	8.18	0.45	0.41	9.05

Tax Levies for School Purposes

Last Ten Years

Budget Year	School Operations	Construction	Extension	Total
2002	158,610,459	10,328,700	5,795,434	174,734,593
2003	162,696,867	10,346,829	8,002,455	181,046,151
2004	163,554,998	11,640,984	8,002,455	183,198,437
2005	187,173,910	12,266,054	8,002,455	207,442,419
2006	192,488,713	13,237,640	8,077,455	213,803,808
2007	206,437,997	14,580,539	9,327,455	230,345,991
2008	223,761,147	16,975,373	10,340,610	251,077,130
2009	259,634,156	17,001,718	11,142,826	287,778,700
2010	276,532,087	9,074,793	10,226,234	295,833,114
2011	265,443,248	14,729,342	13,334,418	293,507,008

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

Milwaukee Public Schools
Principal Property Taxpayers
(Thousands of Dollars)

Employer	Fiscal Year 2010 Assessed Value	Fiscal Year 2010 Percentage of Total Assessed		Fiscal Year 2001 Assessed Value	Fiscal Year 2001 Percentage of Total Assessed	
U.S. Bank	$ 241,691	0.86	%	$ 197,383	1.12	%
Northwestern Mutual Life Insurance Company	192,568	0.69		166,879	0.94	
Metropolitan Associates	96,398	0.34		63,592	0.36	
Marcus Corp./Mil. City Center/Pfister	95,478	0.34		75,214	0.43	
NNN 411 E. Wisconsin LLC	90,149	0.32		—	—	
Towne Realty	84,913	0.30		82,697	0.47	
100 E. Wisconsin Ave. Joint Venture	65,612	0.23		55,166	0.31	
Riverbend Place	58,924	0.21		—	—	
Flanders Westborough	56,969	0.20		—	—	
Geneva Exchange Fund	56,024	0.20		—	—	
Teachers Insurance & Annuity Assoc.	—	—		103,316	0.58	
Great Lakes, REIT LP	—	—		68,095	0.38	
Miller Brewing	—	—		65,832	0.37	
Allen Bradley Company	—	—		56,649	0.32	
	$ 1,038,726	3.69	%	$ 934,823	5.28	%

Source: City CAFR

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

Budget Year	Taxes Levied for the Fiscal Year (Original Levy) (D)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy Year (B): Current Tax Collections	Collected for the Levy Year (B): Percent Original Levy Collected	Collections: Purchased Delinquents Original Levy Year (C)	Collections: Total Adjusted Levy in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Adjusted Levy
2004	240,643	21,993	262,636	235,012	97.66	15,497	11,961	262,471	99.94 %
2005	248,267	22,666	270,933	242,587	97.71	14,992	12,710	270,289	99.76
2006	261,685	24,192	285,877	255,823	97.76	15,664	13,663	285,151	99.75
2007	265,319	30,130	295,449	257,350	97.00	18,581	18,205	294,136	99.56
2008	286,180	38,100	324,280	277,119	96.83	23,952	20,056	321,126	99.03
2009	276,186	27,702	303,888	265,691	96.20	18,018	10,191	293,900	96.81
2010	291,943	36,108	328,051	281,099	96.29	16,715	-	297,814	90.78

Milwaukee Public Schools: Fiscal Year	Total Tax Levy	Percentage of Levy (E)
2004	183,198	100.00 %
2005	207,442	100.00
2006	213,804	100.00
2007	230,346	100.00
2008	251,077	100.00
2009	287,779	100.00
2010	293,507	100.00

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

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

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

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

(E) City absorbs all tax delinquencies

Source: City of Milwaukee and MPS

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

Fiscal Year	Real Estate	Personal Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2004	$ 21,938,751	$ 833,668	$ 22,772,419	$ 23,491,774	9.73	96.9 %
2005	24,386,499	835,650	25,222,149	26,256,714	9.19	96.1
2006	27,450,051	904,900	28,354,952	30,226,986	8.75	93.8
2007	28,430,813	943,560	29,374,373	31,887,192	7.99	92.1
2008	29,429,740	1,001,935	30,431,675	32,257,525	8.00	94.4
2009	27,961,413	983,160	28,944,573	31,266,329	8.09	92.6
2010	27,091,120	957,344	28,048,464	29,520,783	8.89	95.0

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

Source: City CAFR & 2010 City Assessor's Office

MILWAUKEE PUBLIC SCHOOLS

Computation of Direct and Overlapping Debt—City of Milwaukee

December 31, 2010

(in thousands)

Name of governmental unit		Net debt outstanding	Percentage applicable to City of Milwaukee (C)		City of Milwaukee's share of debt
Debt Repaid with property taxes					
Direct debt:					
City of Milwaukee (A)	$	805,660	100.00 %	$	805,660
Overlapping debt:					
Milwaukee Area Technical College District Board		101,275	38.30		38,788
County of Milwaukee		747,590	46.85		350,246
Milwaukee Metropolitan Sewerage Area (B)		983,785	47.95		471,725
Total overlapping debt					860,759
Total district and overlapping debt				$	1,666,419

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

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

(A) Excludes $46,509 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction.

