NEW ISSUE—BOOK ENTRY ONLY RATINGS: See "**RATINGS**" herein.

Interest on the Series 2015A Bonds is not subject to present Wisconsin income taxes and IS subject to federal taxation. See "TAX MATTERS" herein for a more complete discussion.

$38,000,000
REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE (WISCONSIN)
Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A
(Milwaukee Public Schools—Qualified School Construction Bonds—Direct Payment Subsidy)

Maturity Date	Interest Rate	Price	CUSIP†
May 15, 2041	5.163%	100%	602418 BB0

DATED:	Date of Delivery.
INTEREST PAYMENT DATES:	Payable semi-annually on the 15th day of each May and November, commencing November 15, 2015. Interest will be computed on the basis of a 30-day month and a 360-day year.
ISSUANCE:	The Series 2015A Bonds are issuable as fully registered bonds in denominations of $5,000 or any multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"), which will act as securities depository for the Series 2015A Bonds. Purchasers of Series 2015A Bonds will not receive physical delivery of bond certificates. Beneficial ownership of the Series 2015A Bonds will be evidenced by book-entry only. Principal and interest payments will be made directly to Cede & Co., as nominee of DTC, which will in turn remit such payments to the DTC Participants for subsequent disbursement to the beneficial owners. The Series 2015A Bonds will be issued pursuant to the terms of an Indenture of Trust dated as of June 1, 2015 (the "*Indenture*"), between the Redevelopment Authority of the City of Milwaukee (the "*Authority*") and U.S. Bank National Association, as trustee (the "*Trustee*"). Additional bonds may be issued pursuant to the terms of the Indenture (the "*Additional Bonds*" and, collectively with the Series 2015A Bonds, the "*Bonds*").
AUTHORITY:	The Series 2015A Bonds are being issued by the Authority pursuant to Section 66.1333 of the Wisconsin Statutes, as amended (the "*Act*").
PURPOSE:	The Series 2015A Bonds are being issued to pay or reimburse certain costs in connection with making improvements to certain public schools in the City of Milwaukee (the "*City*"). See "**PLAN OF FINANCE**" herein. The Milwaukee Board of School Directors is a nine-member board in charge of the public schools in the City, which are commonly known as Milwaukee Public Schools ("*MPS*" as used herein refers both to such public schools and to the board as the signatory of certain legal documents). See "**MILWAUKEE PUBLIC SCHOOLS—Milwaukee Board of School Directors**" herein.
SECURITY:	The Series 2015A Bonds do not constitute a debt or obligation of the City, MPS, the State of Wisconsin (the "*State*") or any subdivision thereof within the meaning of any State constitutional provision or statutory limitation, and shall not be a charge against the general credit or taxing powers of any of them. The Authority has no taxing powers. The Series 2015A Bonds are limited obligations of the Authority payable solely from the revenues and income derived by the Authority from rental payments under a Lease between the Authority and MPS more fully described herein. See "**SECURITY FOR THE SERIES 2015A BONDS**" herein.
REDEMPTION:	The Series 2015A Bonds are subject to optional and mandatory redemption prior to maturity. See "**THE SERIES 2015A BONDS—Redemption Prior to Maturity**" herein.
UNDERWRITING:	The Series 2015A Bonds will be offered when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality by Katten Muchin Rosenman LLP and Hurtado Zimmerman SC, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority and MPS by their counsel, the office of the City Attorney, and for the Underwriters by their counsel, Foley & Lardner LLP. It is expected that delivery of the Series 2015A Bonds will be made through the facilities of DTC on or about June 30, 2015, against payment therefor. For information with respect to the Underwriters and their compensation, see "**UNDERWRITING**" herein.

BMO CAPITAL MARKETS **LOOP CAPITAL MARKETS**

June 24, 2015

† *The above-referenced CUSIP number has been assigned by an independent company not affiliated with the Authority and is included solely for the convenience of the holders of the Series 2015A Bonds. The Authority is not responsible for the selection or uses of such CUSIP number, and no representation is made as to its correctness on the Series 2015A Bonds, or as indicated above. The CUSIP number is subject to change after the issuance of the Series 2015A Bonds.*

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by MPS, the Authority, the City, Public Financial Management, Inc., or BMO Capital Markets or Loop Capital Markets LLC, to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Series 2015A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Information set forth in this Official Statement has been furnished by MPS and other sources which are believed to be reliable. BMO Capital Markets and Loop Capital Markets LLC (collectively, the "*Underwriters*") have provided the following sentence for inclusion in the Official Statement: the Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that opinions are correct as of any time subsequent to the date hereof.

Certain statements in this Official Statement, which may be identified by the use of such terms as plan, project, expect, estimate, budget or other similar words, constitute forward-looking statements. Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. Neither the Authority nor MPS plans to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2015A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Series 2015A Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939, in reliance upon certain exemptions set forth in such Acts. The registration, qualification or exemption of the Series 2015A Bonds in accordance with the applicable securities law provisions of the jurisdictions wherein these securities have been registered, qualified or exempted should not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have guaranteed or passed upon the safety of the Series 2015A Bonds as an investment, upon the probability of any earnings thereon, or upon the accuracy or adequacy of this Official Statement. Representation to the contrary is a criminal offense.

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OFFICIAL STATEMENT

$38,000,000
REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE (WISCONSIN)
Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A
(Milwaukee Public Schools – Qualified School Construction Bonds - Direct Payment Subsidy)

INTRODUCTION

Purpose of this Official Statement

This Official Statement sets forth information in connection with the offering of $38,000,000 aggregate principal amount of Redevelopment Authority of the City of Milwaukee (Wisconsin) Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A (Milwaukee Public Schools — Qualified School Construction Bonds - Direct Payment Subsidy) (the "*Series 2015A Bonds*") by the Redevelopment Authority of the City of Milwaukee (the "*Authority*"). The Series 2015A Bonds are authorized to be issued under Section 66.1333 of the Wisconsin Statutes (the "*Act*") pursuant to a resolution adopted by the Authority on May 21, 2015. The Series 2015A Bonds will be issued under and secured by an Indenture of Trust dated as of June 1, 2015 (the "*Indenture*") between the Authority and U.S. Bank National Association, as Trustee (the "*Trustee*"). The Trustee will act as the registrar, paying agent and authenticating agent for the Series 2015A Bonds. Unless otherwise defined herein, capitalized terms used herein shall have the meanings set forth in "**SUMMARY OF DOCUMENTS**" in **APPENDIX D** hereto.

Purpose of the Series 2015A Bonds

The Series 2015A Bonds are being issued for the purpose of financing certain costs in connection with school projects of MPS, as further described in "**PLAN OF FINANCE**" herein.

MPS, the City and the Authority will enter into a Cooperation Agreement dated as of June 1, 2015 (the "*Cooperation Agreement*"), to provide for the redevelopment of the real property on which the Project Improvements will be constructed (the "*Redevelopment Property*"). The City and MPS will lease the Redevelopment Property to the Authority under a Ground Lease dated as of June 1, 2015 (the "*Ground Lease*") for the uses and purposes set forth in the Cooperation Agreement, and will acquire the Project Improvements in the name of the Authority.

The Authority will lease the Redevelopment Property and the Project Improvements to MPS under a Lease dated as of June 1, 2015 (the "*Lease*"). The rental payments to be paid by MPS under the Lease will be in amounts sufficient to pay the debt service on the Series 2015A Bonds, including the required sinking fund payments, and any Additional Bonds. See "**SECURITY FOR THE SERIES 2015A BONDS**" herein.

The Authority has designated the Bonds as "qualified school construction bonds" within the meaning of Section 54F of the Code.

Security for the Bonds

To secure the payment of the principal of, premium, if any, and interest on the Series 2015A Bonds and any Additional Bonds, the Authority will assign to the Trustee the Authority's rights to receive rent payments from MPS under the Lease and all the Authority's other rights under the Lease (excluding certain unassigned rights). In order to provide for the maturing principal, the Authority has covenanted to make annual deposits into the Sinking Fund for the Bonds. The Sinking Fund will be held by the Trustee for the benefit of the Bonds.

The Series 2015A Bonds are limited obligations of the Authority, payable solely as described herein, and shall never constitute debt or obligations of MPS, the City, the State or any subdivision thereof within the meaning of any state constitutional provision or statutory limitation and shall not be a charge against the general credit or taxing powers of any of them. The Authority has no taxing powers. The Series 2015A Bonds are payable solely from the revenues of the Authority received pursuant to the Lease.

This Official Statement contains brief descriptions or summaries of the Authority, MPS, the Project Improvements, the source of payment and security for the Series 2015A Bonds, the Lease and the Indenture. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all its terms and conditions. All statements herein are qualified in their entirety by reference to each such document.

Additional Bonds may be issued in addition to the Series 2015A Bonds. There are no restrictions on the amount of such Additional Bonds that may be issued; however the Indenture contains certain conditions to the issuance of Additional Bonds, including a requirement that the Lease be supplemented to provide for Additional Rents sufficient to pay all debt service on the Additional Bonds. See "**SUMMARY OF DOCUMENTS**" in **APPENDIX D** hereto.

THE AUTHORITY

The Authority is a redevelopment authority created by the City of Milwaukee, Wisconsin (the "*City*") pursuant to the Act. The Authority is authorized under the Act to issue revenue bonds of the character of the Series 2015A Bonds to finance the Project Improvements. The Authority's governing body adopted a resolution on May 21, 2015 authorizing the issuance and sale of the Series 2015A Bonds.

The Authority makes no representation regarding the sufficiency of the security for the Series 2015A Bonds or the suitability of the Series 2015A Bonds for investment.

THE SERIES 2015A BONDS

Maturity and Interest Rate

The Series 2015A Bonds will mature May 15, 2041, but will be subject to optional and mandatory redemption as described below under "— **Redemption Prior to Maturity**" below. The Series 2015A Bonds will be issued only as fully registered bonds without coupons in the denominations of $5,000 or any multiples of $5,000 (the "*Authorized Denominations*").

The Series 2015A Bonds will bear interest at the rate shown on the front cover. Interest is payable semi-annually on the 15th day of each May and November, commencing November 15, 2015, and as to particular Series 2015A Bonds, on the redemption date thereof. Interest will be calculated on the basis of a 360-day year made up of twelve 30-day months.

Redemption Prior to Maturity

The Series 2015A Bonds are not subject to redemption prior to maturity except as described below:

Extraordinary Mandatory Redemption. The Series 2015A Bonds are subject to extraordinary mandatory redemption within 90 days after June 30, 2018 or, upon the extension of such "expenditure period" pursuant to Section 54A(d)(2)(B)(iii) of the Code, the last day of the "expenditure period" as so extended (the "*Expenditure Termination Date*"), in whole or in part, in Authorized Denominations, at the redemption price of 100% of the principal amount or portions thereof so redeemed plus accrued interest to the redemption date. The principal amount to be redeemed shall be equal to the sum of (i) the unexpended Available Project Proceeds as of the Expenditure Termination Date and (ii) such additional amount to be provided by MPS under the Lease and deposited with the Trustee so that the aggregate principal amount of the Series 2015A Bonds to be redeemed is a multiple of $5,000. The Trustee shall select the date of redemption, which date shall be within 90 days after the Expenditure Termination Date. The Available Project Proceeds means (i) the excess of the proceeds of the sale of the Series 2015A Bonds, over the issuance costs financed by the Series 2015A Bonds (to the extent that such costs do not exceed two percent of such proceeds), and (ii) the proceeds from any investment of such excess.

Extraordinary Optional Redemption upon Lease Termination. The Series 2015A Bonds are subject to optional redemption by the Authority, at the direction of MPS, in whole but not in part, in the event of termination of the Lease by MPS due to a Material Disturbance of its right to Quiet Enjoyment. See "**SECURITY FOR THE SERIES 2015A BONDS – The Lease**" herein. The redemption price in such event is 100% of principal amount of the Bonds so redeemed plus accrued interest to the redemption date.

Extraordinary Optional Redemption from Insurance or Condemnation Proceeds. The Bonds (including the Series 2015A Bonds and any Additional Bonds) are subject to optional redemption, in whole or in part (in multiples of $5,000), in the event and to the extent that MPS elects to use condemnation and insurance proceeds to prepay the Bonds in accordance with the Lease. The redemption price in such event is 100% of principal amount of the Bonds or portions thereof so redeemed plus accrued interest to the redemption date.

Extraordinary Optional Redemption Upon Reduction of Subsidy. The Series 2015A Bonds are subject to extraordinary redemption at the option of the Authority, at the direction of MPS, in whole or in part, at the redemption price of 100% of the principal amount being redeemed plus accrued interest to the redemption date, on any Business Day on or after the date that (i) the Authority determines that any action has been taken by the United States of America, including any agency thereof the result of which is a reduction greater than 25% to the Authority's cash subsidy payment from the United States Treasury with respect to interest paid on the Series 2015A Bonds provided such reduction is not the result of (a) an act as omission by the Authority to satisfy the requirements of the Code and regulations thereunder, required of the Authority or for the Authority to receive the cash subsidy payments from the United States Treasury or (b) an offset of any such cash subsidy payment due to the Authority against any payments due from the Authority to the United States of America, (ii) the United States Treasury fails to make such a cash subsidy payment to which the Authority is entitled and such failure (a) is not caused by any action by or failure to act by the Authority or any agent of the Authority and (b) continues for at least 90 days.

Make-Whole Optional Redemption. The Series 2015A Bonds are subject to redemption, at the option of the Authority upon direction of MPS, in whole or in part (in multiples of $5,000) on any date, upon prepayment of the Lease rentals by MPS in accordance with the Lease. The redemption price for any such redemption shall be the Make-Whole Redemption Price of the Series 2015A Bonds or portions thereof so redeemed, plus accrued interest to the redemption date.

The Trustee shall retain, at the expense and direction of MPS, an independent accounting firm or an independent financial advisor to perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Trustee and the Authority may conclusively rely on such accounting firm's or financial advisor's calculations in connection with and determination of the Make-Whole Redemption Price, and neither the Trustee nor MPS will have any liability for their reliance. The determination of the Make-Whole Redemption Price by such accounting firm or financial advisor shall be conclusive and binding on the Trustee, the Authority and the owners of the Bonds.

"*Make-Whole Redemption Price*" means the greater of (i) 100% of the principal amount of Series 2015A Bond to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date for such Series 2015A Bond, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2015A Bond is to be redeemed, discounted to the date on which such Series 2015A Bond is to be redeemed on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate plus the Make-Whole Adjustment, plus, in each case, accrued and unpaid interest on such Series 2015A Bond to the redemption date.

"*Make-Whole Adjustment*" means 50 basis points.

"Treasury Rate" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

General Provisions Regarding Redemption. Bonds may be called for optional redemption by the Trustee upon receipt by the Trustee at least 45 days (or such lesser number of days as is acceptable to the Trustee) prior to the redemption date of a Written Request of the Authority (upon the direction of MPS) requesting such redemption. Each such Written Request of the Authority shall be accompanied by an Officer's Certificate of MPS authorizing the expenditure of funds for such redemption, which shall specify the series, principal amount and Maturity Date of the Series 2015A Bonds so to be called for redemption.

Purchase and Cancellation of Series 2015A Bonds. MPS shall have the right to purchase any outstanding Series 2015A Bond and deliver it to the Trustee for cancellation. Also, the Trustee may purchase any outstanding Series 2015A Bond for cancellation in accordance with the provisions of the Indenture pertaining to discharge. Any such purchase and cancellation of a Series 2015A Bond will *ipso facto* reduce the required rentals under the Lease by amounts equal to the debt service payments in respect of such purchased Series 2015A Bond.

Notice of Redemption. If any Series 2015A Bonds are to be redeemed, notice of their call shall be given by mailing of a redemption notice by first-class mail at least 30 days but not more than 60 days prior to the date fixed for redemption to the Owner of each of the Series 2015A Bonds to be redeemed. Such redemption notice shall: (1) identify the Series 2015A Bonds or portions to be redeemed by name (including series designation), CUSIP number, date of issue, interest rate and maturity date and, if only a portion of the Series 2015A Bonds are to be redeemed, the certificate numbers and the respective principal amounts to be redeemed, (2) identify the Redemption Date, (3) state the Redemption Price, (4) state that the interest on the Series 2015A Bonds or the portions thereof called for redemption will cease to accrue from and after the Redemption Date if funds sufficient for their redemption and available for the purpose are on deposit with the Trustee on the Redemption Date, and (5) state that payment for the

Series 2015A Bonds will be made on the Redemption Date at the principal trust office of the Trustee during normal business hours upon the surrender of the Series 2015A Bonds to be redeemed. Such redemption notice shall be sent to the address shown on the Bond Register; provided, however, that failure to give any such notice as aforesaid or any defect therein with respect to any particular 2015A Bond shall not affect the validity of any proceedings for the redemption of any other 2015A Bond. On and after the Redemption Date specified in the notice, unless there is a default in payment of the Redemption Price, the Series 2015A Bonds, or portions thereof, thus called shall not bear interest and shall not be deemed to be outstanding under the provisions of the Indenture and the Owners thereof shall have the right only to receive the Redemption Price thereof plus accrued interest thereon to the date fixed for redemption.

While the Series 2015A Bonds are in the book-entry-only system, DTC, as the Owner, will receive the redemption notice referred to above. The Authority, MPS and the Trustee are not responsible for DTC providing notice of the redemption of the Series 2015A Bonds to Direct Participants, Indirect Participants and Beneficial Owners (each as hereinafter defined), and in the case of a partial redemption, are not responsible for the allocation of the Series 2015A Bonds to be redeemed among the Direct Participants, Indirect Participants and Beneficial Owners. See "**BOOK-ENTRY-ONLY SYSTEM**" herein.

Mandatory Sinking Fund Deposits

The Authority has covenanted to set aside deposits received from payments of MPS under the Lease in the annual amounts, by June 1st of each of the years, into a sinking fund account to be held by the Trustee and applied to the payment of the principal amount of the Series 2015A Bonds at maturity, all as shown under the column labeled "**Sinking Fund Deposits**" in the section entitled "**ANNUAL DEBT SERVICE REQUIREMENTS**" herein.

The Trustee may invest the Sinking Fund in any security authorized by Section 66.0603 of the Wisconsin Statutes that matures no later than the maturity date of the Series 2015A Bonds. The Authority shall be required to make the sinking fund deposits by June 1st of each year to the extent that the aggregate amount held in the Sinking Fund is less than the Sinking Fund Requirement as of such June 1st. The Authority shall suspend such deposits whenever the sum of the cash and the maturity value of the Qualified Investments held in the Sinking Fund equals or exceeds the principal amount of Outstanding Series 2015A Bonds.

SECURITY FOR THE SERIES 2015A BONDS

General

The Series 2015A Bonds will be issued as limited obligations of the Authority under and pursuant to the Act, payable solely as described herein, and shall never constitute debt or indebtedness of MPS, the City, the State or any subdivision thereof, or a charge against the general credit or taxing powers of any of them. The Authority has no taxing powers. The Series 2015A Bonds are payable solely from the revenues of the Authority received pursuant to the Lease.

The Series 2015A Bonds are limited obligations of the Authority payable by it, on a parity basis with any Additional Bonds, solely from revenues and income derived by or for the account of the Authority from or for the account of MPS pursuant to the Lease and the Indenture, including without limitation (i) all payments by MPS under the Lease and (ii) all cash and securities held from time to time in certain trust funds by the Trustee under the Indenture and the investment earnings thereon.

The Lease

The principal security for the Bonds is the Lease. The rents to be paid by MPS under the Lease will be pledged by the Authority to the Trustee under the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds and will be sufficient in amount for such purpose. MPS has the right to terminate the Lease, and to be discharged of its obligation to pay rents thereunder, upon the occurrence of a Material Disturbance of its Quiet Enjoyment of Redevelopment Property including the Project Improvements (see discussion of "Quiet Enjoyment" and "Material Disturbance" below). *MPS's obligation to pay rents is not "debt" for purposes of constitutional or statutory limitations on debt incurrence, and MPS has not budgeted, and the City has not levied in advance, any tax to pay rents in the future years*.

"*Quiet Enjoyment*" means the right of MPS to peaceably and quietly have, hold, and enjoy any of the Redevelopment Property including the Project Improvements, and to use the Redevelopment Property including the Project Improvements for the purposes intended or permitted by the Lease.