(B) Includes $662,150 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

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

Source: City CAFR

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

Fiscal Year	General Obligation Bonds	QZAB	Pension Debt: Capital Appreciation Bonds	Pension Debt: Variable Rate Debt	Wisconsin Retirement System (UAAL)	General Bonded Debt Subtotal	Bonded Debt as a Percentage of Equalized Property Value[1]	Bonded Debt Per Capita	Revenue Bonds	Capital Lease	TEACH Loans	Total Debt	Total Debt as a Percentage of Personal Income[2]	Total Debt Per Capita
2002	15,016,036	8,590,000	-	-	166,728,766	190,334,802	0.94	320	33,300,000	1,948,775	4,091,684	229,675,261	1.25	386
2003	19,385,316	12,469,908	-	-	167,607,420	199,462,644	0.92	335	33,300,000	1,482,250	5,495,934	239,740,828	1.29	402
2004	16,756,869	13,406,456	38,061,867	130,850,000	-	199,075,192	0.85	334	113,297,237	34,552,250	4,776,312	351,700,991	1.82	591
2005	17,040,498	11,356,780	39,845,213	130,850,000	-	199,092,491	0.76	335	113,197,353	31,154,750	10,236,484	353,681,078	1.76	596
2006	14,174,684	11,248,426	35,598,442	130,850,000	-	191,871,552	0.63	324	113,097,469	40,087,275	8,407,726	353,464,022	1.75	596
2007	11,996,044	9,897,583	37,852,753	130,850,000	-	190,596,380	0.60	323	108,180,831	36,759,825	6,511,465	342,048,501	1.62	580
2008	9,804,615	8,369,589	40,250,009	130,850,000	-	189,274,213	0.59	320	106,447,870	33,222,400	4,520,395	333,464,878	1.62	564
2009	12,165,969	7,042,189	42,799,284	130,850,000	-	192,857,442	0.62	330	103,527,948	29,460,000	2,429,771	328,275,161	N/A	562
2010	71,415,847	5,668,324	45,510,230	130,850,000	-	253,444,401	N/A	N/A	99,607,279	14,625,679	1,659,026	369,336,385	N/A	N/A
2011	67,042,677	4,560,243	48,393,112	130,850,000	-	250,846,032	N/A	N/A	95,480,699	10,929,713	849,744	358,106,188	N/A	N/A

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

Milwaukee Public Schools
Pledged Revenue Coverage
Last Seven Fiscal Years

	Neighborhood Schools Initiative Bonds			
		Debt Service		
Fiscal Year	**Intradistrict Aid**	**Principal**	**Interest**	**Coverage**
2005	$ 35,362,376	$ —	$ 4,897,374	7.22
2006	40,627,588	—	4,897,374	8.30
2007	42,212,564	—	4,897,374	8.62
2008	38,625,243	1,790,000	4,373,834	6.27
2009	37,965,736	2,980,000	4,308,219	5.21
2010	37,439,086	3,985,000	4,204,253	4.57
2011	36,130,070	4,195,000	4,071,676	4.37

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

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

MILWAUKEE PUBLIC SCHOOLS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

		County of Milwaukee				
Year	**Population (A)**	**Personal Income** *(Thousands of Dollars)* **(B)**	**Per Capita Income (C)**	**Median Age (D)**	**School Enrollment (E)**	**Unemployment Rate (F)**
2001	595,508	28,125,424	29,802	30.6	103,397	7.4
2002	595,958	28,737,661	30,355	30.6	103,464	8.9
2003	595,245	29,139,237	30,698	30.6	103,769	7.9
2004	593,920	29,863,926	31,428	30.6	102,309	6.8
2005	592,765	30,715,138	32,537	30.6	100,262	6.5
2006	590,370	32,460,313	34,121	30.6	97,509	6.5
2007	590,190	34,107,037	35,852	30.6	87,360	6.5
2008	590,870	35,182,312	36,880	30.6	85,369	7.9
2009	584,000	35,586,784	37,088	30.6	82,444	11.0
2010	594,833	Not available	Not available	30.3	81,372	11.5

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

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

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

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

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

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

source: City of Milwaukee 2010 CAFR

MILWAUKEE PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	2010 Estimates (1)			2001		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Aurora Health Care	21,570	1	5.15 %	10,924	2	2.42 %
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800	2	2.58	7,542	4	1.67
Milwaukee Public Schools	9,958	3	2.38	11,704	1	2.60
Wheaton Franciscan Healthcare	8,377	4	2.00			
Wal-Mart	7,360	5	1.76			
City of Milwaukee	7,297	6	1.74	7,650	3	1.70
Roundy's Supermarkets	6,800	7	1.62			
Kohl's Corp.	6,384	8	1.52			
Froedtert Memorial Lutheran Hospital and Community Health	6,090	9	1.45			
Quad Graphics	5,600	10	1.34			
Milwaukee County				6,897	5	1.53
Covenant Health Care				5,689	6	1.26
M&I Marshall & Ilsley				5,101	7	1.13
Northwestern Mutual life				4,144	8	0.92
University of Wisconsin-Milwaukee				4,104	9	0.91
Allen-Bradley (now Rockwell)	-		-	3,740	10	0.83
	90,236		21.54 %	67,495		14.98 %

(1) Reflects full-time equivalent employees.
Note: Data includes all of Milwaukee County.
Source: The 2011 Business Journal Book of Lists. City from internal records.

The 2001 data was from the Department of Administration January 2002 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".
Total employment data (2001=450,598) (2010=418,977) from the State of Wisconsin Workforce Development.

source: City of Milwaukee CAFR

MILWAUKEE PUBLIC SCHOOLS

Comparative per Capita Cost Statistics

Last Ten Fiscal Years

		Cost per pupil	
2001 – 2002	....	10,228	
2002 – 2003	....	11,086	
2003 – 2004	....	11,358	
2004 – 2005	....	11,416	*
2005 – 2006	....	11,808	
2006 – 2007	....	12,174	
2007 – 2008	....	13,055	
2008 – 2009	....	13,517	
2009 – 2010	....	14,289	
2010 – 2011	....	14,459	