"*Material Disturbance*" means the occurrence of any of the following:

(a) the Authority shall breach its obligations under the Lease in any material respect or take any other action which, in either case, materially impairs Quiet Enjoyment;

(b) MPS shall be denied Quiet Enjoyment of the Redevelopment Property including the Project Improvements as a result of the failure of the Authority to have had a good and marketable leasehold interest in the Redevelopment Property including the Project Improvements being subject to no liens or encumbrances (other than certain permitted encumbrances) in effect as of the date of the Lease; or

(c) the taking by eminent domain or inverse condemnation, or the damage to or loss or destruction of so much of the Redevelopment Property, including the Project Improvements, that MPS determines, by resolution, that the Redevelopment Property including the Project Improvements, cannot reasonably be restored, repaired, or replaced within one year following the date of such resolution to either substantially the same condition as existed prior to such taking, damage, loss or destruction or to a condition which permits MPS to realize substantially the same intended benefits and public purposes; provided that such taking, damage, loss, or destruction was not the result of willful, deliberate, or negligent action on the part of MPS, and will result in a material impairment of Quiet Enjoyment.

The Authority has covenanted in the Indenture not to take any action that would disturb MPS's Quiet Enjoyment. However, there can be no assurance that a Material Disturbance will not occur. See "**RISK FACTORS**" herein. Moreover, although the Lease requires MPS to maintain casualty loss insurance for the full insurable value of the Redevelopment Property including the Project Improvements, with replacement cost endorsements, there can be no assurance that if a Material Disturbance were to occur, the Authority could realize sufficient proceeds and revenues from such insurance to pay all principal and interest on the Bonds when due. In particular, there are certain types of losses (generally of an unusual or catastrophic nature, such as those resulting from wars, earthquakes, or floods) which are either uninsurable or not economically insurable. In addition, although the Authority will acquire rights to construct the Project Improvements through the Ground Lease, there is no title insurance covering the Authority's interest in the Project Improvements. Should a casualty, a taking by eminent domain or failure of title occur, the Authority may be unable to realize sufficient revenues to make debt service payments on the Bonds when due. For a general discussion of MPS's insurance policies, see "**MILWAUKEE PUBLIC SCHOOLS – Insurance**" herein.

Assignment in the Indenture

The Indenture includes an assignment by the Authority to the Trustee of all payments MPS is obligated to make under the Lease.

Additional Bonds

The Authority may issue Additional Bonds upon compliance with certain conditions pursuant to the Indenture, including a requirement that the Lease be supplemented to provide for Additional Rents sufficient to pay all debt service on the Additional Bonds. See **APPENDIX D** hereto for a description of the conditions.

SOURCES AND USES OF FUNDS

Set forth below is a summary of the estimated sources and uses of funds related to the Series 2015A Bonds:

Sources of Funds:	
Principal Amount of the Series 2015A Bonds	$ 38,000,000
Total Sources of Funds	$ 38,000,000
Uses of Funds:	
Project Improvements	$ 37,419,250
Issuance Expenses[1]	580,750
Total Uses of Funds	$ 38,000,000

[1] Includes underwriters' discount, legal, consulting, printing and other costs of issuing the Series 2015A Bonds.

PLAN OF FINANCE

MPS will use the proceeds of the Series 2015A Bonds to finance the costs of the Project Improvements and to pay certain costs of issuance. The Project Improvements include certain remodeling, renovation and equipping projects at MPS schools, building re-opening costs and costs to construct certain athletic facilities. MPS anticipates financing Project Improvements at the following schools:

Bay View High School
Curtin School
Doerfler School
Fritsche Middle School
Gaenslen School
Hamilton High School
Juneau Campus – Macdowell
Juneau High School
Kagel School
King High School
Lancaster School
Milwaukee Academy of Chinese Language
Milwaukee School of Languages
Morse – Marshall School
Riverside University High School
South Division High School
Reagan High School
Thurston Woods Academy
Townsend Street School
Vieau School
Vincent High School
Washington Multiplex
Webster School

MPS may add additional schools to this listing prior to delivery of the Series 2015A Bonds, and, in accordance with the Lease, may add or remove schools in accordance with the terms of the Lease so long as the Trustee receives an opinion of Bond Counsel that such addition or deletion will not adversely affect the treatment of the Series 2015A Bonds as Qualified School Construction Bonds under the Internal Revenue Code.

Additionally, Project Improvements will include the costs incurred by MPS to re-open five schools: Webster, Happy Hill, 65th Street, Green Bay Ave. and Garland; and to construct athletic facilities at South Division High School and Custer School.

MPS plans to finance an additional $34,933,000 of debt, using the remainder of MPS's existing QSCB allocation under the Code, to pay the costs of future MPS projects within the next five years.

ANNUAL DEBT SERVICE REQUIREMENTS

Set forth below is a summary of the required rental payments (subject to certain credits) under the Lease in respect of the required principal and interest on the Series 2015A Bonds:

Fiscal Year End (June 30)	**Sinking Fund Deposits**	**Interest[(1)]**	**Total**
2016	$ 1,461,538	$ 1,716,698	$ 3,178,236
2017	1,461,538	1,961,940	3,423,478
2018	1,461,538	1,961,940	3,423,478
2019	1,461,538	1,961,940	3,423,478
2020	1,461,538	1,961,940	3,423,478
2021	1,461,538	1,961,940	3,423,478
2022	1,461,538	1,961,940	3,423,478
2023	1,461,538	1,961,940	3,423,478
2024	1,461,538	1,961,940	3,423,478
2025	1,461,538	1,961,940	3,423,478
2026	1,461,538	1,961,940	3,423,478
2027	1,461,538	1,961,940	3,423,478
2028	1,461,538	1,961,940	3,423,478
2029	1,461,538	1,961,940	3,423,478
2030	1,461,538	1,961,940	3,423,478
2031	1,461,538	1,961,940	3,423,478
2032	1,461,538	1,961,940	3,423,478
2033	1,461,538	1,961,940	3,423,478
2034	1,461,538	1,961,940	3,423,478
2035	1,461,538	1,961,940	3,423,478
2036	1,461,538	1,961,940	3,423,478
2037	1,461,538	1,961,940	3,423,478
2038	1,461,538	1,961,940	3,423,478
2039	1,461,538	1,961,940	3,423,478
2040	1,461,538	1,961,940	3,423,478
2041	1,461,538	1,961,940	3,423,478
Totals	$ 38,000,000	$ 50,765,198	$ 88,765,198

Totals may not foot due to rounding.

(1) MPS is entitled to receive $1,850,600 per year ($1,619,275 in 2016) of direct payment from the US Treasury for reimbursement of interest paid subject to sequestration. Assuming the current sequestration rate of 7.3%, MPS would receive $1,715,506 per year ($1,501,068 in 2016). See "**RISK FACTORS – Sequestration and Cash Subsidies**" herein.

INVESTMENT CONSIDERATIONS

General

The Series 2015A Bonds are not suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Series 2015A Bonds. Attention should be given to the investment considerations or risk factors described below, which, among others, could affect the payment of and security for all Bonds outstanding under the Indenture, including the Series 2015A Bonds, and which could also affect the marketability of or the market price for the Series 2015A Bonds.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations and bondholders' risks set forth throughout this Official Statement, and should specifically consider certain risks associated with the Series 2015A Bonds. Certain of these investment considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. This discussion does not necessarily reflect the relative importance of the various risks. Each prospective purchaser of any Series 2015A Bonds should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the Series 2015A Bonds.

Limited Obligations

The Series 2015A Bonds are limited obligations of the Authority, payable solely from the pledge of rental payments from MPS to the Authority. The Series 2015A Bonds do not constitute a debt or liability of MPS, the City, the State or any subdivision thereof, or a charge against the general credit or taxing powers of any of them. The Authority has no taxing power.

RISK FACTORS

Each prospective investor in the Series 2015A Bonds is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below which, among others, could affect the payment of debt service on the Series 2015A Bonds and could affect the market price of the Series 2015A Bonds to an extent that cannot be determined at this time.

General

As described in this Official Statement, the principal of and interest on the Bonds will be payable solely from payments made by MPS under the Lease, amounts on deposit in the trust funds established under the Indenture, amounts realized by the Trustee's exercise of its rights and remedies under the Indenture, and certain condemnation awards and insurance proceeds. No assurance can be given that MPS will have funds in amounts sufficient to make the payments required under the Lease and the other payments necessary to meet the financial obligations of MPS.

Cessation of Lease Payments

General. If MPS does not make payments under the Lease or if MPS terminates the Lease, it is unlikely that the Authority will have funds to make the payments owed to Bondowners. MPS has the option to terminate the Lease if MPS's Quiet Enjoyment of the Redevelopment Property including the Project Improvements is prevented or impaired by a Material Disturbance. See "**SECURITY FOR THE SERIES 2015A BONDS – The Lease**" herein.

Title Defect. The Authority has obtained title reports, but has not obtained a policy of title insurance respecting the Redevelopment Property. If there is a title defect which constitutes a Material Disturbance (as defined herein) and MPS exercises its option to terminate the Lease, there can be no assurance that the Authority will have funds sufficient to pay the principal of and interest on the Bonds when due. See "**THE SERIES 2015A BONDS – Redemption Prior to Maturity**" herein.

Damage. The Lease requires that, at all times, MPS maintain insurance covering damage to or the destruction of the Redevelopment Property including the Project Improvements in the amount not less than the replacement cost of the Redevelopment Property including the Project Improvements. The amount recoverable under such casualty insurance may be substantially less than the principal amount of the Bonds then outstanding. If the required insurance is not in place at the time of a casualty affecting the Redevelopment Property including the Project Improvements and a termination of the Lease by MPS, there would be no insurance proceeds available to make payments to Bondowners. In such event the Trustee could commence a legal action against MPS for failing to maintain the required insurance, but there can be no assurance that the Trustee could recover an amount sufficient to make timely payments of the principal of and interest on the Bonds. There can be no assurance that such a claim will be paid at such time or in such amount so as to provide for the payment of the principal of and interest on the Bonds when due.

Condemnation. Certain governmental entities have the power of eminent domain which, if exercised with respect to the Redevelopment Property including the Project Improvements, could constitute a Material Disturbance of MPS's Quiet Enjoyment (as defined herein). In such event MPS could terminate the Lease. The Authority is not aware of any pending eminent domain proceedings relating to the Redevelopment Property including the Project Improvements. However, if a governmental entity did exercise its eminent domain power with respect to the Project Improvements, and MPS terminated the Lease, there can be no assurance that the resulting condemnation award would be sufficient to provide for the payment of the principal of and interest on the Bonds then outstanding. See "**SECURITY FOR THE SERIES 2015A BONDS – The Lease**" herein.

Limited Remedies

There is no mortgage on the Redevelopment Property or the Project Improvements, and for so long as the Lease is in force, the Authority has waived any rights it would otherwise have to evict MPS or otherwise retake possession of the Redevelopment Property in the event of a default by MPS in the payment of rents. The payment of rents may not be accelerated. In the event MPS does not pay rents, when due, the Trustee can bring legal action to collect such rents, and the courts can compel MPS to pay rents which have accrued but are unpaid. A continuing failure by MPS to pay rent may require successive legal actions to collect the amounts due.

Neither the Authority nor the Trustee can terminate the Lease or take possession of the Redevelopment Property or the Project Improvements prior to the expiration of its term even if MPS fails to make rent payments or otherwise breaches its obligations under the Lease; however, a continued failure by MPS to pay base rents may require successive legal actions over a period of years to collect the amounts due. MPS may be required to make rental payments for its tenancy in the Redevelopment Property for the prior year. There can be no assurance that the Trustee can obtain, by legal action in such a circumstance, funds sufficient to pay the principal of and interest on the Bonds when due.

Credit Aspects. While failure by MPS to make payments pursuant to the Lease could result in a significant adverse credit impact, it should not be assumed that MPS will feel compelled to make payments under the Lease to preserve its credit rating or access to credit.

State Aid to MPS

MPS receives revenues in the form of school aids from the State ("*State Aid*") as well as from federal sources. State Aid consists of two general categories, referred to as general aid and categorical aids. General aid consists of equalization aid (determined by a formula based upon pupil membership and property valuation) and integration aid (determined by a formula based on the number of students transferring into and out of minority areas). Categorical aid is based upon specific instructional or supporting programs. See "**REVENUES OF MILWAUKEE PUBLIC SCHOOLS**" herein.

Although the State has a multi-year tradition of providing State Aid to local school districts to reduce their reliance on local property taxes, there can be no assurance that the State will not decrease, perhaps materially, the amount of State Aid provided to MPS. Unless offsetting revenue sources were obtained, or expenses reduced, MPS would have to increase its reliance upon the property tax to fund its operations if that were to occur. In particular, the Governor's proposed 2015-2017 statewide biennial budget provides $5,125,577,200 in 2015-16 and $5,377,050,000 in 2016-17 for general and categorical school aids. Compared to the 2014-15 base level funding of $5,241,687,000, school aids would decrease by $116,109,800 (-2.2%) in 2015-16 and increase by $135,363,000 (2.6%) in 2016-17. These proposed funding levels would represent annual changes to the prior year of a decrease of 2.2% in 2015-16 and an increase of 4.9% in 2016-17. The Governor's proposed state biennial budget for 2015-17 includes no increase in the state revenue limit and cuts MPS's general aid by approximately $12 million in 2015–16. The statewide biennial budget for 2015-2017 has not yet been adopted. Any such budget that may be adopted may contain material changes from present and proposed funding levels.

The 2015-2017 statewide biennial budget currently under review by the Wisconsin Legislature's Joint Committee on Finance provides, among other things, for the creation of an Opportunity Schools and Partnership Program ("*OSPP*"). The OSPP, as it relates to the City, is a program that would allow the Milwaukee County Executive to select a Commissioner to oversee the operation and performance of low performing schools selected to be transferred into the program.

Under the proposed program, the Commissioner would have the power to select eligible, qualified schools for transfer into the OSPP. Not less than one and no more than three schools would be transferred during 2015-16, no more than three during 2016-17 and no more than five during each school year thereafter. Implementation of the OSPP could result in an increase in the number of children participating in the Milwaukee Parental Choice Program, described below, as well as the number of children attending charter schools. Accordingly, the transfer of MPS facilities into the OSPP Program could result in a reduction in the overall amount of state aids available to MPS.

Milwaukee Parental Choice Program

Under the Milwaukee Parental Choice Program ("*MPCP*"), low-income children in grades kindergarten to 12 residing in the City may attend qualifying private schools in the City at no charge. In January 2015 there were 112 private schools participating in the MPCP. The program is estimated to cost $191,000,000 in 2014-15 for an estimated 26,000 FTE students. In the 2014-15 school year, the MPCP state aid for a student enrolled full-time in the MPCP is $7,210 (for students in grades K4-8), or $7,856 (for students in grades 9-12), or the private school's operating and debt service cost per student, whichever is less.

Beginning in the 2013-14 school year, the previous 38.4% aid reduction to MPS will be reduced by 3.2 percentage points per year until the program is fully funded by state general purpose revenue. In the 2014-15 school year the MPCP was funded 32% from a reduction in state general aid to MPS ($61,120,000 in 2014-15) and 68% from state general purpose revenue ($129,880,000 in 2014-15).

Sequestration and Cash Subsidies

There is no guarantee that Authority will receive the full amount of the cash subsidy related to its designation of the Series 2015A Bonds as "qualified school construction bonds" within the meaning of Section 54F of the Code, even if the Authority is in compliance with all of the requirements of sections 54F of the Code. The Budget Control Act of 2011 (the "*2011 Act*") amended the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act of 1985 (the "*1985 Act*"), implementing automatic reductions (i.e. "sequestration") to discretionary expenditures beginning January 1, 2013. For federal fiscal year 2015, which ends September 30, 2015, sequestration results in reductions in subsidies of 7.3%. Sequestration may continue through the end of federal fiscal year 2024, unless otherwise modified, terminated or extended by Congress. A reduction in subsidy greater than 25% would subject the Series 2015A Bonds to extraordinary operational redemption pursuant to the terms of the Indenture. See "**THE SERIES 2015A BONDS – Redemption Prior to Maturity – Extraordinary Optional Redemption Upon Reduction of Subsidy**" herein.

Secondary Market Prices

No assurance can be given that a secondary market for any of the Series 2015A Bonds will be available and no assurance can be given that the initial offering prices for the Series 2015A Bonds will continue for any period of time.

The Series 2015A Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Series 2015A Bonds in the event an owner thereof determines to solicit purchasers of the Series 2015A Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Series 2015A Bonds may be sold. Such price may be lower than that paid by the current owner of the Series 2015A Bonds, depending on existing market conditions and other factors.

Redemption

Under certain circumstances, some or all of the Series 2015A Bond may be redeemed prior to maturity. Certain extraordinary redemption of the Series 2015A Bonds is permitted at par, rather than the Make-Whole Redemption Price. The Redemption Price of par may be substantially less than the Make-Whole Redemption Price. See "**THE SERIES 2015A BONDS – Redemption Prior to Maturity**" herein.

MILWAUKEE PUBLIC SCHOOLS

MPS was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. MPS provides elementary, secondary, vocational and special education services for grades K through 12. MPS's boundaries are substantially coterminous with those of the City. MPS is effectively treated by Wisconsin Statutes as a City department authorized by law to adopt its own budget. The City is required to levy and collect property taxes to support the MPS budget. All funds for MPS flow through the City Treasurer who, by statute, disburses them at the direction of the Director/Board Clerk or the Milwaukee Board of School Directors. The City Treasurer, by Statute, disburses MPS funds at the direction of MPS. The City Comptroller, City Treasurer and City Attorney perform their functions for MPS as well as the City.

Financial Information

MPS has full control of all expenditures and revenues required to operate the school district. Section 119.46 of the Wisconsin Statutes requires MPS to transmit to the City a budget to operate, maintain, equip and improve the schools. The City's Common Council must levy and collect property taxes equal to the amount of money budgeted by MPS. All taxes so collected and all other funds received by MPS for these purposes are deposited to accounts of the School District.

Borrowing – General Obligation Debt

MPS does not have authority to issue debt. The City has the authority (under Chapters 67 and 119, Wisconsin Statutes) to issue municipal obligations for specific school purposes, including the acquisition of sites and constructing, enlarging and remodeling school buildings for the purpose of providing additional classroom space to accommodate anticipated school enrollments. Such municipal obligations require the adoption of a resolution by the City and the levying by the City of required debt service. The table below shows the City's outstanding general obligation debt for school purposes. The City also has authorized but unissued general obligation debt for school purposes. See **"MILWAUKEE PUBLIC SCHOOLS – Borrowing – Future Financing"** herein.

City of Milwaukee
Outstanding General Obligation Debt
for School Purposes
as of June 1, 2015

Year Ending December 31	Principal (1)	Interest (2)	Total
2015	$ 3,886,497	$ 1,762,741	$ 5,649,238
2016	13,491,205	4,718,612	18,209,818
2017	11,567,044	5,050,129	16,617,173
2018	10,459,255	4,688,594	15,147,849
2019	10,163,344	5,200,757	15,364,101
2020	9,328,988	5,339,906	14,668,894
2021	5,969,814	5,084,810	11,054,624
2022	6,305,671	5,890,404	12,196,074
2023	6,125,427	5,692,739	11,818,166
2024	4,455,000	2,156,000	6,611,000
2025	4,205,000	2,116,450	6,321,450
2026	3,450,000	1,958,250	5,408,250
2027	4,450,000	979,125	5,429,125
	$ 93,857,244	$ 50,638,518	$ 144,495,762

(1) Assumes Sinking Fund Deposits in year due.
(2) Compound interest is included in year paid.

Wisconsin Statutes establish a limit on the authority of the City to incur general obligation indebtedness in any form for City and school purposes of 7% of the full value of taxable property located within the City, as equalized by the Wisconsin Department of Revenue. Of the 7%, 2% is authorized for school purposes only. The City may issue bonded debt for school purposes pursuant to the provisions of Chapter 119 or Chapter 67. Bonded indebtedness issued by the City under Chapter 119 for school purposes is limited to 2% of the full value of taxable property in the City as equalized by the State Department of Revenue. Separately bonded indebtedness issued by the City under Chapter 67 for school purposes counts against the City's debt limit of 5% of the full value of taxable property within the City. Debt issued under Chapter 67 requires adoption of a resolution by the City but does not require voter approval.