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

MILWAUKEE PUBLIC SCHOOLS

Comparative Statement of Annual School Census

Children Between 4 and 19 Years of Age
Residing in the City of Milwaukee

Fiscal year	Total number of children	Increase or (decrease) over prior year	Males	Increase or (decrease) over prior year	Females	Increase or (decrease) over prior year	Attending public schools	Attending private schools	Total attending schools	Percent attending schools
1976	161,099	(6,271)	81,963	(3,353)	79,136	(2,918)	113,336	26,475	139,811	86.8
1977	152,435	(8,664)	77,734	(4,229)	74,701	(4,435)	104,619	25,078	129,697	85.1
1978	148,378	(4,057)	75,519	(2,215)	72,859	(1,842)	100,859	26,275	127,134	85.7
1979	133,507	(14,871)	68,491	(7,028)	65,016	(7,843)	93,296	26,011	119,307	89.4
1980	133,639	132	68,245	(246)	65,394	378	91,069	25,436	116,505	87.2
1981	130,215	(3,424)	66,550	(1,695)	63,665	(1,729)	82,520	31,238	113,758	87.4
1982	131,748	1,533	67,085	535	64,663	998	80,683	29,623	110,306	83.7
1983	134,734	2,986	68,642	1,557	66,092	1,429	83,148	31,149	114,297	84.8
1984	140,729	5,995	71,689	3,047	69,040	2,948	87,243	31,601	118,844	84.4
1985	147,347	6,618	75,066	3,377	72,281	3,241	93,406	31,464	124,870	84.7
1986	148,768	1,421	75,391	325	73,377	1,096	96,520	30,961	127,481	85.7
1987	145,593	(3,175)	73,844	(1,547)	71,749	(1,628)	94,744	30,997	125,741	86.4
1988	148,416	2,823	75,196	1,352	73,220	1,471	98,438	31,140	129,578	87.3
1989	150,714	2,298	76,520	1,324	74,194	974	99,988	29,988	129,976	86.2
1990	150,723	9	76,382	(138)	74,341	147	99,079	29,346	128,425	85.2
1991 *	128,540	(22,183)	65,230	(11,152)	63,310	(11,031)	86,407	27,012	113,419	88.2
1992	144,452	15,912	73,180	7,950	71,272	7,962	100,017	28,346	128,363	88.9
1993	145,499	1,047	73,772	592	71,727	455	100,728	27,956	128,684	88.4
1994	149,545	4,046	75,893	2,121	73,652	1,925	103,452	28,196	131,648	88.0
1995	151,541	1,996	76,471	578	75,070	1,418	106,886	27,816	134,702	88.8
1996	151,710	169	76,778	307	74,932	(138)	106,910	27,931	134,841	88.9
1997	151,027	(683)	76,429	(349)	74,598	(334)	107,121	27,455	134,576	89.1
1998	153,227	2,200	77,533	1,104	75,694	1,096	108,786	27,723	136,509	89.1
1999	154,328	1,101	78,141	608	76,187	493	111,712	27,207	138,919	90.0
2000	154,977	649	78,599	458	76,378	191	110,397	28,342	138,739	89.5
2001	150,256	(4,721)	76,048	(2,551)	74,208	(2,170)	107,905	26,479	134,384	89.4
2002	149,992	(264)	76,142	94	73,850	(358)	109,852	25,066	134,918	90.0
2003	162,011	12,019	82,187	6,045	79,824	5,974	122,631	23,760	146,391	90.4
2004	164,641	2,630	83,399	1,212	81,242	1,418	128,862	21,829	150,691	91.5
2005	165,279	638	85,193	1,794	82,596	1,354	130,664	22,879	153,543	92.9
2006	159,414	(5,865)	81,024	(4,169)	78,390	(4,206)	111,685	27,171	138,856	87.1
2007	153,233	(6,181)	77,570	(3,454)	75,663	(2,727)	107,950	26,507	134,457	87.7
2008	152,244	(989)	75,897	(1,673)	76,347	684	102,648	27,847	130,495	85.7
2009	152,323	79	75,840	(57)	76,483	136	104,316	28,010	132,326	86.9
2010	151,232	(1,012)	74,710	(1,187)	76,522	175	102,707	28,398	131,105	86.7
2011	148,293	(4,030)	74,624	(1,216)	73,669	(2,814)	100,101	27,395	127,496	86.0

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

MILWAUKEE PUBLIC SCHOOLS

Annual Enumeration of Children Residing
in the City of Milwaukee

As of June 30, 2011

Ages		Males	Females	Total	Attended public school	Attended parochial or private school	Did not attend school
1		5,551	5,481	11,032	0	0	11,032
2		5,592	5,433	11,025	0	0	11,025
3		5,573	5,404	10,977	253	0	10,724
	Total 1 – 3	16,716	16,318	33,034	253	0	32,781
4		5,398	5,317	10,715	2588	257	7,870
5		5,406	5,226	10,632	6526	1735	2,371
6		5,279	5,065	10,344	6767	1886	1,691
7		4,515	4,363	8,878	6824	1986	68
8		4,353	4,249	8,602	6646	1887	69
9		4,230	4,302	8,532	6531	1898	103
10		4,285	4,248	8,533	6565	1868	100
11		4,221	4,205	8,426	6403	1888	135
12		4,264	4,171	8,435	6432	1866	137
13		4,197	4,063	8,260	6262	1829	169
14		3,928	3,945	7,873	5989	1648	236
15		4,075	4,040	8,115	6173	1570	372
16		4,295	4,238	8,533	6393	1497	643
17		4,688	4,858	9,546	6839	1353	1,354
18		5,562	5,528	11,090	7055	1515	2,520
19		5,928	5,851	11,779	6,108	2,712	2,959
	Total 4 – 19	74,624	73,669	148,293	100,101	27,395	20,797
	Grand total	91,340	89,987	181,327	100,354	27,395	53,578

MILWAUKEE PUBLIC SCHOOLS

Government-wide Expenses by Function

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal year	Instruction	Community services	Pupil and staff services	General administrative and central services	Business services	School Nutrition Services	Interest on long-term debt	Insurance	Total
2002	$ 589,940	18,606	106,354	103,023	154,804	28,672	1,374	5,148	1,007,921
2003	624,576	21,757	128,558	110,764	179,310	29,348	3,920	8,734	1,106,967
2004	645,881	18,155	105,549	116,816	140,825	31,249	6,250	-	1,064,725
2005	652,714	20,561	110,035	108,743	162,748	32,165	16,245	-	1,103,211
2006	664,810	23,271	117,139	112,658	155,889	32,793	20,176	-	1,126,736
2007	676,103	20,110	122,203	111,430	162,219	36,516	18,130	-	1,146,711
2008	826,151	19,658	132,463	117,405	176,007	40,654	16,771	-	1,329,109
2009	864,410	25,574	138,220	118,454	161,739	40,892	16,181	-	1,365,471
2010	887,815	25,538	143,517	132,145	159,725	40,555	17,166	-	1,406,463
2011	863,185	27,499	160,716	117,817	169,960	44,205	17,927	-	1,401,309