Total Unused Debt Margin for the City of Milwaukee as of October 1, 2014

2014 Equalized Value of Taxable Property in the City		$26,138,108,100
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,306,905,405
General Obligation Debt Outstanding subject to 5% Limit as of 06/01/15	$894,980,000	
Less: Provision for current year maturities	$(14,900,000)	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 06/01/15		$880,080,000
Total Debt Margin for City Borrowing (in Dollars)		$426,825,405
As a percentage		32.7%
including Extendable Municipal Commercial Paper *		27.7%

* Excludes EMCP issued for Cash Flow purposes

Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$522,762,162
General Obligation Debt Outstanding subject to 2% Limit as of 06/01/15	$12,141,179	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 06/01/15		$12,141,179
Total Debt Margin for School Purpose Borrowing (in Dollars)		$510,620,983
(As a percentage)		97.7%

History of Equalized Valuation in the City of Milwaukee (2010-2014)

Levy Year	Collection Year	Equalized Valuation	Percent Increase/Decrease
2010	2011	$29,520,783,200	-5.58%
2011	2012	27,954,669,900	-5.31
2012	2013	26,421,932,000	-5.48
2013	2014	26,089,611,100	-1.26
2014	2015	26,138,108,100	0.19

Borrowing – Revenue Bonds

The following sections provide information on outstanding revenue obligations issued by the Authority for school purposes.

Neighborhood Schools Initiative

Beginning in 2002, the Authority issued bonds to partially finance the initial cost of providing approximately 750,000 square-feet of additional classroom capacity for MPS, in order to implement the Neighborhood Schools Initiative and for related activities of MPS (the "*NSI Revenue Bonds*"). No additional new money bonds may be issued under the authorizing statute. The NSI Revenue Bonds have a pledge of certain transportation aid from the State. The schedule of remaining debt service payments on the NSI Revenue Bonds is as follows:

Redevelopment Authority of the City of Milwaukee NSI Revenue Bonds
Annual Debt Service Payments as of June 1, 2015

Year ending June 30	Debt Service Payments
2016	$ 8,554,385
2017	8,783,185
2018	9,019,735
2019	9,268,485
2020	9,516,985
2021	9,794,153
2022	10,060,310
2023	10,650,500
2024	11,097,600
Total	$86,745,338

Pension Obligation Bonds

In December, 2003, the Authority issued its $146,569,122 Taxable Pension Funding Bonds, 2003 Series C and 2003 Series D (Milwaukee Public Schools) (the "*Pension Bonds*"). The Authority loaned to MPS the proceeds of the Pension Bonds, which, together with the proceeds of a general obligation note issue issued by the City, was used to retire MPS unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement benefits for MPS employees. MPS is obligated to make payments to the Authority sufficient to pay the principal of and interest on the Pension Bonds, subject to annual appropriation. MPS's repayment obligation for the Pension Bonds is payable solely from and secured by a pledge of monies in the School Operations Fund. MPS has also pledged certain State Aid payments received by MPS from the State of Wisconsin to secure the payment of debt service on the Pension Bonds.

The Pension Bonds were issued as variable rate securities. In 2005, the Pension Bonds were converted to index linked at a fixed spread of 0.25% over 1-Month LIBOR for the life of the Pension Bonds. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the Pension Bonds. Under the Interest Rate Exchange Agreement, MPS receives a fixed spread of 0.20% over 1-Month LIBOR for the life of the bonds. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreements, is as follows:

Redevelopment Authority of the City of Milwaukee
Taxable Pension Funding Bonds
(Milwaukee Public Schools)
Annual Loan Payments of MPS as of June 1, 2015

Year Ending June 30	Loan Payments
2016	$ 7,340,685
2017	7,340,685
2018	7,340,685
2019	7,340,685
2020	7,340,685
2021	7,340,685
2022	7,340,685
2023	7,340,685
2024	13,590,685
2025	13,315,060
2026	14,420,228
2027	14,239,603
2028	15,298,978
2029	15,743,353
2030	15,707,728
2031	16,707,103
2032	16,766,478
2033	17,725,853
2034	17,890,228
2035	18,804,603
2036	19,353,978
2037	19,673,353
2038	20,530,533
2039	20,957,713
2040	21,784,893
2041	8,787,073
2042	7,239,253
2043	6,891,433
2044	6,296,806

Borrowing – Qualified Zone Academy Projects

In December, 2001, MPS entered into a $8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003 MPS entered into a $4,979,000 Lease and Deferred Payment Agreement (2002 QZAB Project), and $2,650,000 Lease and Deferred Payment Agreement (2003 QZAB Project), respectively. In December 2005, MPS entered into a $2,021,000 Lease and Deferred Payment Agreement (2005 QZAB Project) and in December, 2006, entered into a $1,078,100 Lease and Deferred Payment Agreement (2006 QZAB Project) for the purpose of constructing certain improvements to, and purchasing and installing certain equipment for use at, various MPS schools. MPS entered into QZAB Agreements with each investor, under which MPS has made sufficient annual impoundment payments to date, so that no future payments are due from MPS.

The QZAB maturities range from 2015 to 2022. MPS has fulfilled all of its financial obligations with respect to its QZAB Agreements.

Borrowing – Future Financing

The City has $4,487,364 of authorized, but unissued, general obligation borrowing authority for school purposes. Prior to the issuance of the Series 2015A Bonds, MPS has $72,933,000 of Qualified School Construction Bond allocation. MPS anticipates the issuance of the balance within the next five years.

Each year the City, at the request and on behalf of MPS, borrows approximately $250 million for school cash flow purposes as Revenue Anticipation Notes ("*RANs*"). MPS's RANs typically are issued around October of each year, mature within 13 months of the date of issuance, and typically are primarily paid from the State Aid payment received in June.

Milwaukee Board of School Directors

MPS is governed by the nine-member Milwaukee Board of School Directors. Eight Directors represent and are elected by districts. One member is elected at-large. Directors serve staggered four year terms which expire in April, and annually, at the organizational meeting, elect a president. The current members and the years in which their terms of office expire are as follows:

Name	District	Term Expiration
Michael Bonds (*President*)	District 3	2019
Carol Voss (*Vice President*)	District 8	2019
Mark Sain	District 1	2019
Wendell Harris, Sr.	District 2	2019
Annie Woodward	District 4	2017
Larry Miller	District 5	2017
Tatiana Joseph	District 6	2017
Claire Zautke	District 7	2017
Terrance Falk	At-Large	2019

The City officials who serve in identical capacities for MPS, and the year in which their terms of office expire are as follows:

Name	Title	Term Expiration
Martin Matson	Comptroller	2016
Grant F. Langley	Attorney	2016
Spencer Coggs	Treasurer	2016

Public Services and Facilities

In the 2013-14 school year, MPS had approximately 81,744 full-time students and 4,927 teachers, attending 165 school programs within approximately 140 school buildings. The average age of the MPS buildings is approximately 66 years; however, significant investment was made in upgrading many of these buildings in the 1970's and 1980's and by the Neighborhood Schools Initiative in 2002-2006.

The purpose and responsibility of MPS is to provide an efficient educational system for 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, MPS offers comprehensive programs in the areas of vocational education, special education, and bilingual education. Through its specialty school programs, MPS offers advanced educational programs in such areas as fine arts, computer science, health professions, business, and technical trades. In addition, MPS provides community recreation and education services through its parks and centers for the elderly.

MPS closed two schools effective June 2014. There are no planned school closures as of June 1, 2015.

All of MPS has been accredited by the North Central Association of Colleges and Schools.

Enrollment

School Year	Average School Daily Membership (1)
2005-2006	96,874
2006-2007	94,973
2007-2008	92,224
2008-2009	89,110
2009-2010	87,137
2010-2011	85,239
2011-2012	84,422
2012-2013	82,982
2013-2014	81,752
2014-2015	81,744

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

Employee Relations

All eligible MPS personnel are covered by the Municipal Employment Relations Act ("*MERA*") of the Wisconsin Statutes. MERA was amended by 2011 Wisconsin Act 10 ("*Act 10*") and by 2011 Wisconsin Act 32. Pursuant to MERA, employees have rights to organize and, after significant changes were made to the law by Act 10, very limited rights to collectively bargain with municipal employers.

The Collective Bargaining Agreements (the "*Collective Bargaining Agreements*") between MPS and the accountants/bookkeepers, substitute teachers, educational assistants and Local 950, expired on June 30, 2012.

The Collective Bargaining Agreements with the Milwaukee Teacher's Education Association ("*MTEA*"), and the Psychologists' Association in the Milwaukee Public Schools ("*PAMPS")* expired on June 30, 2013.

Under Act 10, negotiations may only be conducted with certified collective bargaining units and are limited to the issue of base wages. With regard to the 2014-15 contract period, MPS is engaged in base wage negotiations with PAMPS, MTEA Teachers, MTEA Educational Assistants, MTEA Substitute Teachers, and MTEA Accountants/Bookkeepers. For issues outside of base wages, MPS has created and implemented an employee handbook that covers all MPS employees.

Insurance

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

MPS provides health insurance benefits to employees and retirees through a self-insured PPO/Indemnity plan and self-insured exclusive provider organization ("*EPO*") plan. MPS purchases stop-loss insurance for its 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 MPS. Effective January 1, 2015, MPS approved providing post-Medicare benefits to eligible retirees through a fully-insured Medicare Advantage plan. This fully-insured Medicare Advantage plan provides comparable benefits to the current self-insured PPO and EPO plans, however premium rates are 41% lower than the anticipated monthly premium for the EPO and 46% less expensive than the anticipated monthly premium for the PPO.

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

MPS self-insures for health, dental and workers' compensation benefits and certain other general liability exposures. The accrued liability for estimated self-insured claims of $26,924,565 recorded in the School Operations Fund and $8,032,490 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2014.

Investment Policies

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed $500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments; and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Services, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("*SWIB*") provides the Local Government Investment Pool ("*LGIP*") as a subset of the State Investment Fund (the "*Fund*"). The LGIP includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves.

The LGIP is a local option municipal depository. The City utilizes the LGIP in a manner similar to a "money market" account. When other investment options provide more favorable returns, such options are utilized. As of August 31, 2014, the City had approximately 10.2% ($17,010,158) of its and MPS's investments deposited in the LGIP.

SWIB invests the assets of the Fund, which includes assets of the LGIP. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "*Trustees*"). The Trustees establish long-term investment policies, set guidelines for each investment portfolio and monitor investment performance.

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

REVENUES OF MILWAUKEE PUBLIC SCHOOLS

Sources of Funding

In addition to borrowing, MPS revenues are derived from three major sources - local property taxes, state school aids and federal school aids. Sources of MPS revenues are detailed in the four year summary presented under the table captioned **"REVENUES OF MILWAUKEE PUBLIC SCHOOLS – General Fund Trends"** herein.

Local Property Tax

Property taxes levied on behalf of MPS by the City account for a significant portion of the School Operations Fund revenues available to MPS. For fiscal year 2013-14, MPS's share of levy produced approximately $272,784,364 of the total revenues to the School Operations Fund. MPS's 2014-15 School Operations Fund Revenues are budgeted at $968,656,551 of which City ad valorem property taxes are $275,612,673.

Milwaukee Public Schools
Property Tax Levies
All Funds
(2009-2014)

Levy Year	Collection Year	Taxes Levied
2009	2010	$ 295,833,114
2010	2011	293,500,000
2011	2012	297,786,794
2012	2013	300,605,082
2013	2014	299,450,235
2014	2015	302,278,544

In addition to taxes for operations levied under Section 119.46 of the Wisconsin Statutes, the MPS by two-third vote of members elect may direct the City to levy a tax to provide funds to purchase school sites and construct or remodel school buildings. The school construction fund taxes in any one year may not exceed 0.6 mills on each dollar of assessed valuation of taxable property in the City.

Property Subject to Taxation – The City, at the direction of the MPS, is required to levy and collect ad valorem taxes on or against all taxable property within the City. Both real and personal property are subject to taxation, but there are certain classes of property which are exempt from taxation. These include, but are not limited to, property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; certain charitable property not used for profit; religious property; manufacturing machinery and equipment; business computers; non-profit cemeteries; household furnishings and personal effects not used to produce income; intangible personal property; and inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale.

Assessment of Property – The City Tax Assessment Commissioner's staff of assessors and appraisers annually conducts appraisals in order to determine the full (fair market) value of all non-manufacturing taxable real property and full cash value of all taxable personal property within the City as of January 1st. Real property is divided into classes for taxation purposes. In cities there are four classes of real estate: residential; commercial; manufacturing; and agricultural.

The assessed value of a property is intended to represent current full market (cash) value and, with certain exceptions, is determined from manuals and associated data published by the State Department of Revenue. The State Department of Revenue certifies the competency of local assessors and supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes. Annually, the Department analyzes sales data reported to the Register of Deeds for each county to determine the relative level of local assessments to actual market sales. This process is referred to as "*equalization.*" The ratios developed by the Department of Revenue are reported to each assessor.

Assessed valuation represents the value upon which ad valorem property taxes are levied. Wisconsin law requires that assessed values in any taxation district be established within 10% of "*full value*," as determined by the Department of Revenue, at least once during each four year period ending with the current year. If a district fails to meet this criteria in any year, the district's assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2013, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was 95.95 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

For each assessment year the City assessors must complete their assessments for review by the Assessment Commissioner on or before the second Monday in May.

Manufacturing property is assessed by the Wisconsin Department of Revenue which annually notifies the City of the assessed value of all such property to be placed on the City tax roll. Manufacturing machinery and equipment are exempt from local property taxes.

Property owners are notified of increases in assessed valuation of their land or improvements, or taxable personal property in accordance with certain statutory deadlines. Property owners are given the opportunity to object to the amount or valuation of their real or personal properties by filing written objections with the board of assessors, which consists of the chief assessor, chief appraiser, supervising assessors and assistant supervising assessors of the Assessment Commissioner's office and a City Board of Review or, for State assessments of manufacturing property, by the State Tax Appeals Commission. The City Board of Review consists of nine residents of the City appointed by the Mayor with approval of the City Common Council for staggered five-year terms.

Adjustments for increases or decreases in assessed values resulting from appeals are made. Upon conclusion of such hearings, the tax assessors are required to complete the assessment roll of all taxable property for the City and return it to the City Assessment Commissioner no later than the first Monday of November each year. The Assessment Commissioner must prepare the tax roll and return it to the City Treasurer for collection no later than the third Monday in December. Assessments may be appealed to the State courts from the Board of Review or State Tax Appeals Commission within a short period of time, provided the taxes are paid timely on the challenged assessment. Refund of any excess taxes paid may be ordered by the court. If rebated or abated taxes reduce equalized values of the City, the Wisconsin Department of Revenue may prorate the rebated amounts among all taxing jurisdictions which levied a tax against the subject property or adjust equalized values.

In addition to MPS's tax levy, owners of property within the City are obligated to pay taxes to other taxing entities in which their property is located. There are five other active taxing entities which have authority to levy ad valorem property taxes on property within the City. These include the City, Milwaukee County, State of Wisconsin, Milwaukee Area Technical College District and Milwaukee Metropolitan Sewerage District.

The 2014 levies (collected in 2015) were as follows (amounts in millions):

Milwaukee Public Schools	$302.3
City of Milwaukee	256.6
Milwaukee County	132.0
MATC	31.8
Metropolitan Sewerage District	42.9
State Forestry Tax	4.4

The net tax rate for all taxing jurisdictions was $29.97 per $1,000 of assessed property value.

<u>Property Tax Collections</u> – Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2015 will be collected in 2016. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 installments not later than the last day of each month from January to October without interest or penalty. Personal property taxes may be paid in 10 installments on the last day of each month from January to October without interest or penalty. First installments which are not timely paid within the prescribed time bear interest at the rate of 1% per month until paid, plus 0.5% of the tax with interest from February 1. The City Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and remits the balance to MPS on a monthly basis from February through May. Any balance of the annual levy remaining at June 30 is remitted to MPS by June 30th of each year.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1 of the levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the City Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of such realty. Delinquent personal property taxes are enforceable by an action in debt and the property taxed or other property may be seized on execution to pay the judgment. Tax sales on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale.

State Aids

The Wisconsin Constitution requires the State Legislature to provide for establishment of district schools "*which shall be free and without charge for tuition to all children between the ages of 4 and 20 years.*" MPS receives revenues in the form of general school aids from the State ("*State Aid*") as well as federal sources. State Aid is divided into two general categories, referred to as general and categorical aids. As explained below, general aid consists of equalization aid (determined by formula based upon pupil membership and property valuation) and integration aid (determined by a formula based on the number of students transferring into and out of minority areas). Categorical aid is based upon specific instructional or supporting programs. In 1996, the Governor and the State Legislature approved reducing funding for schools from property taxes. The State approved increasing its proportionate share of school aid from 40% to at least 66.7% beginning in 1996-1997. Although the State has a multi-year tradition of providing State Aid to local school districts to reduce their reliance on local property taxes, there can be no assurance that the State will not decrease, perhaps materially, the amount of State Aid provided to MPS. Pursuant to Sections 66.1333(5s) and 119.499 of the Wisconsin Statutes, should MPS fail to make payment on the Pension Bonds, the trustee of the Pension Bonds can request the State to divert MPS's State equalization aid to the trustee of the Pension Bonds in order to pay debt service obligations on the Pension Bonds.

Aid to High Poverty Districts

A school district is eligible for aid if, in the October preceding each biennium, the number of pupils eligible for free or reduced-price lunch divided by the district's September membership is equal to at least 50 percent after rounding to the nearest whole percentage point. An eligible school district's aid entitlement is calculated by dividing the total appropriation amount by the prior year aid membership of all eligible school districts. This per pupil amount is then multiplied by each district's prior year aid membership to determine the payment amount.

High poverty aid payments are not treated as an exemption to a district's revenue limit under Section 121.91, Wisconsin Statutes. Rather, high poverty aid is required to reduce a district's maximum allowable levy, and in the case of Milwaukee, offset the general aid reduction attributable to the Milwaukee Parental Choice Program. Additionally, due to the inclusion of the high poverty aid program in Subchapter II – General Aid of Section 121, Wisconsin Statutes, these payments will be treated as general aid payments for purposes of calculating a district's shared costs in the computation of equalization aid.

State Aid-General Aids

Equalization Aid

MPS receives the majority of its State Aid in the form of equalization aid. Equalization aid is paid based on a formula designed to compensate for differences in property values between Wisconsin school districts. The effect is to equalize the property tax base supporting each Wisconsin student.

The State guarantees a minimum tax base to support the education of each public school child. The ratio of MPS's equalized valuation to the State's guaranteed valuation determines the percentage of shared costs funded by local property tax versus State equalization aid.

$$\text{Equalization Aid} = \text{Shared Costs X} \quad \frac{\text{Net Guaranteed Valuation}}{\text{Guaranteed Valuation}}$$

where Net Guaranteed Valuation equals Guaranteed Valuation minus Equalized Valuation. Shared Costs equals the net cost of the general fund plus the net cost of the debt service fund.

While MPS's annual revenue per pupil has been above the State-wide average during the past three school years (as detailed below), these revenues have been based upon above average federal and State Aid payments.

Annual Revenues Per Pupil

	Statewide			Milwaukee		
	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Revenue per Pupil	$12,591	$12,512	$12,705	$14,271	$14,333	$14,147
Federal share (%)	8.7	7.8	7.8	18.8	17.6	16.4
State share (%)	44.1	44.9	45.3	53.2	53.6	55.2
Local share (%)	47.2	47.3	46.9	28.0	28.8	28.4

Integration Aid

MPS also receives integration aid from the State under a plan where compensation is paid for each minority pupil transferring from an attendance area where minority pupils comprise 30% or more of the population to an attendance area which has less than a 30% minority population. Also, aid is paid for each non-minority pupil transferring from a non-minority attendance area to a minority attendance area.

The State provides for intradistrict transfer aid as well as interdistrict transfer aid. Intradistrict aid is calculated by multiplying the number of eligible transfer pupils by 0.25 and multiplying the product by the district's current equalization aid per pupil.

For interdistrict transfers, the State provides a financial incentive for both the sending and receiving districts. The receiving district is paid an amount equal to its average cost per pupil for each student it receives. The sending district is allowed to continue to count the transferred students for equalization aid purposes at 0.75 full-time equivalent (FTE), thereby removing any disincentive for transferring students. MPS must pay the transportation costs for its students sent to other districts, as well as the students it receives from other districts. See "**MILWAUKEE PUBLIC SCHOOLS – Neighborhood Schools Initiative**" herein.

The Governor's proposed state biennial budget for 2015-2017 prohibits any pupils from participating in the integration aid program unless those pupils were participating in the program in the 2014-2015 school year. Integration aid funding is provided as a first draw from the general school aids appropriation. To the extent that less integration aid would be distributed under the bill provisions, more aid would be distributed through the equalization formula. Under the Governor's proposed state biennial budget for 2015-2017, it is possible that a four-year-old kindergarten pupil participating in the program in the 2014-15 school year could continue in the program until 2027-28.

State Aid-Categorical Aids

MPS receives State Aid in the form of categorical aids to finance or reimburse specific categories of instructional or supporting programs.

Pupil transportation aids are paid to reimburse MPS for transportation of public and non-public school pupils. Reimbursement for transportation aids is made on the basis of the number of children/mileage transported during the prior year and miles transported during the regular school year, with an additional flat per pupil payment for summer school. MPS is not required to transport children who live two miles or less from the school attended following the shortest commonly traveled route unless the route is considered hazardous.

The State pays tuition for the following types of children attending public schools:

a) children in children's homes;

b) children of parents employed at and residing on the grounds of a state or federal military camp, federal veteran's hospital, or state, charitable or penal institution; and

c) children in foster homes or group homes if the home is located outside the district in which the child's parent or guardian resides and is exempt from property tax.

School library aid paid from the common school fund under Article 10, sections 4 and 5 of the Wisconsin Constitution and Section 43.70 of the Wisconsin Statutes, is distributed on the basis of the number of children between age 4 and 20 residing in the district as of June 30 of the year before payments are made. School library aid payments to MPS for 2013-14 were $3,614,470, or $24.95 per child.

The State pays special aids to MPS to finance approved programs for disabled children or children with exceptional educational needs, including those with visual or hearing disabilities, speech or language disabilities, learning disabilities and requiring homebound instruction. This aid has been decreasing as a percent of costs for the last two decades.

Other categorical aids include grants for demonstration projects to assist minors in avoiding or overcoming problems resulting from the abuse of alcohol or drugs; State matching payments for school lunch programs required under 42 U.S.C. 1751, et. seq.; elderly food service aid; grants to provide pre-school structured educational experience focusing on the needs of low-income pupils and encouraging early skill development; bilingual/bicultural aids for programs designed to improve comprehension, speaking, reading and writing ability of limited English speaking pupils in the English language; youth initiatives for education and training programs for youths 14 through 21; and Wisconsin morning milk program for children enrolled in kindergarten through grade 5. MPS also receives funding under Sections 119.71, 119.72 and 119.74 of the Wisconsin Statutes for five-year old kindergarten and early childhood education.

These categorical aids are in addition to equalization aid and integration aid.

Milwaukee Parental Choice Program

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City which meets all public school health and safety laws and codes, complies with federal nondiscrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement. Beginning in the 1996-97 school year, no more than 15% of the school district's membership may attend private school under Wisconsin Statute 119.23. In March 2006, Governor Doyle signed Act 125 which increased the limit of participants to 22,500 students. In June 2011, Governor Walker's Wisconsin Act 32 was passed into law, among other things eliminating the enrollment cap on the Parental Choice Program and increasing the family income limitation for student eligibility. Upon proof of a pupil's enrollment in the private school the State Superintendent provides a proportionate share of basic and supplemental State school aids. The private school choice program was further expanded under 2013 Wisconsin Act 20, which created a statewide private school choice program. Prior to 2013-14, the reduction to the general aid for MPS was equal to 45% of the estimated cost of the choice program. After consideration of the city choice levy aid, the MPS aid reduction was 38.4% of the program in 2012-13. Under 2013 Wisconsin Act 20, the MPS aid reduction is further decreased. Beginning in the 2013-14 school year and annually thereafter, the aid reduction equals a percentage determined by subtracting 3.2 percentage points from the percentage in the previous school year. This establishes a 12-year phase-out of the MPS aid reduction, after which the program will be fully state funded.

For the 2013-14 school year, approximately 24,811 low-income children enrolled in the Milwaukee Parental Choice Program.

Federal School Aids

In addition to State Aid, MPS receives federal aids for specific school programs. For the 2013-14 school year, total federal aids to MPS, including food services revenues of $40,741,340, was $198,628,740. A portion of this amount was received after the end of the 2014 fiscal year.

MPS has applied for and received federal aid for numerous other programs. In general, these federal aids are known as categorical aids and require MPS to make the expenditure first, with federal reimbursement following. The federal programs administered by the Wisconsin Department of Public Instruction from which MPS received program reimbursement include the following: Public Law 89-313 providing funds for handicapped children; Title I –Disadvantaged and Low Income Children; Special Education – Grants to States; Carl Perkins Act; Emergency Immigrant Educational Assistance; Title II; Public Law 99-457. MPS received aid directly from the Federal Government in the case of several federal programs including the Drug Free Schools program and Headstart.

General Fund Trends

Equalization Aid revenues in the 2013-14 school year increased by approximately $6,102,138. Property tax revenues increased by approximately $813,403.

Total expenditures decreased $19,094,302 in 2013-14 over the previous year. Expenditures for instructional services were 61.58% of total expenditures. MPS remains under a revenue cap limitation first imposed in 1993-1994. Despite this restriction, MPS expects to provide all necessary instructional and operating services without major disruptions.

Milwaukee Public Schools
General Fund
Four Year Summary

	2014 Year End	2013 Year End	2012 Year End	2011 Year End
Revenues				
Property tax levy	$287,372,653	$286,559,250	$287,184,152	$273,079,212
Other local sources	15,950,922	13,741,738	10,995,975	11,029,241
Microsoft Settlement Refunds	1,557,605	4,492,796	278,642	6,706,515
State aid:				
Equalization aid	500,659,964	494,557,826	496,690,640	544,914,729
Special classes	53,565,720	51,792,301	54,013,275	49,429,225
Integration	33,522,834	34,178,357	35,235,721	36,158,028
Other state aid	51,928,558	50,161,524	47,442,724	71,938,535
Federal aid:				
Education Consolidation Improvement Act	89,387,237	96,038,429	106,765,706	121,910,586
Erate Refunds	-	52,666	2,753,269	3,346,923
Other federal aid	48,292,464	49,635,541	54,382,871	61,104,594
Miscellaneous	506,273	3,190,257	3,196,721	4,533,161
Interest and investment earnings	2,433,869	183,416	224,006	185,426
Total Revenues	1,085,178,099	1,084,584,101	1,099,163,702	1,187,336,175
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	350,611,296	364,488,175	379,231,430	408,281,267
Regular and other curriculum	140,829,291	147,099,479	129,989,610	153,723,073
Special curriculum	162,317,985	165,369,430	151,900,661	157,796,084
Total instructional services	653,758,572	676,957,084	661,121,701	719,800,424
Community services	26,962,332	29,146,352	24,841,805	23,467,701
Pupil and staff services	110,843,729	111,575,339	112,712,746	129,016,403
General and school building administration	99,204,832	101,012,616	111,351,669	118,430,195
Business services	160,757,139	155,818,995	153,073,711	170,709,794
Debt Service:				
Principal	575,000	550,000	1,534,454	4,505,249
Interest	208,662	436,028	485,865	532,831
Bond Issuance Cost	-	1,000	1,000	4,999
Capital outlay	9,345,079	5,252,233	8,328,319	1,131,777
Total Expenditures	1,061,655,345	1,080,749,647	1,073,451,270	1,167,599,373
Excess of revenues over (under) expenditures	23,522,754	3,834,454	25,712,432	19,736,802
Other Financing Sources (Uses)				
Proceeds from sale of assets	4,140	63.500		18,128
Transfers in (out)	(23,694,603)	(21,287,465)	(20,963,406)	(20,168,630)
Total Other Financing Sources(uses)	(23,690,463)	(21,223,965)	(20,963,406)	(20,150,502)
Net Change in Fund Balances	(167,709)	(17,389,511)	4,749,026	(413,700)
Fund balances (deficit):				
Beginning of year	78,960,389	96,349,900	91,600,874	92,014,574
End of year	78,792,680	78,960,389	96,349,900	$91,600,874

Source: Comprehensive Annual Financial Report, State of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

Milwaukee Public Schools
School Operations Budget
Fiscal Years 2015 and 2014

	2014-2015 Budget (1)	2013-14 Budget (2)
Revenues		
Locally Generated:		
Property Tax Levy	$275,612,673	$272,784,364
Nutrition	3,062,500	3,002,436
Other Local Sources	6,912,100	6,252,100
Subtotal	285,587,273	282,038,900
State Aid:		
Equalization Aid	505,364,501	500,434,973
Special Education	52,691,850	51,396,600
Integration	32,247,348	33,522,834
Nutrition	1,006,400	986,700
Other	31,430,808	25,113,552
Subtotal	622,740,907	611,454,659
Federal Aid:		
School Nutrition Commodities & Federal Indirect	44,812,100	38,835,400
Other	15,516,271	15,436,250
Subtotal	60,328,371	54,271,650
Total Revenues	968,656,551	947,765,209
Plus Use of Surplus	--	--
Total Sources of Funds	$968,656,551	$947,765,209
Expenditures (3)		
Instructional Services	$607,250,792	$584,814,850
Support Services	361,405,759	362,950,359
Total Expenditures	$968,656,551	$947,765,209
Summary		
Total Revenues and Use of Surplus	$968,656,551	$947,765,209
Total Expenditures	968,656,551	947,765,209
Difference	$ --	$ --

(1) Final Fiscal Year 2015 School Operations Fund Budget approved October 2014.
(2) Final Fiscal Year 2014 School Operations Fund Budget approved October 2013.
(3) Expenditure categories include allocations based on estimates and may differ from actual experience.

THE CITY OF MILWAUKEE

General

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 595,993 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area includes the principal cities of Milwaukee, Waukesha and West Allis, in the counties of Milwaukee, Ozaukee, Waukesha and Washington, and has a population of nearly 1.6 million.

The Port of Milwaukee provides access to the sea lanes of the world. General Mitchell International Airport is served by domestic and international airlines. Five rail lines serve the City and provide transportation links throughout the United States. The City is also connected with the interstate highway system.

The City was incorporated as a city on January 31, 1846, pursuant to the laws of the Territory of Wisconsin. Wisconsin gained statehood in 1848. The City, operating under a Home Rule Charter since 1874, has a council-mayor form of government.

City of Milwaukee
Selected Economic Data

	Population		
Year	Department of Administration	U.S. Census	Adjusted Gross Income Per Return
2014	596,993		Not Available
2013	596,500		$37,300
2012	595,425		$35,770
2011	595,525		34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
2008	590,870		33,160
2007	590,190		33,240
2000	605,572	596,974	32,370

Sources: U.S. Census and the Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis. The Division's population estimates are used in the distribution of State Shared Revenues.

Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2010 through December 2014.

General Total

Year	Value	Permits Issued
2014	$539,753,288	2,443
2013	269,010,398	2,217
2012	254,896,334	2,297
2011	269,386,167	2,340
2010	283,026,280	2,065

Residential Building

	Single Family		Multi-Family		Total		Permits
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Issued
2014	$ 4,423,531	31	$16,096,831	300	$20,520,362	331	39
2013	5,429,015	43	46,923,592	430	52,352,607	473	53
2012	4,408,472	44	30,455,000	281	34,863,472	325	60
2011	17,892,282	139	42,327,598	364	60,219,880	503	222
2010	8,400,090	84	91,179,501	726	99,579,591	810	118

Commercial Building

Year	Value	Permits Issued
2014	$320,611,159	49
2013	83,584,379	42
2012	52,952,469	51
2011	58,518,315	47
2010	53,319,884	67

Public Building

Year	Value	Permits Issued
2014	$31,118,208	314
2013	24,248,685	147
2012	43,046,652	211
2011	49,456,901	256
2010	22,238,704	129

Alterations and Additions

Year	Value	Permits Issued
2014	$167,503,559	2,041
2013	108,824,727	1,975
2012	124,033,741	1,975
2011	101,191,071	1,815
2010	107,888,101	1,751

Sources: Development Center, Department of City Development. Data accumulated from monthly reports submitted to U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division, Washington, D.C.

Leading Business and Industrial Firms Located Within Milwaukee County

The listing of large employers in the Milwaukee County area which follows reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list. The Employment Estimates can include employees located in counties contiguous to Milwaukee County.

Company	Business Description	Approximate Employment
Aurora Health Care Inc.	Health Care System	24,462
Wheaton Franciscan Healthcare	Health Care System	10,687
Froedert & Community Health	Health Care System	9,028
Roundy's Supermarkets Inc.	Retail Supermarkets	9,000
The Medical College of Wisconsin	Private Medical School	5,400
Columbia St. Mary's Health System	Health Care System	5,400
Northwestern Mutual	Insurance, Investment Products	5,000
ProHealth Care Inc	Health Care System	4,700
Children's Hospital	Health Care System	4,471
Goodwill Industries	Training Programs, Retail, & Food Service	4,055
US Bank NA	Banking Services	3,639
BMO Harris Bank	Bank Holding Company	3,390
Rockwell Automation Inc	Industrial Automation Products	3,100
Johnson Controls Inc.	Control Systems, Batteries & Auto Interiors	3,094
The Marcus Corp	Theaters and Hotel Properties	3,044
Wisconsin Energy Corp	Electric & Natural Gas Utility	3,029
(FIS) Fidelity National Info. Services	Banking and Payments Technology	2,800
Marquette University	University	2,766
Harley-Davidson Inc	Motorcycles & Accessories	2,736
Potawatomi Bingo Casino	Casino	2,730
Wells Fargo	Banking & Financial Services	2,390
Bon-Ton Department Stores	Department Stores	2,244
Extendicare Health Services	Skilled Nursing Homes	1,680
Rexnord Corp	Power Transmission Equipment	1,600
Briggs & Stratton Corp	Small Gasoline Engines	1,400
Journal Communications Inc	Diversified Media Company	1,363
Cargill Meat Solutions	Meat Processor	1,355
MillerCoors LLC	Beer Brewery	1,350
Chase	Global Financial Services	1,310
Robert W Baird	Asset Management and Capital Markets	1,287
Assurant Health	Health Insurance	1,281
Joy Global Inc.	Manufactures & Distributes Mining Equip	1,233
Caterpillar Inc., (Bucyrus)	Manufactures & Distributes Mining Equip	1,165
Patrick Cudahy Inc.	Manufacturer of Processed Meats	1,150
Brady Corp	Manufacturer of Identification Materials	1,109

Source: The Business Journal of Greater Milwaukee, Book of Lists as of July 11, 2014.

Employment and Industry

During 2014, the City's unemployment rate averaged approximately 8.1%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2010 through 2014.

Annual Unemployment Rates
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2014	8.1%	6.0%	5.5%	6.2%
2013	10.0	7.3	6.8	7.4
2012	10.2	7.5	7.0	8.1
2011	10.9	8.0	7.8	8.9
2010	11.9	8.9	8.7	9.6

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Recent Monthly Unemployment Rates
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
February, 2015	7.4%	5.6%	5.5%	5.8%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. In Milwaukee County, service sector (service, finance, insurance, real estate and retail trade) employs 80% of the workforce. Construction and Manufacturing firms employ 14% of the workforce. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

Ten Largest Taxpayers With 2014 Estimated Equalized Valuations

US Bancorp	$243,293,069
Northwestern Mutual Life Ins.	180,146,436
Mandel Group	127,121,319
Marcus Corp/Milw City Center/Pfister	110,326,536
Metropolitan Associates	97,806,164
Forest County Potawatomi Community	84,891,055
100 E Wisconsin – CW Wisconsin Ave. LLC	79,805,410
411 East Wisconsin LLC	77,628,058
Gorman & Co.	68,816,801
Towne Realty	66,007,728
Riverbend Place	61,534,768

Source: City of Milwaukee, Assessor's Office January 2015.

LITIGATION

MPS and its directors, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. MPS carries Commercial General Liability Insurance, Umbrella General Liability Insurance and School Teachers Error and Omissions Insurance. Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officer, officials or employees for acts performed in their official capacity to $50,000 in tort liability of non-automobile cases and $250,000 in automobile cases.

The City Attorney's Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation. As of the date hereof, there are no pending or threatened litigation matters, claims or assessments which individually represent a maximum potential loss exposure in excess of $1 million.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2015A Bonds by the Authority are subject to the approval of Katten Muchin Rosenman LLP and Hurtado Zimmerman SC, Co-Bond Counsel, whose approving opinions will be delivered at the time of issuance of the Series 2015A Bonds. A draft of the legal opinions of Co-Bond Counsel for the Series 2015A Bonds are included as **APPENDIX B** hereto.

Certain matters will be passed upon for the Authority and MPS by the Office of the City Attorney, and for the Underwriters by their counsel, Foley & Lardner LLP.

TAX MATTERS

The following is a summary of the principal United States federal income tax consequences of ownership of the Series 2015A Bonds. This summary deals only with the Series 2015A Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold the Series 2015A Bonds as a hedge or as hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the United States dollar.

The Internal Revenue Code of 1986 (the "*Code*") contains a number of provisions relating to the taxation of the Series 2015A Bonds (including but not limited to the treatment of and accounting for interest, premium, and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of the Series 2015A Bonds.

United States Federal Income Tax Considerations for United States Holders

Payments of Interest to United States Holders. Interest on the Series 2015A Bonds will be taxable to a United States Holder (as defined below) as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes in accordance with generally applicable principles.

The term "*United States Holder*" refers to a beneficial owner of a Series 2015A Bond for United States federal income tax law purposes and that is:

- a citizen or resident of the United States;
- a corporation or partnership which is created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (2) the trust was in existence on August 10, 1996 and properly elected to continue to be treated as a United States person.

The term "*Non-U.S. Holder*" refers to any beneficial owner of a Series 2015A Bond who or which is not a United States Holder.

Sale and Retirement of the Series 2015A Bonds. United States Holders of the Series 2015A Bonds must recognize any gain or loss on the sale, redemption, retirement or other disposition of their Series 2015A Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of a Series 2015A Bond and the United States Holder's adjusted tax basis in the Series 2015A Bond. Such gain or loss is capital gain or loss, except to the extent of accrued market discount not previously included in income, and is long term capital gain or loss if at the time of disposition such Series 2015A Bond has been held for more than one year.

Unearned Income Medicare Contribution Tax. A 3.8% Medicare contribution tax is imposed on the "net investment income" of certain United States individuals and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" generally includes interest and certain net gain from the disposition of property (such as the Series 2015A Bonds), less certain deductions.

United States Federal Income Tax Considerations for Non-U.S. Holders

Withholding Tax on Payments of Principal and Interest on Bonds**.** Generally, subject to the discussion of FATCA below, payments of principal and interest on a Series 2015A Bond will not be subject to United States federal withholding tax, provided that in the case of an interest payment:

- the beneficial owner of the Series 2015A Bond is not a bank to which the Series 2015A Bonds constitute an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- either (A) the beneficial owner of the Series 2015A Bond certifies to the applicable payor or its agent, under penalties of perjury on an IRS Form W8-BEN (or a suitable substitute form), that such owner is not a United States person and provides such owner's name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business (a "financial institution")

and holds the Series 2015A Bond, certifies under penalties of perjury that such an IRS Form W8-BEN (or suitable substitute form) has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof.

Except to the extent otherwise provided under an applicable tax treaty, a beneficial owner of a Series 2015A Bond generally will be taxed in the same manner as a United States Holder with respect to interest and original issue discount payments on a Series 2015A Bond if such interest and original issue discount is effectively connected with such owner's conduct of a trade or business in the United States. Effectively connected interest received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments. Such effectively connected interest will not be subject to withholding tax if the holder delivers an IRS Form W-8ECI to the payor.