MILWAUKEE PUBLIC SCHOOLS

Government-wide Revenues

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal year	Charges for services	Operating grants and contributions	Capital grants and contributions	Property taxes	Federal and state aid not restricted to a specific purpose	Interest and investment earnings	Miscellaneous	Total
2002	$ 9,011	164,573	36,967	175,075	647,950	858	-	1,034,434
2003	8,838	183,306	16,421	181,101	678,954	662	1,263	1,070,545
2004	10,719	183,944	17,706	183,198	698,644	762	89	1,095,062
2005	10,090	185,228	21,083	207,442	690,350	1,773	1,211	1,117,177
2006	16,327	247,538	9,760	213,868	655,825	2,823	-	1,146,141
2007	15,447	230,623	5,371	232,716	657,837	917	3,535	1,146,446
2008	16,989	268,075	10,907	251,211	641,415	2,496	818	1,191,911
2009	13,690	379,772	1,699	287,828	548,265	1,159	1,045	1,233,459
2010	12,348	355,599	11,118	295,892	590,404	759	1,076	1,267,195
2011	12,448	353,888	11,533	295,237	618,076	290	4,637	1,296,109

MILWAUKEE PUBLIC SCHOOLS

Governmental Fund Expenditures by Function

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal year	Instruction	Community services	Pupil & staff services	General and school building administration	Business services	Capital outlay	School Nutrition Services	Debt service	Other	Total
2002	$ 562,781	18,312	106,273	82,822	150,644	38,183	28,602	4,128	53,253	1,044,998
2003	610,676	21,443	127,129	115,847	164,932	52,056	29,210	7,666	1,486	1,130,445
2004	631,558	18,191	106,348	116,969	156,312	82,496	31,098	18,088	1,384	1,162,444
2005	631,518	20,591	109,425	108,423	153,790	66,941	32,006	24,840	1,162	1,148,696
2006	649,731	23,128	115,123	111,228	151,130	46,591	32,211	33,473	799	1,163,414
2007	660,326	20,022	120,056	109,868	160,818	27,701	35,782	29,984	—	1,164,557
2008	688,194	19,337	130,014	112,067	169,020	23,671	38,477	25,217	—	1,205,997
2009	720,170	23,483	136,274	118,520	161,984	21,845	39,548	25,290	—	1,247,114
2010	739,427	23,184	141,634	128,619	160,335	19,371	39,804	34,304	—	1,286,678
2011	731,709	23,468	158,034	118,430	170,710	21,848	43,248	28,387	—	1,295,834

MILWAUKEE PUBLIC SCHOOLS

General Governmental Revenues by Source

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal year		Property tax levy	Lunchroom sales	Other local sources	State aid	Federal aid	Intergovernmental aid	Other federal aid	Interest and investment earnings	Total
2002	$	174,734	4,231	10,009	678,979	74,779	23,500	68,201	23,500	1,057,933
2003		181,046	4,331	10,531	689,721	80,021	8,660	85,519	662	1,060,491
2004		183,198	4,755	9,221	707,163	84,549	11,334	90,930	1,058	1,092,208
2005		207,442	4,747	13,551	704,624	98,166	14,265	78,326	1,798	1,122,919
2006		213,804	4,392	14,656	723,107	177,342	9,240	—	2,823	1,145,364
2007		230,346	3,876	12,020	722,482	171,358	—	917	3,536	1,144,535
2008		251,077	3,775	17,056	710,686	196,218	6,000	816	2,496	1,188,124
2009		287,779	4,180	12,779	635,413	295,033	—	932	1,159	1,237,275
2010		295,833	3,853	17,182	675,581	270,854	191	1,223	759	1,265,476
2011		293,507	3,227	18,652	706,449	266,201	—	4,533	290	1,292,859