Gain on Disposition of the Series 2015A Bonds. A beneficial owner of a Series 2015A Bond generally will not be subject to United States federal income tax on gain realized on the sale, exchange or redemption of a Series 2015A Bond unless:

- such owner is an individual present in the United States for 183 days or more in the year of such sale, exchange or redemption and either (A) such owner has a "tax home" in the United States and certain other requirements are met, or (B) the gain from the disposition is attributable to such owner's office or other fixed place of business in the United States; or

- the gain is effectively connected with such owner's conduct of a trade or business in the United States.

Taxation of Payments under FATCA to Foreign Financial Institutions and Certain Other Non-U.S. Holders that are Foreign Entities. A 30% withholding tax generally will apply to payments of interest on, and after December 31, 2016, on gross proceeds from the disposition of, the Series 2015A Bonds that are made to Non-U.S. Holders that are financial institutions and certain non-financial entities. Such withholding tax, imposed under sections 1471 through 1474 of the Code, or FATCA, generally will not apply where such payments are made to (i) a Non-U.S. Holder that is a financial institution that enters into an agreement with the IRS to, among other requirements, undertake to identify accounts held by certain United States persons or U.S.-owned foreign entities, report annually certain information about such accounts and withhold tax as may be required by such agreement (or otherwise complies with an applicable intergovernmental agreement with respect to FATCA), or (ii) a Non-U.S. Holder that is a non-financial entity that certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. A Non-U.S. Holder generally will be required to provide information with respect to its status for FATCA purposes, generally on the appropriate IRS Form W-8 or any successor form, to avoid withholding taxes under FATCA. Prospective investors should consult their own tax advisors regarding the application and requirements of these information reporting and withholding provisions under FATCA.

U.S. Federal Estate Tax. A Series 2015A Bond held by an individual who at the time of death is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) is not subject to United States federal estate tax if at the time of the individual's death, payments with respect to such Series 2015A Bond are not effectively connected with the conduct by such individual of a trade or business in the United States.

Backup Withholding and Information Reporting

United States Holders. Information reporting applies to payments of interest on the Series 2015A Bonds, or the proceeds of the sale or other disposition of the Series 2015A Bonds with respect to certain non-corporate United States holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's United States federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders. Backup withholding and information reporting on Form 1099 does not apply to payments of principal and interest on the Series 2015A Bonds to a Non-U.S. Holder provided the Non-U.S. Holder provides the certification described above under "United States Federal Income Tax Considerations for Non-U.S. Holders-Withholding Tax on Payments of Principal and Interest on Bonds" or otherwise establishes an exemption (provided that neither the City nor its agent has actual knowledge that the holder is a United States person or that the conditions of any other exemptions are not in fact satisfied). Interest payments made to a Non-U.S. Holder may, however, be reported to the IRS and to such Non-U.S. Holder on Form 1042-S.

Information reporting and backup withholding generally do not apply to a payment of the proceeds of a sale of Series 2015A Bonds effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of Series 2015A Bonds effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is 50 percent or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a United States trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a Non-U.S. Holder (and such broker has no actual knowledge to the contrary) and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of Series 2015A Bonds will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's United States federal income tax liability provided the required information is furnished to the IRS.

Change of Law

The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2015A Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2015A Bonds.

RATINGS

At the request of MPS, Standard & Poor's Ratings Services and Fitch Ratings have issued ratings of "A+" with a "stable outlook" and "A" with a "stable outlook", respectively, for the Series 2015A Bonds.

Any explanation of the significance of such ratings may only be obtained from the rating agencies. MPS has furnished certain information and materials to the rating agencies which is not included in this Official Statement. MPS will pay the rating agencies a fee for their services in assigning the bond ratings to the Series 2015A Bonds. There is no assurance that the bond ratings assigned to the Series 2015A Bonds will be maintained for any given period of time or that they will not be lowered or withdrawn entirely if, in the rating agencies' judgment, circumstances so warrant. Neither the Underwriters, the Authority nor MPS have undertaken any responsibility to bring to the attention of the Bondowners any proposed revision or withdrawal of a bond rating for the Series 2015A Bonds or to oppose any such proposed revision or withdrawal. A downward revision in or withdrawal of any bond rating for the Series 2015A Bonds may have an adverse effect on the market price or marketability of the Series 2015A Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2015A Bonds at an aggregate purchase price of $37,709,100.00 (representing the par amount of the Series 2015A Bonds, less Underwriters' discount of $290,900.00) pursuant to the Bond Purchase Agreement dated June 24, 2015, as accepted by MPS and the Authority. The Underwriters reserve the right to join with dealers and other Underwriters in offering the Series 2015A Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2015A Bonds is subject to various conditions in the Bond Purchase Agreement.

The Series 2015A Bonds may be offered and sold to certain dealers and others at prices lower than the offering price stated on the cover hereof. The offering prices may be changed from time to time.

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc., which is a direct, wholly-owned subsidiary of BMO Financial Corp. (which is itself a wholly-owned subsidiary of Bank of Montreal).

Loop Capital Markets LLC ("*LCM*"), one of the Underwriters of the Series 2014A Bonds, has entered into distribution agreements (each a "*Distribution Agreement*") with each of the UBS Financial Services Inc. ("*UBSFS*"), Deutsche Bank Securities Inc. ("*DBS*") and Credit Suisse Securities USA LLC ("*CS*") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS, DBS and CS will purchase the Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "*Rule*") promulgated by the Securities and Exchange Commission (the "*Commission*"), pursuant to the Securities Exchange Act of 1934, MPS has entered into an undertaking (the "*Undertaking*") for the benefit of owners including beneficial owners of the Series 2015A Bonds to provide certain financial information and operating data relating to MPS annually (the "*Annual Financial Information*") to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the "*MSRB*"), and to provide notices to the MSRB of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB. The MSRB has designated its Electronic Municipal Market Access ("*EMMA*") system as the system to be used for continuing disclosures to investors. The Undertaking will be in substantially the form attached as **APPENDIX C** hereto. MPS intends to fully comply with the Undertaking.

A failure by MPS to comply with the Undertaking will not constitute an event of default on the Series 2015A Bonds (although owners will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2015A Bonds in the secondary market. Consequently, such a failure may adversely affect the liquidity of the Series 2015A Bonds and their market price.

Within the previous five years, MPS has not failed to comply in any material respect with regards to any prior undertakings.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("*DTC*"), New York, New York, will act as securities depository for the Series 2015A Bonds. The Series 2015A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One registered Bond certificate will be issued for the Series 2015A Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015A Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015A Bonds, except in the event that use of the book-entry-only system for the Series 2015A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2015A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Series 2015A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. More information about DTC can be found at www.dtcc.com and www.dtc.org. None of the Authority, the Trustee, MPS or the Underwriters is responsible for any information in this section or available on DTC's web site. No representation is made by the Authority, MPS or the Underwriters as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the Authority, MPS or the Underwriters to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the Authority, the Trustee, MPS nor the Underwriters will have any responsibility or liability for the failure of DTC, DTC Participants or Indirect Participants to make any payment or give any notice to a Beneficial Owner in respect of the Series 2015A Bonds, or for any error or delay relating thereto.

FINANCIAL ADVISOR

MPS has retained Public Financial Management, Inc., Milwaukee, Wisconsin, as financial advisor (the "*Financial Advisor*") in connection with the issuance of the Series 2015A Bonds. The Financial Advisor is not a public accounting firm and has not been engaged by MPS to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2015A Bonds.

LEGISLATION

Other than as discussed under the caption "**RISK FACTORS**" above, neither the Authority nor MPS is aware of any pending legislation that would cause significant adverse consequences to the Series 2015A Bonds, the financial condition of the Authority or the financial condition of MPS.

MISCELLANEOUS

The references herein to the Series 2015A Bonds, the Indenture, the Lease and the Ground Lease and are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions, reference is made to such documents. Copies of the documents mentioned under this heading are available for inspection at the offices of the Authority and following delivery of the Series 2015A Bonds will be available for inspection at the offices of the Trustee.

It is anticipated that a CUSIP identification number will be printed on the Series 2015A Bonds, but neither the failure to print such number on any Series 2015A Bond nor any error in the printing of such number shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2015A Bonds.

The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

MPS has reviewed the information contained herein (including the appendices hereto) which relates to it, its property and the plan of finance, and has approved all such information for use within the Official Statement.

The execution and delivery of this Official Statement have been duly authorized by the Authority and MPS.

This Official Statement is approved:

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

By: /s/ William J. Schwartz
William J. Schwartz
Chairman

By: /s/ David P. Misky
David P. Misky
Assistant Executive Director, Secretary

MILWAUKEE BOARD OF SCHOOL DIRECTORS

By: /s/ Michael Bonds, Ph.D.
Michael Bonds, Ph.D.
President

By: /s/ Darienne B. Driver, Ed.D.
Darienne B. Driver, Ed.D.
Superintendent of Schools

APPENDIX A

**Audited Annual Financial Report of
the Milwaukee Public Schools
for the Year Ended June 30, 2014**

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report for the year ended June 30, 2014, is available from EMMA and is hereby incorporated by reference.

The independent auditor has not been engaged to perform, and has not performed since the date of its report (a portion of which is included herein), any procedures on the financial statements addressed in the report nor on this Official Statement.

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Table of Contents

II. Financial Section

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The June 30, 2014 financial statements of Milwaukee Public Schools have been audited by Baker Tilly Virchow Krause, LLP and they have issued an unqualified opinion dated January 23, 2015.

The complete Comprehensive Annual Financial Report for the year ended June 30, 2014, is available from EMMA and is hereby incorporated by reference.

<Form of the Independent Auditor's Report>

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Milwaukee Public Schools's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Milwaukee Public Schools's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Milwaukee Public Schools's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Milwaukee Public Schools as of June 30, 2014 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note I, the Milwaukee Public Schools adopted the provisions of GASS Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective July 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milwaukee Public Schools's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 23, 2015 on our consideration of the Milwaukee Public Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milwaukee Public Schools's internal control over financial reporting and compliance.

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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, 2014. 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 position of MPS increased to ($149.1 million) at June 30, 2014, from ($155.1 million) at June 30, 2013, an increase of approximately $6.0 million, or 3.9%. This increase in primarily due to receipt of construction fund revenues in advance of upcoming construction project costs plus higher federal meal reimbursement rates.
- Total revenues decreased to $1.161 billion in fiscal year 2014 (FY14), down from $1.166 billion in fiscal year 2013, a decrease of approximately 0 .4% or $5.8 million. The decrease is primarily attributable to fewer grants funding such as Title I.
- Total expenses decreased to $1.155 billion, down from $1.189 billion for the year ended June 30, 2013, a decrease of 2.9% or $34.4 million. The decrease in expenditures is largely attributable to the decrease in Net OPEB liability of approximately $24.5 million.

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

- Total fund balances of the District's governmental funds increased $5.7 million in fiscal year 2014. This increase included a $167,709 decrease in the General Fund, a $3.6 million increase in the Construction Fund, a $2.2 million increase in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The $167,709 decrease in the General Fund balance is the result of a $3.1 million budgeted use of fund balance, a $3.4 million increase in the amount transferred out to debt service, offset by a $2.4 million increase in Medicaid revenues, a $1.7 million increase in open enrollment revenues, and a $2.2 million increase in handicapped aid.
- The increase in the Construction fund balance is the result of Construction fund revenues in advance of upcoming project construction costs.
- The $2,236,811 increase in the School Nutrition fund balance is attributable to $1.3 million of higher federal meal reimbursement rates and $1.0 million in favorable management of wages and benefits.
- Total fund balances for all governmental funds at June 30, 2014 were $97.7 million. Of this amount, $10.3 million was nonspendable, $19.9 million was restricted for self-insurance, debt service, and flex spending, $18.0 million was committed for construction, $2.4 million was assigned, and $47.1 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 Position
  - 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, 2014. 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 position** 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 position. 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 position*, and to provide an explanation of material changes that occurred since the prior year. Net position—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 Statements	Fund Statements: Governmental Funds	Fund Statements: 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 position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balance	- Statement of fiduciary net position - Statement of changes in fiduciary net position
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 position and a statement of changes in fiduciary net position. 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 Position

Total net position increased from the prior year by $6.0 million. This increase is largely the result of Construction fund revenues in advance of upcoming project construction costs.

MPS ended its fiscal year with a net position of ($149.1 million), of which $483.0 million was net investment in capital assets, $9.9 million was restricted for debt service, and ($642.0) million was an unrestricted deficit. The unrestricted deficit is the result of a $530.6 OPEB liability 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, 2014 the balance of the outstanding pension debt grew to $187.1 million due to the pension financing including capital appreciation securities which accrete over time.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

Table 2

Condensed Statement of Net Position

(in thousands)

	Governmental Activities 2014	2013	Difference
Capital assets, net	$ 611,030	$ 625,138	$ (14,108)
Noncapital assets	273,159	305,060	(31,901)
Intangible assets	15,457	12,551	2,906
Total assets	899,646	942,749	(43,103)
Current liabilities and deferred inflows of resources	143,057	175,963	(32,906)
Noncurrent liabilities and deferred inflows of resources	905,647	921,846	(16,199)
Total liabilities	1,048,704	1,097,809	(49,105)
Net position:			
Net investment in capital assets	483,025	490,235	(7,210)
Restricted	9,915	6,867	3,048
Unrestricted (deficit)	(641,998)	(652,162)	10,164
Total net position	$ (149,058)	$ (155,060)	$ 6,002

Capital Assets decreased by $14.1 million. The decrease is the net result of Construction in Progress increasing by $0.6 million, Buildings, Leasehold Improvements, and Furniture increasing by $7.5 million, and Accumulated Depreciation increasing by $22.2 million.

Notable changes in Noncapital Assets occurred in the area of Due from other governments. The decrease in Due from other governments is primarily due to a new budget approval process by the State for claims resulting in delayed claim submission in fiscal year 2013.

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 position. For the reporting period, all the District's derivatives met the effectiveness test. The current asset component of the decrease in fair value is $1.9 million and the noncurrent asset component is $42.7 million.

Current liabilities decreased $32.9 million in the current year. This was due to a decrease of $11.8 million in Accounts Payable and Other Current Liabilities, a decrease in accrued interest of $0.3 million, a decrease in Derivative instruments liability of $21.4 million, an increase in the Current Portion of Long-Term Obligations of $3.6 million, and a decrease in Unearned Revenue of $3 million. The decrease in

Accounts Payable and Other Current Liabilities was caused by a decrease in accounts payable of $6 million, an increase in accrued salaries and wages of $6.7 million, a decrease in accrued claims for self-insurance of $11.1 million. The decrease of $3 million in Unearned Revenue is attributable to fewer collections of Microsoft refunds. The increase in Current Portion of Long-Term Obligations of $3.6 million is due to a $5.7 million increase in compensated absence, an increase of $1 million pension and a $3.4 million decrease in bond sinking fund contributions.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2014 with an increase in net position of $6.0 million, compared to a decrease of $22.6 million in fiscal year 2013.

Table 3

Schedule of Revenues and Expenses

(in thousands)

	Governmental Activities 2014	Governmental Activities 2013	Governmental Activities Difference
Program revenues:			
Charges for services	$ 17,279	$ 14,089	$ 3,190
Operating grants and contributions	277,833	288,740	(10,907)
Capital grants and contributions	3,546	6,491	(2,945)
Total program revenues	298,658	309,320	(10,662)
General revenues:			
Property taxes	299,450	300,605	(1,155)
Other taxes	54	33	21
Federal and state aid	559,342	553,527	5,815
Interest and investment earnings	2,542	255	2,287
Gain on sale of captial assets	111	114	(3)
Miscellaneous	498	2,625	(2,127)
Total general revenues	861,997	857,159	4,838
Total revenues	1,160,655	1,166,479	(5,824)
Expenses:			
Instruction	666,593	714,036	(47,443)
Community services	27,612	30,537	(2,925)
Pupil and staff services	127,674	130,190	(2,516)
General administration	101,276	103,503	(2,227)
Business services	167,753	149,452	18,301
School nutrition	43,657	44,946	(1,289)
Interest on long-term debt	20,088	16,148	3,940
Loss on sale of buildings	0	260	(260)
Total expenses	1,154,653	1,189,072	(34,419)
Increase (decrease) in net position	$ 6,002	(22,593)	28,595

Total revenues decreased $5.8 million or 0.5% over the prior year. The greatest changes came in the areas of Program-Operating grants and contributions and General-Federal and State Aid. Operating grants and contributions declined due to less Title I funding of approximately $14 million and offset by an increase in school nutrition due to higher federal meal reimbursement. Federal and State Aid increased by $5.8 million due to increase in equalization aid.

Total expenses decreased by $34.4 million, or 2.9%. This decrease in instruction expense is primarily attributable to a decrease in the district's Net OPEB liability, a decrease in special education cost and an increase in compensated absences due to fewer retirees in fiscal year 2014.

Capital Assets

Table 4 shows that at June 30, 2014, MPS had $1.183 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of $14.5 million from the previous year. The primary driver of this increase is the Buildings and Software, which rose $7.3 million and $6.2 million respectively.

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

Table 4

Change in Capital and Intangible Assets
(in thousands)

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital and intangible assets:				
Land	$ 31,495	$ —	$ —	$ 31,495
Construction in progress	4,728	7,901	7,290	5,339
Buildings	1,021,413	7,290	—	1,028,703
Leasehold improvements	12,219	—	—	12,219
Furniture and equipment	51,590	496	237	51,849
Software	47,092	9,873	3,579	53,386
Total capital and intangible assets	1,168,537	25,560	11,106	1,182,991
Accumulated depreciation and amortization	(530,848)	(25,882)	(226)	(556,504)
Total Capital and intangible assets, net	$ 637,689	$ (322)	$ 10,880	$ 626,487

Long-term Debt

Long-term debt at June 30, 2014 was $337.3 million with debt retirements totaling $5.9 million.

Table 5

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

	July 1, 2013	Issuances	Retirements	June 30, 2014
Governmental activities:				
Americans with Disabilities Act loans	$ 8,953	$ —	$ 771	$ 8,182
Neighborhood School Initiative bonds	86,869	—	4,999	81,870
Qualified School Construction Bonds	48,962	—	(28)	48,990
Qualified Zone Academy bonds	2,770	—	715	2,055
Pension refinancing debt	185,569	—	(1,541)	187,110
Capital leases	4,950	—	575	4,375
Other intergovernmental debt	5,085	—	378	4,707
Total debt	$ 343,158	$ —	$ 5,869	$ 337,289

The Neighborhood School Initiative (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. On May 6, 2013, the District, through RACM, issued $45,570,000 of Refunding Revenue Bonds for a current refunding of Series 2002 and Series 2003 bonds callable on August 1, 2013. This resulted in a $6.4 million gain for the district over the life of the refunded debt. Approximately $5.0 million of NSI debt was retired in fiscal year 2014.

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 $714,745 in fiscal year 2014.

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 2014 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 outstanding capital leases that funded major modifications to three school facilities. The three include the Congress School, Craig Montessori School, and Fratney Street School. The financing vehicle for the capital leases was lease revenue bonds Series 2005A issued through the Redevelopment Authority of the City of Milwaukee (RACM) with a maturity in 2026. On May 15, 2013, the District, through the city of Milwaukee, issued $4,095,000 of GO Series 2013 N2 B3 bonds for a current refunding of a portion of the RACM Series 2005A bonds. This resulted in a gain to the District of $563,076 net present value over the life of the refunded debt. The amount outstanding at year end 2014 was $4.4 million, down $575,000 from the previous year**.**

Additional information is provided in Table 5 on the 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 $167,709 over the prior year-end. The decrease in the General fund balance is the result of a $3.1 million budgeted use of fund balance, a $3.4 million increase in the amount transferred out to debt service, offset by a $2.4 million increase in Medicaid revenues, a $1.7 million increase in open enrollment revenues, and a $2.2 million increase in handicapped aid.
- The increase in the Construction fund balance is result of Construction fund revenues in advance of upcoming project construction costs.
- The $2,236,811 increase in the School Nutrition fund balance is attributable to $1.3 million of higher federal meal reimbursement rates and $1.0 million in favorable management of wages and benefits.

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 2013, the MPS Board of School Directors (the Board) adopted the District's fiscal 2014 budget (July 1, 2013 – June 30, 2014). The adopted budget by necessity used a *projection* of the fiscal 2014 student enrollment. In October 2013, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2013, 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 2013, the Board approved a revised fiscal year 2014 (FY14) General Fund expenditure budget in the amount of $1,093,562,781. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY14 were over 97% of the FY14 revised General Fund budget.

Current Economic Facts and Next Year's Budget

In October 2014, the MPS Board approved a revised FY15 General Fund budget of $1,120,276,771. The FY15 budget includes prior year encumbrances and carryover appropriation authority and is up 2.4% from the FY14 General Fund Budget. The increase is due to State funding, and an expanded School Nutrition program.

The state-imposed revenue limit for FY15 increased to $823,962,479, a 0.8% increase above FY14. The $6,771,782 increase is due to:

- A $75 increase in the per pupil amount;
- An increase in the transfer of service exemption

State general aids, primarily equalization aid, increased 1.8% to $610,996,550. Equalization aid is based on the following: (1) expenditures and enrollment of the prior year, (2) District property values, which the State considers to be a measure of community wealth. The MPS increase in aid was offset by an increase in the levy required for Milwaukee Parental Choice Program (MPCP).

The MPS FY15 Amended Adopted Budget totals $1,170,412,143. This is 1.6% less than the FY14 Final Adopted Budget of $1,188,912,364.

- Categorical grant revenue is projected to decrease by $14.3 million from the FY14 budget. This is as a result of continuing reductions in Federal grants.
- While State revenues increased by $10.8 million in FY15, the District's overall budget is also down due to budgeted borrowing for construction in FY14 which is not repeated in FY15.

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

District enrollment was estimated to decline 1.0% in FY14 but actually remained virtually the same at 87,019. Non-instrumentality charter school enrollment increased and MPS traditional school enrollment decreased for almost no net change.

The FY15 budget moves the district ahead in a spirit of collaboration and remains committed to the children of Milwaukee by consistently placing their academic needs first. The budget has been strategically crafted to arrange key resources to continue supporting academic achievement for all students assuring they have the necessary skills to realize positive futures. The budget includes:

- A standard of care for every school in the area of art, music or physical education. Every traditional MPS school in FY15 will have a school librarian, art, music and physical education teacher in their school at least one day per week.
- Continuation of the centralization process that began in FY12. The costs for most school office staff and school librarians will continue to enable all schools to spend the same amount on educating children.
- Continued growth of college and career readiness programs.

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 Position (Deficit)

As of June 30, 2014

		Governmental Activities
Assets		
Currents:		
Assets:		
Cash and investments (note 2)	$	112,460,777
Accounts receivable, net (note 3)		23,252,751
Due from other governments (note 3)		48,306,700
Inventory (note 1(g))		973,880
Prepaid items (note 1(g))		5,908,136
Total current assets		190,902,244
Deferred outflows of resources:		
Deferred charge on refunding		830,133
Deferred cash flow hedges-unrealized loss on derivatives (note 7)		1,902,323
Total deferred outflow of resources		2,732,456
Noncurrent assets:		
Restricted cash and investments (note 1(d))		14,317,164
Deposits for self-insurance (note 1(l))		5,550,712
Capital assets not being depreciated (note 5)		36,833,178
Capital assets being depreciated, net (note 5)		574,197,008
Intangible assets, net (note 5A)		15,457,065
Net Pension assets (note 10)		12,715,210
Bond Sinking Fund (note 7)		4,275,000
Total noncurrent assets		663,345,337
Deferred outflows of resources:		
Deferred cash flow hedges-unrealized loss on derivatives (note 7)		42,665,878
Total assets and deferred outflows of resources		899,645,915
Liabilities		
Current liabilities:		
Accounts payable and other current liabilities		100,791,980
Accrued interest payable on long-term liabilities		4,138,660
Current portion of long-term obligations (note 7)		24,841,180
Total current liabilities		129,771,820
Deferred inflows of resources:		
Unearned revenue (note 1(o))		11,383,120
Derivative instruments liability (note 7)		1,902,323
Total deferred inflows of resources		13,285,443
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		862,980,650
Deferred inflows of resources:		
Derivative instruments liability (note 7)		42,665,878
Total liabilities and deferred inflows of resources		1,048,703,791
Net Position		
Net investment in capital assets		483,025,586
Restricted for debt service		9,914,758
Unrestricted (Deficit)		(641,998,220)
Total net position (deficit)	$	(149,057,876)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2014

			Program revenues			
Functions/programs		**Expenses**	**Charges for services**	**Operating grants and contributions**	**Capital grants and contributions**	**Net (expenses) revenues and changes in net position**
Governmental activities:						
Instruction	$	666,593,314	7,347,485	202,656,277	3,546,175	(453,043,377)
Support services:						
Community services		27,612,053	1,904,323	5,865,138	—	(19,842,592)
Pupil and staff services		127,673,917	—	20,743,806	—	(106,930,111)
General, administration, and central services		101,276,207	—	—	—	(101,276,207)
Business services		167,752,510	4,899,266	6,747,421	—	(156,105,823)
School nutrition services		43,656,550	3,127,925	41,820,458	—	1,291,833
Interest on long-term debt		20,088,560	—	—	—	(20,088,560)
Total support services		488,059,797	9,931,514	75,176,823	—	(402,951,460)
Total school district	$	1,154,653,111	17,278,999	277,833,100	3,546,175	(855,994,837)

General revenues:		
Taxes:		
Property taxes levied for general purposes		270,306,782
Property taxes levied for construction		9,600,000
Property taxes levied for debt service		2,477,582
Property taxes levied for community services		17,065,871
Other taxes		53,662
Federal and state aid not restricted to a specific purpose:		
General (equalization aid)		500,659,964
Other		58,682,525
Miscellaneous		497,674
Interest and investment earnings		2,541,815
Gain on sale of capital assets		111,363
Total general revenues		861,997,238
Change in net position		6,002,401
Net position—Beginning of Year (deficit)		(155,060,277)
Net position—Ending of Year (deficit)	$	(149,057,876)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

As of June 30, 2014

Assets		General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	$	86,377,989	26,082,788	—	—	112,460,777
Receivables, net:						
Accounts (note 3)		20,624,764	2,627,987	—	—	23,252,751
Due from other governmental units (note 3)		40,507,158	—	2,159,469	5,640,073	48,306,700
Due from other funds (note 4)		15,862,018	—	—	—	15,862,018
Total receivables		76,993,940	2,627,987	2,159,469	5,640,073	87,421,469
Restricted cash and investments (note 1(d))		10,659,181	3,657,983	—	—	14,317,164
Inventories (note 1(g))		973,880	—	—	—	973,880
Prepaid items (note 1(g))		5,908,136	—	—	—	5,908,136
Deposits for self-insurance (note 1(l))		5,550,712	—	—	—	5,550,712
Total assets	$	186,463,838	32,368,758	2,159,469	5,640,073	226,632,138
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	$	58,418,281	1,295,120	1,242,109	75,676	61,031,186
Accrued salaries and wages		9,142,669	—	—	—	9,142,669
Accrued claims for self-insurance (note 9)		26,924,565	—	—	—	26,924,565
Accrued pension payable (note 10)		3,609,267	—	—	—	3,609,267
Other accrued expenditures		84,293	—	—	—	84,293
Due to other funds (note 4)		—	6,643,338	3,654,283	5,564,397	15,862,018
Total liabilities		98,179,075	7,938,458	4,896,392	5,640,073	116,653,998
Deferred inflow of resources (note 1(o))		9,492,083	2,770,000	—	—	12,262,083
Fund balances (deficits):						
Non-Spendable						
Noncurrent Receivable		671,498	—	—	—	671,498
Inventories		973,880	—	—	—	973,880
Prepaid items		5,908,136	—	—	—	5,908,136
Noncurrent Advances		2,736,923	—	—	—	2,736,923
Restricted:						
Self-insurance deposits		5,550,712	—	—	—	5,550,712
Debt service		10,395,435	3,657,983	—	—	14,053,418
Flex Spending		263,746	—	—	—	263,746
Committed:						
Construction		—	18,002,317	—	—	18,002,317
Assigned for 2015 budget appropriation		2,421,323	—	—	—	2,421,323
Unassigned		49,871,027	—	(2,736,923)	—	47,134,104
Total fund balances (deficits)		78,792,680	21,660,300	(2,736,923)	—	97,716,057
Total liabilities, deferred inflows and fund balances	$	186,463,838	32,368,758	2,159,469	5,640,073	226,632,138

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

As of June 30, 2014

Total fund balances—governmental funds			$	97,716,057
Amounts reported for governmental activities in the statement of net position are different because:				
Refunding of Debt costs are capitalized at the government-wide level and amortized over the shorter of the remaining life of the old debt or life of the new debt				830,133
Bond sinking cost reported as an asset at the government-wide level and reported as an expenditure for government funds				4,275,000
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:				
Cost of capital assets	$	1,129,605,632		
Accumulated depreciation		(518,575,446)		
Net capital assets				611,030,186
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:				
Cost of intangible assets	$	53,385,717		
Accumulated depreciation		(37,928,652)		
Net capital assets				15,457,065
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds				12,715,210
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 unearned in the funds				878,963
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		(416,876,718)		
Bonds premium and discounts		(5,778,138)		
Discount on capital appreciation bonds		89,740,143		
Capital leases payable		(4,375,000)		
Accrued bond interest payable		(4,138,660)		
Compensated absences payable (vacation and sick leave)		(9,575,680)		
OPEB liability		(530,646,534)		
Workers' compensation claims payable		(7,576,956)		
Self-insurance claims payable		(455,534)		
Life insurance benefits and other long-term liabilities		(2,277,413)		
Total long-term debt liabilities				(891,960,490)
Total net position—government activities (deficit)			$	(149,057,876)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)—Governmental Funds

For the Year Ended June 30, 2014

		General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:						
Property tax levy	$	287,372,653	9,600,000	—	2,477,582	299,450,235
Other taxes		79,171	—	—	—	79,171
Lunchroom sales		—	—	3,112,692	—	3,112,692
Other local sources		15,871,751	1,913,604	213,236	—	17,998,591
Microsoft Settlement Refunds		1,557,605	—	—	—	1,557,605
State aid:						
Equalization aid		500,659,964	—	—	—	500,659,964
Special classes		53,565,720	—	—	—	53,565,720
Integration		33,522,834	—	—	—	33,522,834
Other state aid		51,928,558	1,703	882,887	—	52,813,148
Federal aid:						
Education Consolidation Improvement Act		89,387,237	—	—	—	89,387,237
School nutrition services		—	—	40,115,810	—	40,115,810
Other federal aid		48,292,464	—	625,530	20,207,699	69,125,693
Miscellaneous		506,273	60,812	—	—	567,085
Interest and investment earnings		2,433,869	107,946	—	—	2,541,815
Total revenues		1,085,178,099	11,684,065	44,950,155	22,685,281	1,164,497,600
Expenditures:						
Current:						
Instructional services:						
Undifferentiated curriculum		350,611,296	—	—	—	350,611,296
Regular and other curriculum		140,829,291	—	—	—	140,829,291
Special curriculum		162,317,985	—	—	4,839,232	167,157,217
Total instructional services		653,758,572	—	—	4,839,232	658,597,804
Community services		26,962,332	—	—	—	26,962,332
Pupil and staff services		110,843,729	—	—	15,368,467	126,212,196
General and school building administration		99,204,832	—	—	—	99,204,832
Business services		160,757,139	2,826,151	—	—	163,583,290
School nutrition services		—	—	42,699,913	—	42,699,913
Capital Outlay		9,345,079	5,332,439	13,431	—	14,690,949
Debt Service:						
Principal		575,000	—	—	12,380,845	12,955,845
Interest		208,662	—	—	13,754,906	13,963,568
Bond administrative fees		—	—	—	36,434	36,434
Total expenditures		1,061,655,345	8,158,590	42,713,344	46,379,884	1,158,907,163
Excess of revenues over (under) expenditures		23,522,754	3,525,475	2,236,811	(23,694,603)	5,590,437
Other financing sources (uses):						
Proceeds from sale of capital assets		4,140	118,398	—	—	122,538
Transfers In (Out)		(23,694,603)	—	—	23,694,603	—
Total other financing sources (uses), net		(23,690,463)	118,398	—	23,694,603	122,538
Net change in fund balances		(167,709)	3,643,873	2,236,811	—	5,712,975
Fund balances (deficit):						
Beginning of year		78,960,389	18,016,427	(4,973,734)	—	92,003,082
End of year	$	78,792,680	21,660,300	(2,736,923)	—	97,716,057

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

For the Year Ended June 30, 2014

Net change in fund balances—total governmental funds		$ 5,712,975
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	$ 14,690,949	
Some items reported as capital outlay were not capitalized		
Depreciation and amortization expense reported in the statement of activities	(25,881,827)	
Amount by which capital outlays are less than depreciation and amortization in the current period		(11,190,878)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position		(11,175)
Bond issuance costs are recognized as an expense in the period incurred, per GASB 65		(2,788,658)
Bond sinking cost reported as asset at the government-wide level and reported as an expenditure for government funds		4,275,000
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		(3,953,451)
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.		(995,738)
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 position, 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 position.		
Repayments:		
Bonds and notes		8,680,845
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	(382,217)	
Accretion of interest on capital appreciation bonds	(3,440,807)	
Amortization of bond premium, discount and refunding deferred	523,123	
Net increase in compensated absences payable (vacation and sick pay)	698,777	
Net increase in workers' compensation claims payable	79,262	
Net decrease in OPEB liability	8,557,163	
Net increase in general insurance claims payable	65,490	
Net decrease in life insurance benefits payable	172,690	
Net adjustment		6,273,481
Change in net position of governmental activities		$ 6,002,401

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2014

Assets		Pension and Other Post Employment Benefits trusts	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	$	—	—	4,936,465
Investments (note 2)		—	2,722,940	—
Money market accounts		37,606,883	—	—
Treasury and agency securities		17,246,119	—	—
Mortgage-backed securities		74	—	—
Nongovernment obligations		26,997,723	—	—
Municipal bonds		2,394,320	—	—
Investment in the State of Wisconsin		193,930,971	—	—
Receivables-interest and contributions		33,555,881	—	—
Total assets		311,731,971	2,722,940	4,936,465
Liabilities				
Accounts payable and accrued expenses		12,946,167	—	—
Due to student organizations		—	—	4,936,465
Total liabilities		12,946,167	—	4,936,465
Net Position				
Held in trust for:				
Supplemental benefits		298,785,804	—	—
Endowments		—	2,722,940	—
Total net position	$	298,785,804	2,722,940	—

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2014

		Pension and Other Post Employment Benefits trusts	Private purpose trust
Additions:			
Employer contributions	$	113,566,991	—
Participants contributions		7,489,342	—
Private donations		—	256,005
Interest income		—	2,378
Investment income (loss):			
Net investment (loss) from the State of Wisconsin:			
Core Retirement Investment Trust Fund		23,998,383	—
Variable Retirement Trust Fund		4,808,326	—
Net investment income from other investments		1,424,427	—
Total investment income (loss):		30,231,136	—
Investment expenses		(19,485)	—
Net investment income/(loss)		30,211,651	—
Total additions		151,267,984	258,383
Deductions:			
Benefits paid to participant's or beneficiaries	$	95,144,197	—
Distribution of participant contribution accounts		87,514	—
Administrative expenses		353,310	—
Scholarships and awards		—	354,509
Total deductions		95,585,021	354,509
Changes in net position		55,682,963	(96,126)
Net position—beginning of year		243,102,841	2,819,066
Net position—end of year		298,785,804	2,722,940

See accompanying notes to 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 the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit 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 or its component units, is entitled to, or has the ability to 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 primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government. This report does not contain any component units.

(b) Basis of Presentation

Government-wide Statements—The statement of net position 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 Fund: 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. 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 position 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 position.

(e) Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible accounts is reported at year-end for $413,225.

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 Position.

(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

(j) Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

The accumulated decrease in fair value of hedging derivatives represents the change in value of derivative instruments that are deemed to be effective hedge.

Gain/Loss on Refundings of Debt

In the government-wide financial statements, gains and losses from refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide statements.

(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.

(1) Insurance Deposits

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a restriction of fund balance aggregating $5,550,712 at June 30, 2014 to provide for payment of future claims.

(m) Bond Premiums and Discounts

In the government-wide financial statements, bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

(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.

(o) Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

(p) Net Position

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

Net Investment in capital assets—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 position 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 position that do not meet the definition of "restricted" or "net investment in capital assets."

(q) Fund Balance

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

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

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

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

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

(r) 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

(s) New Accounting Pronouncements

In March 2012, the GASB issued statement No. 65 **-** *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective July 1, 2013.

In July 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures.* This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and RSI. Milwaukee Public Schools will implement this Statement beginning with the fiscal year ending June 30, 2015.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	$ 107,565,401	$ 118,475,738
Demand deposits	9,818,527	18,373,890
Repurchase Agreement	3,000,000	13,451,452
Money market funds	45,277,374	38,216,023
Non-Government Obligations	20,438,599	20,438,599
U.S. Treasury Notes and Agencies	17,246,119	17,246,119
State and Municipal Notes	2,394,320	2,394,320
Total Cash and Investments	$ 205,740,340	$ 228,596,141

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 112,460,777
Restricted cash and investments	14,317,164
Per statement of net position – Fiduciary Funds	
Private purpose trust	2,722,940
Other post employment benefits trust	71,302,994
Agency	4,936,465
Total Cash and Investments	$ 205,740,340

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 and 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, non-government obligations, U.S. Treasury Notes and Agencies and State and Municipal notes. The overnight repurchase agreements have underlying securities of U.S. Treasury, Government or agency instruments with an implied AAA (Standard & Poor's) credit rating. The U.S. Treasury Notes and Agencies of $17,246,119 are AA+ rated (Standard & Poor's) and AAA rated (Fitch). State and Municipal of $2,394,320 are rated AA+ to A+ (Standard and Poor's). The non-government obligations of $20,438,599 range from triple-A rated to BBB.

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

As of June 30, 2014 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	$ 13,451,452	$ 13,451,452	-	-	-
U.S. Treasury Notes		-			
and Agencies	17,246,119	-	14,350,271	1,040,733	1,855,115
State and Municipal	2,394,320	-	2,394,320	-	-
Non-Government obligations	20,438,599	-	12,965,036	7,016,374	457,189
	$ 53,530,490	13,451,452	29,709,627	8,057,107	2,312,304

Custodial credit risk for *deposits and investments* 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 $31,825,342 of which $13,451,452 was invested in overnight repurchase agreements. Of the $31,825,342 bank balance, $12,674,373 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $19,150,969 was uninsured, with the bank posting securities at 102% of the value of the repurchase agreements. However, the posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized.

Therefore, $5,699,518 is uninsured and uncollateralized and $13,451,452 is uninsured and collateralized by securities held by a third party not in the District's name.

The money market funds in the amount of $35,216,023 are uninsured or uncollateralized.

The remaining investments of non-government obligations, U.S. Treasury Notes and Agencies, and State and Municipal notes are also uninsured or uncollateralized.

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, 2014.

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

The Trustees of the Plan have adopted a Statement of Investment Policy (the "Policy"). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds ("SWIB funds"), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. For 2014, the SWIB Core Fund strategic targets were 24% to U.S. Stocks, 35% to Fixed Income, 25% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. The strategic target allocations total 105% reflecting the possibility of introducing leverage into the portfolio. For 2014, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Milwaukee Public Schools uses both duration and weighted average maturity as methods of monitoring interest rate risk. SWIB data is expressed in terms of modified 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 summarizes the duration and fair value of the investments at BMO as of June 30, 2014 and the fair value at SWIB as of June 30, 2014.

Investment	Duration (Years)		Fair Value
SWIB Core and Variable Funds	Details on SWIB fixed income investments as of 6/30/14 are included below.	$	48,563,114
Money market accounts (at BMO)	0.1	$	2,355,912
Mutual Funds (at BMO)	3.7	$	1,983,213

SWIB information provided within the accompanying financial statement is as of December 31, 2013. There has been no significant change in the SWIB's Investment strategies, asset allocations and investment pricing methods from December 31, 2013 to June 30, 2014. Based on SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2013 is a fair representation for June 30, 2014.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2013.