MILWAUKEE PUBLIC SCHOOLS

School Accommodations

Last Thirty-six Years

	Instructional staff (a)	Number of school buildings (b)	Average school year daily membership	
1975 – 1976	6,182	163	108,300	(c)
1976 – 1977	6,083	161	105,581	(c)
1977 – 1978	5,974	156	96,618	(c)
1978 – 1979	5,836	151	91,929	(c)
1979 – 1980	5,679	150	87,679	(c)
1980 – 1981	5,313	150	84,379	(c)
1981 – 1982	5,167	150	82,632	(c)
1982 – 1983	5,019	150	82,353	(c)
1983 – 1984	5,026	144	82,667	
1984 – 1985	5,126	143	84,443	
1985 – 1986	5,380	145	86,836	
1986 – 1987	5,474	144	87,283	
1987 – 1988	5,581	145	87,949	
1988 – 1989	5,675	146	89,675	
1989 – 1990	5,791	146	90,595	
1990 – 1991	5,920	149	90,487	
1991 – 1992	6,872	154	91,071	
1992 – 1993	6,811	156	94,694	
1993 – 1994	6,817	155	96,496	
1994 – 1995	6,816	155	98,312	
1995 – 1996	6,682	154	99,278	
1996 – 1997	6,785	154	101,622	
1997 – 1998	7,005	157	102,914	
1998 – 1999	7,187	157	102,097	
1999 – 2000	7,114	157	100,682	
2000 – 2001	7,128	158	99,332	
2001 – 2002	7,154	164	99,302	
2002 – 2003	7,137	164	99,054	
2003 – 2004	7,266	168	98,323	
2004 – 2005	6,512	173	96,874	
2005 – 2006	6,420	177	94,973	
2006 – 2007	6,033	177	92,224	
2007 – 2008	6,010	178	89,110	
2008 – 2009	5,961	178	87,137	
2009 – 2010	5,853	177	85,239	
2010 – 2011	5,501	174	84,422	

(a) Including principals.
(b) Includes leased sites.
(c) Kindergarten 1/2 day membership converted to full day equivalents.

MILWAUKEE PUBLIC SCHOOLS

Number and Distribution of Instructional Staff

Last Ten Fiscal Years

Classifications	2001 – 2002	2002 – 2003	2003 – 2004	2004 – 2005	2005 – 2006	2006 – 2007	2007 – 2008	2008 – 2009	2009 – 2010	2010 – 2011
Senior high and middle schools:										
Principals	38	36	38	29	31	29	32	30	29	25
Assistant principals	113	111	108	100	82	99	74	71	76	61
Teachers	2,291	2,352	2,409	1,936	1,915	1,724	1,701	1,464	1,404	1,432
Total	2,442	2,499	2,555	2,065	2,028	1,852	1,807	1,565	1,509	1,518
Elementary schools:										
Principals	117	108	107	108	105	100	110	101	104	96
Assistant principals	84	70	71	68	66	54	59	68	61	55
Teachers	3,762	3,736	3,750	3,652	3,575	3,497	3,425	3,678	3,610	3,452
Total	3,963	3,914	3,928	3,828	3,746	3,651	3,594	3,847	3,775	3,603
Special schools and classes:										
Principals	1	1	2	2	4	2	3	3	4	2
Assistant principals	2	2	3	5	11	7	4	4	7	4
Teachers	746	721	778	612	631	521	602	542	558	374
Total	749	724	783	619	646	530	609	549	569	380
Summary:										
Principals	156	145	147	139	140	131	145	134	137	123
Assistant principals	199	183	182	173	159	160	137	143	144	120
Teachers	6,799	6,809	6,937	6,200	6,121	5,742	5,728	5,684	5,572	5,258
Total	7,154	7,137	7,266	6,512	6,420	6,033	6,010	5,961	5,853	5,501
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors	735	674	665	426	428	415	418	420	421	406
Grand total	7,889	7,811	7,931	6,938	6,848	6,448	6,428	6,381	6,274	5,907