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	2.7	$ 43 Million
Commerical Paper	0.1	$ 470 Million
Corporate Bonds and Private Placements	5.4	$ 4,793 Million
Corporate Bonds and Private Placements	N/A	$ 1 Million
Foreign Gov't/Agency Bonds	7.0	$ 4,026 Million
Future Contracts	4.6	$ 3,285 Million
Municipal Bonds	10.2	$ 113 Million
Repurchase Agreements	0.0	$ 1,079 Million
US Government Agencies	1.6	$ 859 Million
US TIPS	7.4	$ 6,218 Million
U.S. Treasury Security	5.0	$ 3,413 Million
Commingled Funds	0.2 to 6.7	$ 9,963 Million

Note: On June 30, 2014, SWIB's Core Fund and Variable Fund had $90.8 billion and $7.3 billion in assets, respectively. As of June 30, 2014, the Plan's assets were invested 79% in the SWIB Core Fund, 14% in the SWIB Variable Fund, and 7% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond 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 on December 31, 2013 and in the separate accounts managed by BMO on June 30, 2014. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2013	BMO 6/30/2014
P-1 or A-1	1%	N/A
UST	N/A**	N/A
AGY	N/A**	N/A
AAA/Aaa	2%	54%
AA/Aa	38%	N/A
A	8%	N/A
BBB/Baa	9%	N/A
BB/Ba	1%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Commingled Trusts & Mutual Funds***	32%	46%
Not-Rated	6%	0%

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

**As of December 31, SWIB's holdings of UST and AGY are included in the "AA" category.

***The weighted average quality of the commingled funds in the SWIB portfolio was AA. The weighted average of the mutual funds in BMO portfolio was A (excluding BMO's money market fund which was rated AAA).

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 sovereign debt is limited to debt of countries in the J.P. Morgan Emerging Market Global Diversified Bond Index and Emerging market corporate debt is limited to issuers in the Barclays US Investment Grade Credit Index. Emerging market debt shall not exceed 10% of the portfolio’s market value. Securities rated “BB+” or lower but no lower than “CCC-/Caa3” may not exceed 5% of the portfolio’s market value.

C. Custodial Credit Risk

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

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling $417.2 million on December 31, 2013, 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 $50.9 million on December 31, 2013, all of which were uncollateralized and uninsured. In total, these deposits represented 0.5% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2013.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of 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 27 tri-party repurchase agreements totaling $1.1 billion on December 31, 2013. 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 1.2% of the combined assets of the SWIB Core and Variable Funds on December 31, 2013.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a fund's investment in a single issuer. SWIB limits concentrations of credit risk by establishing investment guidelines for individual portfolios or groups of portfolios (excluding U.S. Government and Agency Securities) that generally restrict issuer concentrations in any one company to less than 5% and under Rule 144A to less than 20% of the portfolio's market value. For the other separately managed portfolios, the policy guidelines specify that individual securities (excluding U.S. Government and Agency securities) in a separate portfolio should not exceed 7% of the value of that portfolio. None of the securities in these portfolios represented more than 5% of the market value of the Fund.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2013, $24.3 billion of the SWIB Core and Variable Funds' $94.0 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure. The risk definitions noted above are from the Governmental Accounting Standards Board. The data, risk descriptions, and guidelines for the SWIB Funds were provided by SWIB and the data and risk information for the other investment types were provided by BMO.

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Net Investment Position. At June 30, 2014, the Plan's interest in the plan net position of the Core Trust was approximately 0.097% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.046% . 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 December 31, 2013 (in thousands):

	12/31/2013
Future contracts	$ 5,340,445
Foreign exchange forward and spot contracts – sold	4,285,961
Foreign exchange forward and spot contracts – purchased	(4,298,091)
Options – puts	(48,403)
Options - calls	6,706,205

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The Trustees of the Plan have adopted a Statement of Investment Policy (the "Policy"). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds ("SWIB funds"), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. For 2014, the SWIB Core Fund strategic targets were 24% to U.S. Stocks, 35% to Fixed Income, 25% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. For 2014, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Milwaukee Public Schools uses both duration and weighted average maturity as methods of monitoring interest rate risk. SWIB data is expressed in terms of modified 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 summarizes the duration and fair value of the investments at BMO as of June 30, 2014 and at the fair value at SWIB as of June 30, 2014.

Investment	Duration (Years)		Fair Value
SWIB Core and Variable Funds	Details on the SWIB fixed income investments are as of 12-31-13 are included below.	$	145,367,857
Money market accounts (at BMO)	0.1	$	4,027,015
Mutual Funds (at BMO)	3.6	$	4,575,911

SWIB information provided within the accompanying financial statement is as of December 31, 2013. There has been no significant change in SWIB's Investment strategies, asset allocations and Investment pricing methods from December 31, 2013 to June 30, 2014. Based on the SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2013 is a fair representation for June 30, 2014.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2013.

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	2.7	$ 43 Million
Commerical Paper	0.1	$ 470 Million
Corporate Bonds and Private Placements	5.4	$ 4,793 Million
Corporate Bonds and Private Placements	N/A	$ 1 Million
Foreign Gov't/Agency Bonds	7	$ 4,026 Million
Future Contracts	4.6	$ 3,285 Million
Municipal Bonds	10.2	$ 113 Million
Repurchase Agreements	0.0	$ 1,079 Million
US Government Agencies	1.6	$ 859 Million
U.S. TIPS	7.4	$ 6,218 Million
U.S. Treasury Securities	5.0	$ 3,413 Million
Commingled Funds	0.2 to 6.7	$ 9,963 Million

Note: On June 30, 2014, SWIB's Core Fund and Variable Fund had $90.8 billion and $7.3 billion in assets, respectively. As of June 30, 2014, the Plan's assets were invested 85% in the SWIB Core Fund, 10% in the SWIB Variable Fund, and 5% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds as of December 31, 2013 and in the separate accounts managed by BMO on June 30, 2014. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2013	BMO 6/30/2014
P-1 or A-1	1%	N/A
UST	N/A**	N/A
AGY	N/A**	N/A
AAA/Aaa	2%	47%
AA/Aa	38%	N/A
A	8%	N/A
BBB/Baa	9%	N/A
BB/Ba	1%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Commingled Funds & Mutual Funds***	32%	53%
Not-Rated	6%	0%

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

**As of December 31, SWIB's holdings of UST and AGY are included in the "AA" category

***The weighted average quality of the commingled funds in the SWIB portfolio was AA. The weighted average quality of the mutual funds in the BMO portfolio was A (excluding BMO's money market fund which was rated AAA).

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 sovereign debt is limited to debt of countries in the J.P. Morgan Emerging Market Global Diversified Bond Index and Emerging market corporate debt is limited to issuers in the Barclays US Investment Grade Credit Index. Emerging market debt shall not exceed 10% of the portfolio's market value. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.

C. Custodial Credit Risk

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

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

$417.2 million on December 31, 2013, 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 $50.9 million on December 31, 2013, all of which were uncollateralized and uninsured. In total, these deposits represented 0.5% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2013.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counter party 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 27 tri-party repurchase agreements totaling $1.1 billion on December 31, 2013. 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 1.2% of the combined assets of the SWIB Core and Variable Funds on December 31, 2013.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a fund's investment in a single issuer. SWIB limits concentrations of credit risk by establishing investment guidelines for individual portfolios or groups of portfolios (excluding U.S. Government and Agency Securities) that generally restrict issuer concentrations in any one company to less than 5% and under Rule 144A to less than 20% of the portfolio's market value. For the other separately managed portfolios, the policy guidelines specify that individual securities (excluding U.S. Government and Agency securities) in a separate portfolio should not exceed 7% of the value of that portfolio. None of the securities in these portfolios represented more than 5% of the market value of the Fund.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2013, $24.3 billion of the SWIB Core and Variable Funds' $94.0 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure.

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

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the

Statement of Net Investment Position. At June 30, 2014, the Plan's interest in the plan net position of the Core Trust was approximately 0.144% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.201%. 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 December 31, 2013 (in thousands):

	12/31/2013
Future contracts	$ 5,340,445
Foreign exchange forward and spot contracts – sold	4,285,961
Foreign exchange forward and spot contracts – purchased	(4,298,091)
Options – puts	(48,402)
Options - calls	6,706,205

(3) Receivables

Receivables as of June 30, 2014 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	$	21,037,989	2,627,987	—	—	23,665,976
Intergovernmental-federal		24,489,040	—	2,109,961	5,640,073	32,239,074
Intergovernmental-state		16,018,118	—	—	—	16,018,118
Intergovernmental-other		—	—	49,508	—	49,508
Gross receivables		61,545,147	2,627,987	2,159,469	5,640,073	71,972,676
Less allowance for uncollectibles		(413,225)	—	—	—	(413,225)
Total receivables, net	$	61,131,922	2,627,987	2,159,469	5,640,073	71,559,451

The District expects to collect all receivables within one year except for $671,498.

Accounts Receivable includes $6.3 million from the settlement of a class action lawsuit with Microsoft Corporation as of June 30, 2014. All Microsoft vouchers will be reallocated to participating agencies at a reduced amount, which is unknown as of June 30, 2014. Of the receivable amount $5,811,316 is expected not to be collected within one year.

Accounts Receivable includes $2.6 million from a Land Contract property sale. On February 1, 2013, the City of Milwaukee (for the benefit of MPS) entered into a Land Contract to sell the property located at 4601 N. 84th Street to Hmong American Peace Academy, Ltd. (HAPA), an MPS-Non-Instrumentality Charter School.

The purchase price of the property is $2,770,000, with $11,000 paid at the execution of the contract. The balance of $2,759,000, with an interest rate of 3% per annum, will be paid in monthly installments of $15,301.35 beginning March 1, 2013 and maturing February 28, 2033. Title to the property is not transferred until the purchase price with interest is fully paid and all conditions fully performed.

Remaining payments due as of June 30, 2014 are as follows:

		Principal	Interest	Total
Fiscal years:				
2015	$	106,412	77,204	183,616
2016		109,648	73,968	183,616
2017		112,983	70,633	183,616
2018		116,420	67,196	183,616
2019		119,961	63,655	183,616
2020 – 2024		656,807	261,274	918,081
2025 - 2029		762,958	155,123	918,081
2030 - 2033		636,799	36,461	673,259
Totals	$	2,621,988	805,514	3,427,502

(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, 2014 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	$	6,643,338	—	6,643,338	—
Nutrition fund		3,654,283	—	3,654,283	2,736,923
Nonmajor funds		5,564,397	—	5,564,397	—
Total	$	15,862,018	—	15,862,018	2,736,923

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, 2014 represent transfer in/out balances among all funds:

Fund Transferred To	Fund Transferred From	Amount	Reason
Debt Service Fund	General Fund	23,694,603	To fund current year debt service

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

		Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:					
Capital assets, not being depreciated:					
Land	$	31,494,591	—	—	31,494,591
Construction in progress		4,728,438	7,900,526	7,290,377	5,338,587
Total capital assets, not being depreciated		36,223,029	7,900,526	7,290,377	36,833,178
Capital assets, being depreciated:					
Buildings		1,021,413,653	7,290,377	—	1,028,704,030
Leasehold improvements		12,219,204	—	—	12,219,204
Furniture and equipment		51,589,664	496,489	236,933	51,849,220
Total capital assets, being depreciated		1,085,222,521	7,786,866	236,933	1,092,772,454
Less accumulated depreciation for:					
Buildings		(446,457,257)	(20,574,080)	—	(467,031,337)
Leasehold improvements		(3,735,068)	(540,942)	—	(4,276,010)
Furniture and equipment		(46,114,909)	(1,378,948)	(225,758)	(47,268,099)
Total accumulated depreciation		(496,307,234)	(22,493,970)	(225,758)	(518,575,446)
Total capital assets, being depreciated		588,915,287	(14,707,104)	11,175	574,197,008
Capital assets, net	$	625,138,316	(6,806,578)	7,301,552	611,030,186

Depreciation expense for governmental activities for the year ended June 30, 2014 was charged to functions/programs as follows:

Instruction	$	13,428,349
Community services		533,789
Pupil and staff services		2,468,160
General, administration and central services		1,958,754
Business services		3,260,888
School nutrition		844,030
Total depreciation	$	22,493,970

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	$ 980,268	6,293,934	3,579,149	3,695,053
Total intangible assets, not being amortized	980,268	6,293,934	3,579,149	3,695,053
Intangible assets, being amortized:				
Software	$ 46,111,515	3,579,149	—	49,690,664
Total intangible assets, being amortized	46,111,515	3,579,149	—	49,690,664
Less accumulated amortization for:				
Software	(34,540,795)	(3,387,857)	—	(37,928,652)
Total accumulated amortized	(34,540,795)	(3,387,857)	—	(37,928,652)
Total intangible assets being amortized	11,570,720	191,292	—	11,762,012
Intangible assets, net	$ 12,550,988	6,485,226	3,579,149	15,457,065

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Amortization expense for governmental activities for the year ended June 30, 2014 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	2,022,468
Community services		80,395
Pupil and staff services		371,734
General, administration and central services		295,011
Business services		491,128
School nutrition		127,121
Total amortization	$	3,387,857

(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 12, 2013, maturing December 27, 2013 and $50,000,000 of commercial paper on October 10, 2013, maturing December 9, 2013. $130,000,000 of Revenue Anticipation Notes (RANs), Series 2013 M7, were issued October 24, 2013, maturing June 30, 2014. Interest was payable at maturity. The debt was repaid from the District's equalization aid allocations received from the state government prior to June 30, 2014.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2014 totaled $369,701,230. Of this total, $32,411,517 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 $337,289,713 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. Additionally, the District deposited a total of $4,275,000 of principal payments into a Bond Sinking Fund to make Qualified School Construction Bond principal payments at maturity.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Sinking Fund Contribution	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee:							
American with Disabilities Act loans:							
2002A Refund (Trust Loans & C5, O, R & T)	$ 5,395,000	1,038,666	—	153,304	885,362	—	339,558
4.0 – 5.0%, due in annual installments to February 2015	335,000	67,000	—	—	67,000	—	67,000
4.0 – 5.0%, due in annual installments to February 2014	670,000	67,000	—	67,000	—	—	—
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,410,318	—	236,844	4,173,474	—	63,743
2.5 – 3.0%, due in annual installments to Februrary 2019	2,700,000	1,620,000	—	270,000	1,350,000	—	270,000
5.0%, due in installments to Februrary 2024	1,350,000	1,350,000	—	—	1,350,000	—	—
5.25%, due August 15th, 2014 to Februrary 2027	443,810	399,858	—	43,952	355,906	—	—
General Obligation Bonds:							—
1.5 – 3.0%, due in May 2014	11,020,000	290,000	—	290,000	—	—	—
5.25%, due August 15th, 2014 to Februrary 2027	4,095,000	4,095,000	—	—	4,095,000	—	515,000
Plus: Premium on Issuance	787,801	700,268	—	87,533	612,735		—
Qualified School Construction Bonds:							
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	1,825,000	—
Less: Discount on issuance	(450,000)	(337,500)	—	(28,125)	(309,375)		—
5.25%, due August 15th, 2014 to Februrary 2027	37,300,000	37,300,000	—	—	37,300,000	2,450,000	—
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	80,825,000	—	4,430,000	76,395,000	—	5,130,000
Plus: Premium on issuance	1,357,121	157,408	—	38,801	118,607	—	—
Less: Discount on 2007A issuance	(338,503)	(188,884)	—	(21,360)	(167,524)	—	—
Plus: Premium on 2013A issuance	—	6,075,799	—	552,104	5,523,695	—	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	2,769,721	—	714,745	2,054,976	—	636,588
Pension debt refinancing:							
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	37,375,000	—	1,900,000	35,475,000	—	2,940,000
Less: Discount	(25,232,986)	(11,170,930)	—	(1,600,246)	(9,570,684)	—	—
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)	(82,010,020)	—	(1,840,561)	(80,169,459)	—	—
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 lease—CCF	12,415,000	4,950,000	—	575,000	4,375,000	—	—
Total intergovernmental cooperation agreement debt		$ 343,158,704	—	5,868,991	337,289,713	4,275,000	9,961,889

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Sinking Fund Contribution	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	$ 343,158,704	—	5,868,991	337,289,713	4,275,000	9,961,889
Accrued compensated absences	10,274,457	10,968,316	11,667,093	9,575,680	—	9,500,000
Accrued OPEB Obligation	539,203,697	93,541,008	102,098,171	530,646,534	—	—
Workers' compensation claims	7,656,218	4,875,209	4,954,471	7,576,956	—	5,000,000
General insurance claims	521,024	369,214	434,704	455,534	—	4,500
Life insurance benefits	2,165,052	—	172,690	1,992,362	—	374,791
Liability for other long-term benefits	285,051	—	—	285,051	—	—
Total long-term obligations	$ 903,264,203	109,753,747	125,196,120	887,821,830	4,275,000	24,841,180

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

The District has recognized workers' compensation claims liability in the governmental funds of approximately $1,031,150 as of June 30, 2014. Accordingly, the total liability for workers' compensation claims was approximately $8.6 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2014 are as follows:

	Principal	Interest	Total
Fiscal year ended June 30:			
2015	$ 13,336,889	13,227,838	26,564,727
2016	13,345,420	12,978,167	26,323,587
2017	15,219,062	12,662,431	27,881,493
2018	15,087,432	12,287,202	27,374,634
2019	16,623,048	11,860,391	28,483,439
2020 – 2024	92,589,866	52,576,067	145,165,933
2025 – 2029	52,865,000	37,292,281	90,157,281
2030 – 2034	62,140,000	22,365,200	84,505,200
2035 – 2039	85,420,001	13,609,393	99,029,394
2040 – 2044	45,975,000	4,735,308	50,710,308
Total	$ 412,601,718	193,594,278	606,195,996

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 0.15520% as of June 30, 2014.

The District leases land and buildings with a historical cost and accumulated depreciation of $12,415,000 and $2,793,375.

Future minimum lease payments under these capital leases at June 30, 2014 are as follows:

Fiscal year ended June 30:		
2015	$	197,162
2016		197,162
2017		197,162
2018		197,162
2019		197,162
2020 – 2024		3,345,350
2025 – 2026		1,926,991
Total minimum lease payments		6,258,151
Less amount representing interest		1,883,151
Present value of minimum lease payments	$	4,375,000

The maximum allowable amount of City debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City (Wisconsin State Statute Chapter 67.03). Wisconsin State Statute Chapter 119.49 further authorizes referendum-approved bonding in an additional amount equivalent to 2% of the equalized taxable property for school capital purposes. The total equalized taxable property in the City for calendar year 2014 was $26,125,474,600 and the 5% debt limit was $1,306,273,730. No referendum-approved debt is outstanding at June 30, 2014.

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, 2014 is $95,067,673. Principal and interest paid for the year ended June 30, 2014 was $8,105,067 while the Intradistrict Aid revenues were $31,282,469.

Revenue debt payable at June 30, 2014 consists of the following:

Neighborhood Schools Initiative Bonds

Amounts Outstanding

Fiscal year ended:		Principal	Interest	Total
2015	$	5,130,000	3,192,335	8,322,335
2016		5,550,000	3,004,385	8,554,385
2017		6,010,000	2,773,185	8,783,185
2018		6,530,000	2,489,735	9,019,735
2019		7,120,000	2,148,485	9,268,485
2020		7,740,000	1,776,985	9,516,985
2021		8,390,000	1,404,153	9,794,153
2022		9,030,000	1,030,310	10,060,310
2023		10,015,000	635,500	10,650,500
2024		10,880,000	217,600	11,097,600
	$	76,395,000	18,672,673	95,067,673

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, 2014 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2014 Change in Fair Value		Fair Value, End of 2014		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	$1,902	Derivative	($42,666)	$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, 2014, along with the credit rating of the associated counterparty (amounts in thousands).