MILWAUKEE PUBLIC SCHOOLS

Population and Pupils
Residing in the City of Milwaukee

Last Ten Fiscal Years

	2001-2002	**2002-2003**	**2003-2004**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**2010-2011**
Total number of school age children according to city-wide child census	149,992	162,011	164,641	165,279	159,414	153,233	152,244	152,323	151,232	148,293
Enrollment for state aid:*										
Third Friday	101,618	101,715	102,033	100,403	98,209	95,332	91,947	90,053	87,914	87,157
Summer school	1,113	964	333	247	322	329	428	430	374	382
Total	102,731	102,679	102,366	100,650	98,531	95,661	92,375	90,483	88,288	87,539
Average number enrolled:										
Senior high	25,389	26,766	28,003	27,642	27,438	28,966	28,466	27,839	27,308	26,660
Junior high/middle	23,974	23,670	23,432	21,554	21,048	20,698	19,233	18,204	17,469	17,492
Elementary	53,940	52,683	51,699	49,354	48,042	47,845	46,273	46,218	45,269	45,262
Total	103,303	103,119	103,134	98,550	96,528	97,509	93,972	92,261	90,046	89,414
Average number attending:										
Senior high	19,727	20,936	22,251	22,127	22,046	22,916	22,205	22,958	22,469	23,172
Junior high/middle	20,927	20,843	20,968	19,225	18,736	18,413	17,047	16,015	15,623	15,737
Elementary	50,240	48,858	48,078	45,745	44,311	44,087	42,465	42,363	41,793	41,737
Total	90,894	90,637	91,297	87,097	85,093	85,416	81,717	81,336	79,885	80,646

* Non-resident and choice students not included.

Milwaukee Public Schools
Operating Statistics
Last Ten Years

Fiscal Year	Enrollment For State Aid	Operating Expenses	Cost Per Pupil	Teaching Staff	Pupil/ Teacher Ratio
2011	89,414	$1,401,309,100	$ 15,672	6,486	13.79:1
2010	90,046	1,406,462,957	15,619	6,602	13.64:1
2009	92,261	1,365,470,988	14,800	6,819	13.53:1
2008	92,375	1,329,109,069	14,388	6,944	13.30:1
2007	95,661	1,146,712,330	11,987	6,780	14.11:1
2006	98,531	1,126,736,506	11,435	6,974	14.13:1
2005	100,650	1,103,211,327	10,961	7,177	14.02:1
2004	102,366	1,064,725,561	10,401	7,541	13.57:1
2003	102,679	1,106,967,386	10,781	7,917	12.97:1
2002	102,731	1,007,921,116	9,811	8,299	12.38:1

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

	Year Ending June 30,									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Supervisory										
Officials, Admin., Mgrs.	62	52	56	54	94	66	49	54	49	51
Principals	123	137	134	142	139	136	136	142	157	153
Part time profess/Ins.	424	439	682	574	556	601	546	574	781	966
Total supervisory	609	628	872	770	789	803	731	770	987	1,170
Instruction										
Asst. Prin. - Teach	131	144	143	165	142	153	161	165	167	186
Elementary Clsrm. Teach	3,345	3,610	3,678	3,697	3,658	3,673	3,678	3,736	3,877	4,025
Secondary Clsrm. Teach	1,628	1,404	1,464	1,680	1,584	1,717	1,862	2,008	2,171	2,270
Other Clsrm. Teach	511	558	542	589	452	498	489	589	599	591
Other Prof. Staff	491	494	484	397	441	406	397	397	401	377
Teacher Aides	380	392	508	416	503	527	590	646	702	850
Total instruction	6,486	6,602	6,819	6,944	6,780	6,974	7,177	7,541	7,917	8,299
Student Services										
Guidance	27	56	48	49	48	51	50	49	62	77
Psychological	161	163	152	145	159	150	140	145	148	144
Librarian/Audiovisual	29	44	39	32	36	44	41	32	45	67
Consultants/Supervisors	97	96	96	80	94	86	87	80	80	77
Technicians	65	65	71	64	70	71	64	64	67	57
Total student services	379	424	406	370	407	402	382	370	402	422
Support and Administration										
Clerical/Secretarial	482	491	520	583	529	550	558	583	612	612
Service Workers	425	416	415	415	415	426	440	433	432	440
Craft Workers - Skilled	401	352	382	448	393	408	429	448	454	467
Laborers - Unskilled	65	67	80	95	77	88	88	95	103	115
All other Part-time	4,410	4,107	4,961	4,786	4,801	4,848	5,206	5,984	5,283	4,736
Total support and administration	5,783	5,433	6,358	6,327	6,215	6,320	6,721	7,543	6,884	6,370
Total	13,257	13,087	14,455	14,411	14,191	14,499	15,011	16,224	16,190	16,261

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

Year Ending June 30,

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Number of schools participating in:										
Lunch - regular schedule	164	171	175	170	173	185	191	187	198	185
Breakfast program	155	161	158	158	160	167	161	164	127	162
Snack program	82	85	100	99	68	78	76	55	53	39
Student lunches served:										
Free	7,876,717	7,686,178	7,246,531	7,176,603	7,288,629	7,327,709	7,310,144	7,475,361	7,538,727	7,419,564
Reduced	537,693	776,288	901,725	954,705	959,040	944,894	995,673	1,007,752	1,072,252	1,115,031
Fully paid	1,078,221	1,207,742	1,380,135	1,381,187	1,353,199	1,559,910	1,400,897	1,443,572	1,602,201	1,715,607
Total	9,492,631	9,670,208	9,528,391	9,512,495	9,600,868	9,832,513	9,706,714	9,926,685	10,213,180	10,250,202
Adult lunches served	187,634	194,135	213,691	227,208	275,091	264,314	277,116	318,878	350,769	355,662
Student breakfasts/snacks served:										
Free	4,680,041	4,436,904	3,981,425	3,864,927	4,185,851	2,887,277	2,508,130	2,433,390	2,134,116	2,165,639
Reduced	253,677	355,182	379,262	384,493	339,181	139,254	108,782	91,969	89,587	88,435
Fully paid	504,831	498,973	517,415	484,573	405,121	189,842	115,767	101,722	79,611	75,030
Total	5,438,549	5,291,059	4,878,102	4,733,993	4,930,153	3,216,373	2,732,679	2,627,081	2,303,314	2,329,104
Number of serving days:										
Regular schedule	234	250	262	225	221	204	199	195	198	176
Average daily participation:										
Student lunch	40,567	38,681	40,720	42,278	43,443	48,199	48,777	50,906	51,582	58,240
Adult lunch	802	777	913	1,010	1,245	1,296	1,393	1,635	1,772	2,021
Student breakfast	22,157	19,744	19,226	19,331	17,906	11,837	10,150	9,680	9,632	10,541
Student snacks	2,856	2,773	3,588	3,331	2,868	3,930	3,583	3,793	2,000	2,692
September 15 pupil count	87,157	87,914	90,053	87,392	90,825	93,516	95,600	97,359	97,293	97,749
Percentage of students daily eating school lunch	46.54%	44.00%	45.22%	48.38%	47.83%	51.54%	51.02%	52.29%	52.98%	59.58%

Milwaukee Public Schools
Capital Asset Information
Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Elementary Schools										
Number of Buildings	122	121	122	121	121	121	121	119	119	118
Square Footage	8,201,800	8,217,917	8,282,172	8,479,854	8,479,854	8,479,854	8,424,438	8,183,648	8,107,618	7,911,920
Capacity	66,923	67,095	67,316	66,416	66,416	66,416	66,036	64,083	63,310	61,247
Enrollment	49,689	50,007	50,457	50,275	51,389	52,211	52,226	52,788	52,954	53,730
Middle Schools										
Number of Buildings	8	13	10	14	14	16	16	16	16	16
Square Footage	1,462,631	2,362,648	1,753,494	2,403,230	2,403,230	2,782,081	2,782,081	2,782,081	2,782,081	2,782,081
Capacity	6,620	11,480	8,300	12,420	10,620	12,420	12,420	12,420	12,420	12,420
Enrollment	6,286	6,343	6,841	8,213	9,651	11,370	13,225	15,316	17,026	16,805
High Schools										
Number of Buildings	13	11	12	14	14	14	14	14	14	14
Square Footage	3,621,282	3,253,455	3,548,890	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365	4,080,365
Capacity	18,138	15,370	17,370	20,539	20,539	20,539	20,539	20,539	20,539	20,539
Enrollment	20,754	21,590	22,252	23,193	23,863	23,692	23,428	23,154	21,840	22,375
Other Schools										
Number of Buildings	22	16	17	12	11	9	9	9	9	9
Square Footage	3,833,312	3,419,216	3,668,680	2,373,065	2,297,767	1,918,916	1,918,916	1,918,916	1,918,916	1,918,916
Capacity	17,507	16,289	17,290	10,673	10,430	8,630	8,630	8,630	8,630	8,630
Enrollment	4,643	4,504	5,819	5,679	6,022	6,243	6,721	6,101	5,473	4,839
Administrative/Service										
Number of Buildings	56	58	58	55	55	55	55	55	55	55
Square Footage	832,871	838,839	838,839	705,268	705,268	705,268	705,268	705,268	705,268	705,268
Athletics										
Football Fields*	35	35	35	35	35	35	35	35	35	35
Soccer Fields**	21	21	21	21	21	21	21	21	21	21
Running Tracks	13	13	13	13	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72	72	72	72
Swimming Pools	22	22	13	13	13	13	13	13	13	13
Playgrounds	147	147	147	147	147	147	147	147	147	147

*22 Recreation+13 High School
**8 Recreation+13 High School
***All Recreation

Note: Excludes leased sites