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$21,255	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($6,929)	A2/A/A+
B	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$49,595	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($16,166)	Aa3/AA- /AA-
C	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($19,571)	Baa2/A-/A
						Total Fair Value	($42,666)	

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, 2014 the District was not exposed to credit risk because the swaps had negative fair value. There are three swap counterparties with whom the District has a total of three swap agreements. The credit ratings of the counterparties are provided in the prior table. To mitigate the potential for credit risk, if the credit quality is below Aa3 by Moody's Investor's Service, AA- by Standard & Poor's, and AA- by Fitch Ratings, the fair value of the swap will be fully collateralized by the counterparty. Collateral is posted with the trustee of the bonds.

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

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

Termination risk – Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default and mergers in which the successor entity does not meet credit criteria. The District or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. The swaps may be terminated by the District at any time. A swap may be terminated by a counterparty if the District's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" by Moody's Investors Service. If a swap is terminated, the variable-rate bonds will no longer carry a synthetic interest rate and the District would be subject to interest costs reflective of the variable interest rates. Also, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. At June 30, 2014 the swap's currently have a cumulative negative fair value of $42.67 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, 2014, debt service requirements of the variable-rate index-linked bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (as rates vary, variable rate interest payments and net swap payments will vary):

	Variable-rate bonds		Interest rate	
	Principal	**Interest**	**swaps, net**	**Total**
Fiscal year ended June 30:				
2015	$ —	203,079	7,137,606	7,340,685
2016	—	203,079	7,137,606	7,340,685
2017	—	203,079	7,137,606	7,340,685
2018	—	203,079	7,137,606	7,340,685
2019	—	203,079	7,137,606	7,340,685
2020 – 2024	6,250,000	1,274,083	35,370,905	42,894,988
2025 – 2029	31,325,000	1,082,487	30,051,644	62,459,131
2030 – 2034	31,250,000	777,599	21,587,601	53,615,200
2035 – 2039	31,100,000	473,175	13,136,217	44,709,392
2040 – 2044	30,925,000	164,638	4,570,669	35,660,307
Totals	$ 130,850,000	4,787,377	140,405,066	276,042,443

(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, 2014, is as follows:

General fund unassigned fund balance	$ 49,871,027
Amount required to fund six months of the school operation's property tax levy:	
Subsequent year's school operations school levy ($275,612,673) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (76) to total calendar school year days (180)	116,369,795
General fund unassigned fund balance deficiency	$ (66,498,768)

(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 current year for the above described risks effective July 1, 2013 was a reduction in abuse and molestation liability insurance. Effective July 1, 2013, abuse and molestation limits were reduced from $5 million primary coverage and $2 million excess coverage to $1 million primary coverage and no excess coverage due to insurance market conditions.

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	
		2014	**2013**
Beginning of year liability	$	35,889,349	38,190,339
Current year claims and changes in estimate		179,949,335	211,172,812
Claim payments		(181,802,741)	(213,473,802)
End of year liability	$	34,035,943	35,889,349

The District has recognized the liability for health and dental benefits, which totaled $23,269,890 and $24,825,004 as of June 30, 2014 and 2013, respectively, in the general fund. The District has also recognized a liability of $1,031,150 and $437,000 as of June 30, 2014 and 2013, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $2.6 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 employees participate under the Teachers category in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 440 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 880 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the General or Teachers category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to the fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for the year ended June 30, 2014 were:

	Employee	Employer
July 1, 2013 – December 31, 2013	6.65%	6.65%
January 1, 2014 – June 30, 2014	7.00%	7.00%

The payroll for District employees covered by the WRS for the year ended December 31, 2013 was \$374,031,000; the employer's total payroll was \$489,416,000. The total required contribution for the year ended December 31, 2013 was \$49,746,000 or 13.3% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2012 and 2011 were \$44,588,000 and \$46,381,000, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit 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 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

There was no pension related debt for the District as of June 30, 2014.

Employees' Retirement System of the City of Milwaukee

Plan Description – The District makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available 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.

Funding Policy – For general employees participating prior to January 1, 2014, they are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5% of their annual pensionable income, and for general employee, participating on or after January 1, 2014, they are required to contribute 4% of their annual pensionable income. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The District's contributions to the System for the years ended December 31, 2013, 2012, and 2011, were $5,716,000, $5,878,000 and $15,799,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

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

A participant must be an administrative, supervisory, or professional staff employee of the District who is in the collective bargaining unit represented by the Administrators and Supervisors Council, Inc (the "ASC"), an exempt employee excluded by the ASC bargaining contract, or any other employee who is identified as a covered employee by the Milwaukee Board of School Directors (MBSD) through an employment contract between such employee and the MBSD. Such employees shall become participants in the plan on the later of the effective date of the plan or the date they become a participant in the WRS. Certain classified participants represented by the ASC or any exempt employee excluded by the ASC bargaining contract and covered by the System, and certain psychologists who elected to remain in the plan after June 30, 1980 are also eligible for participation.

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

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

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

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

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

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

The District maintains a separate "member contribution account" for each participant. Annually, as of June 30, the portion of investment income of the fund attributable to the participants' contribution is credited to the respective member contribution accounts. If a participant leaves covered employment or dies, accumulated employee contributions, plus related investment earnings, are refunded to the employee or designated beneficiary based on their election. 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.

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

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

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

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

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

Effectively July 1, 2012, the aforementioned changes in actuarial assumptions had an increase to the unfunded actuarial accrued liability of $2.9 million.

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

Effective July 1, 2013, the District made following changes to the Plan provisions:

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

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.

Significant actuarial assumption changes made effective for the plan year June 30, 2013 are:

- Price inflation is lowered from 3.00 percent to 2.80 percent.
- Investment return is lowered from 8.0 percent to 7.5 percent.
- No wage, step or lane increases will be assumed for fiscal years ending June 30, 2014 and June 30, 2015. Thereafter, a 2.8 percent wage inflation increase are assumed.
- Normal retirement rates are modified in order to apply higher retirement rates in plan years beginning July 1, 2012 and July 1, 2013 to reflect the potential for accelerated retirements due to changes in post retirement healthcare benefits for individuals who retire during this period.
- Age based termination rates are modified.

- The Mortality Rate is changed from the 1994 Group Annuity Mortality Table, sex distinct, to the Wisconsin Projected Experience Table - 2005 for women and 90 percent of the Wisconsin Projected Experience Table - 2005 for men and post-retirement deaths.

- Disability rates are updated to be the blended rates for males and females from the rates used in the most recent Wisconsin Retirement System valuation.

- The current actuarial cost method, which is the Entry Age Normal Cost method, is maintained.

- Current amortization methods, asset smoothing methods, and dependent assumptions are maintained.

- Decrement timing will be changed to occur at the end of the year for retirement and at mid-year for all other decrements.

Effectively July 1, 2012, the aforementioned changes in actuarial assumptions had an increase to the unfunded actuarial accrued liability of $7.2 million.

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, 2014 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		17.39%	3.87%
Plan participants		—	—
Annual required contribution	$	3,214,623	11,168,472
Interest on net pension obligation		6,602	11,570
Adjustment to annual required contribution		—	—
Annual pension cost		3,221,225	11,180,042
Contributions made		2,451,003	10,954,526
Increase (decrease) in net pension obligation		770,222	225,516
Net pension prepayment, beginning of year		(2,786,612)	(10,924,336)
Net pension prepayment, end of year	$	(2,016,390)	(10,698,820)

The funded status of the plans as of July 1, 2013, 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)	$	55,656,223	237,826,671
Actuarial value of plans assets		42,836,677	120,720,162
Unfunded Actuarial Accrued Liability	$	12,819,546	117,106,509
Funded ratio (actuarial value of plan assets/AAL)		76.97%	50.76%
Covered payroll (active plan members)	$	14,585,097	288,512,864
UAAL as a percentage of covered payroll		87.89%	40.59%

The net pension obligation prepayment is included in prepaid items on the Statement of Net Position.

	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, 2013	July 1, 2013
Actuarial cost method	Entry Age Normal	Entry age normal
Amortization method	5-year open period, 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 18.2 and is in accordance with GASB 25 and 27 requirements.
Actuarial Valuation Method	5-year smoothed market	5-year smoothed market
Investment rate of return	7.5%	7.5%

	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 2.8% per year with additional service-based increases of up to 3.7% per year.	Wage inflation of 2.8% per year plus additional service-based increases of up to 4.20%
Classified participants	4.0% to 5% per year	N/A
Cost of Living Increases	0.0% per year*	0.0% per year**
Mortality Table	RP2000 table projected 30 years using scale AA	RP2000 table projected 30 years using scale AA

*In accordance with the current bargaining agreement, no salary increase due to wage inflation is assumed for fiscal years 2011, 2012 and 2013 and no salary increase is assumed for fiscal years 2014 and 2015.

**The Plan is frozen at July 1, 2013. Pay increases received after that date are not pensionable under the Teacher's Plan.

(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 pension cost	% of annual pension cost contributed	Net pension obligation
Fiscal year beginning July 1:			
2013	$ 3,221,225	76%	$ (2,016,390)
2012	3,532,060	87%	(2,786,612)
2011	4,220,473	91%	(3,232,649)

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

		Annual pension cost	% of annual pension cost contributed		Net pension obligation
Fiscal year beginning July 1:					
2013	$	11,180,042	98%	$	(10,698,820)
2012		14,315,277	97%		(10,924,336)
2011		15,764,073	96%		(11,291,126)

(11) Post-Employment Life and Healthcare Insurance Benefits

The District administers a single-employer defined benefit healthcare plan and life insurance plan (“the Retiree Plan”). The plan provides health insurance contributions for eligible retirees and their eligible dependents through the District’s group health insurance plan, which covers both active and retired members. The plan also provides for life insurance contributions for eligible retirees through the District’s group life insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and Board policy and plan provisions which state that eligible retirees and their spouses receive lifetime healthcare benefits and eligible retirees receive lifetime life insurance benefits either on a self-paid basis or a District-paid basis at established contribution rates. The Retiree Plan was closed to employees hired or rehired on or after July 1, 2013. The Retiree Plan does not issue a publicly available financial report.

Employee and retiree contribution requirements are established through collective bargaining agreements and Board policy and plan provisions. Contributions may be amended only through negotiations between the District and the union in the case of represented employees and by Board policy, as may be amended by action of the governing body, in the case of non-represented employees. 2011 Wisconsin Acts 10 and 32 stipulate that once existing collective bargaining agreements expire, or are terminated, extended, modified or renewed, such benefit provisions are a prohibited subject of bargaining and therefore such benefits including contributions are established through Board policy and plan provisions as may be amended by action of the governing body. As of June 30, 2013 all collective bargaining agreements expired.

An employee who is age 55 or older with 15 or more years of eligible service and 70 percent or more of the maximum accumulated sick leave at the time of retirement, in accordance with collective bargaining agreements and Board policy, will receive a monthly Board subsidy at the Board’s share of the PPO/Indemnity active single plan or family plan premium rate in effect as of the employee’s date of retirement. (Certain bargaining units and certain non-represented employees who submit a retirement notice by either March 1 or April 1 will receive the greater of the June 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 with dates of retirement on or after July 1, 2013, eligibility provisions for retiree health insurance were changed to whichever of the following occurs earlier: (a) age 60 or older and 20 years of eligible service; OR (b) age 55 or older with 30 or more years of eligible service until sunset on July 1, 2015. Eligibility for the Board subsidy was also changed to 90 percent or more of the maximum accumulated sick leave at time of retirement for employees who meet the age and service requirements for dates of retirement on or after July 1, 2013.

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

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

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

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

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

Effective July 1, 2010 the District established an IRC Section 115 trust for the purpose of holding assets and funding for the District's postemployment health and life insurance benefits. The trust is reported as a fiduciary fund in the District's financial statement. For fiscal year ending June 30, 2014, the District contributed $102,098,171 (including pre-funding contributions, Medicare Part D, EWGP and ERRP contributions) to the Retiree Plan. For fiscal year ending June 30, 2014, total member contributions to the Retiree Plan were $6,405,095.

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, 2014, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$109,858,625
Interest on Net OPEB Obligation	24,533,769
Adjustment to annual required contribution	(40,851,386)
Annual OPEB cost	93,541,008
MPS Contributions made	(102,098,171)
Decrease in Net OPEB Liability	(8,557,163)
Net OPEB obligation, beginning of year	539,203,697
Net OPEB obligation, end of year	$530,646,534

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, 2014 and the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	$ 93,541,008	109.1%	$530,646,534
6/30/13	95,693,459	83.5%	539,203,697
6/30/12	95,332,485	97.1%	523,394,993

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$1,403,017,033
Actuarial value of plan assets	60,528,101
Unfunded Actuarial Accrued Liability (UAAL)	$1,342,488,932
Funded ratio (actuarial value of plan assets/AAL)	4.3%
Covered payroll (active plan members)	$ 431,242,385
UAAL as a percentage of covered payroll	311.3 %

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, 2014 was based on the assumptions and methods in the July 1, 2013 actuarial valuation. The District made significant changes to the retiree healthcare plan provisions and eligibility conditions effective during 2012 and 2013 which reduced both the annual OPEB cost and growth of actuarial liabilities. The impact of these changes and the anticipated accelerated retirements during fiscal years 2012 and 2013 due to these changes were measured in the valuation as of July 1, 2011. The entry age normal actuarial cost method was used. The District established an IRC Section 115 trust to contribute 105 percent of actual retiree healthcare claims to the trust beginning July 1, 2010. The actuarial assumptions include a 4.55 percent investment rate of return that reflects the District's prefunding policy and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 7 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 25 year period with an open amortization method. Financial statements of the Other Post Employment Benefits Trust are included on pages 94 and 95.

(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, 2014, the District was under its revenue limitation by $215,323.

(13) School Nutrition Deficit

The School Nutrition Services Fund had a deficit of $2,736,923. 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, 2014:

Fund	Excess Expenditures
General Fund:	
High Schools	$1,254,682
Middle Schools	352,712
K-8 Schools	1,796,619
BI-Level Schools	703,088
Elementary Schools	1,069,156
Charter Schools	1,109,857
School Nurses	201,726
Summer School	136,725
Partnership/Contracted Programs	988,900
School Special and Unallotted	27,838
Dept of School Adminstration	85,342
Dept of Recreation & Community Services	147,295
Building Operations Sites, Tenant Costs, Utilities	551,267
Clearwire	783,448
CAMP	4,193,777
Debt Service	949,678

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, 2014 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 $33.6 million of encumbrances outstanding as of June 30, 2014 of which $29.5 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals of 6/30/14	Contract Commitments at 6/30/14
Major Funds		
General Fund	$ 28,330,364	$ 24,527,767
Construction Fund	3,714,694	3,466,868
Nutrition Fund	1,448,138	1,390,384
Total Major Funds	$ 33,493,196	$ 29,385,019
Non-Major Funds	136,374	101,122
Total Encumbrances and Contract Commitments	$ 33,629,570	$ 29,486,141

(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) 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 received $4,200,000 upfront in March 2008, and $55,000 per month initially, which increases 3% each March during the contract period.

(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 $35,000,000 of commercial paper on September 9, 2014 and $35,000,000 of commercial paper on October 7, 2014. $125,000,000 of Revenue Anticipation Notes (RANs), Series 2014 M4, was issued on October 23, 2014. The commercial paper matures as follows: $59,000,000 on December 22, 2014 and $11,000,000 on December 29, 2014. The RANs mature on June 30, 2015. Interest is payable at maturity.

On September 18, 2014, the Board adopted amendments to the health insurance program offering for Medicare eligible retirees, to take effect on January 1, 2015. Specifically, the Board approved providing post-Medicare benefits to eligible retirees through a fully-insured Medicare Advantage plan. This fully-insured Medicare Advantage plan provides comparable benefits to the current self-insured PPO and EPO plans, however premium rates are 41% lower than the anticipated monthly premium for the EPO and 46% less expensive than the anticipated monthly premium for the PPO.

During first twelve months, it is anticipated that the change will save the District $6 million overall, net the increased cost of reimbursements to retirees for Medicare Part B premiums, in the amount of $3.4 million and a reduction in revenue in the amount of $4.7 million for reduced contributions from retirees for premiums.

In addition, the change is estimated to produce a $250 million dollar reduction in the District's actuarial liability for OPEB benefits, from $1,403.0 million to $1,153 million and a $10.2 million dollar reduction in the estimated pay-as-you go costs for health care benefits from the current $64.6 million to $54.4 million. However, the long-term outlook for these savings is dependent upon continued support at the Federal level for Medicare Part D revenue. Absent that continued support at the Federal level, the projected savings is estimated to wear away by 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2014

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
REVENUES:				
Property Tax Levy	$ 286,593,399	$ 287,372,653	$ 287,372,653	$ -
Equalization & Integration Aids	537,013,369	534,182,798	534,182,798	-
Other State Aids	70,877,876	76,510,152	78,550,237	2,040,085
Federal Aids	16,458,250	13,478,000	10,765,484	(2,712,516)
Other Local Revenues	8,256,037	9,989,296	16,615,804	6,626,508
Applied Surplus	3,070,000	3,104,129	-	(3,104,129)
SCHOOL OPERATIONS & EXTENSION	922,268,931	924,637,028	927,486,976	2,849,948
CAMP	-	-	4,529,401	4,529,401
GRANTS	148,344,501	165,014,409	153,161,722	(11,852,687)
Total Revenues	1,070,613,432	1,089,651,437	1,085,178,099	(4,473,338)
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	100,132,064	102,375,593	103,630,275	(1,254,682)
Middle Schools	23,006,419	21,750,980	22,103,692	(352,712)
K-8 Schools	195,026,328	194,805,577	196,602,196	(1,796,619)
BI-Level Schools	38,889,222	38,737,731	39,440,819	(703,088)
Elementary Schools	113,647,946	113,879,259	114,948,415	(1,069,156)
Charter Schools	79,967,210	85,300,507	86,410,364	(1,109,857)
School Nurses	2,443,388	2,934,950	3,136,676	(201,726)
Substitute Teachers	6,346,815	9,510,741	7,230,508	2,280,233
School Office and Support ans School Safety	13,764,931	13,427,130	11,032,521	2,394,609
Education Maintenace	2,457,371	3,800,874	2,187,367	1,613,507
Career and Technical Education	1,344,625	1,144,407	997,412	146,995
MPS Alternative Schools/Programs	13,446,145	13,292,283	12,940,247	352,036
EEN Itinerant Allied Services	5,699,398	5,669,573	5,262,156	407,417
Summer School	3,288,274	3,306,852	3,443,577	(136,725)
Partnership/Contracted Programs	17,042,747	14,795,180	15,784,080	(988,900)
Non-Public Schools	6,206,586	6,166,189	5,964,025	202,164
School Special and Unallotted	48,529,061	46,426,651	46,454,489	(27,838)
TOTAL - PROGRAM ACCOUNTS	**$** 671,238,530	**$** 677,324,477	**$** 677,568,819	**$** (244,342)

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2014

	Budgeted amounts		Actual	Variance with Revised
	Adopted	Revised	(GAAP basis)	Budget
INDIRECT & SUPPORT SERVICES				
Board/Office of Board Governance	$ 2,825,079	3,869,551	2,585,381	1,284,170
Office of Accountability and Efficiency	1,292,526	1,734,174	1,225,146	509,028
Office of Superintendent	10,150,663	10,096,534	9,019,261	1,077,273
Dept. of School Adminstration	2,096,622	2,217,778	2,303,120	(85,342)
Dept of Academic Support	17,963,161	17,622,305	17,438,531	183,774
Office of Finance	5,304,096	5,680,345	4,821,858	858,487
Office of Operations	1,913,270	2,100,952	1,859,525	241,427
Dept. of Recreation & Community Services	3,298,492	3,872,027	4,019,322	(147,295)
Dept. of Facilities & Maintenance	24,510,498	26,286,006	25,416,696	869,310
Dept. of Technology	9,136,057	13,478,702	10,344,476	3,134,226
Office of Human Capital Services	4,875,189	5,959,642	4,685,474	1,274,168
Office of Innovation	1,372,217	1,406,520	1,081,065	325,455
TOTAL - INDIRECT & SUPPORT	84,737,870	94,324,536	84,799,855	9,524,681
OTHER ACCOUNTS				
Building Operations Sites, Tenant Costs, Utilities	56,057,884	55,702,641	56,253,908	(551,267)
Clearwire	660,000	841,802	1,625,250	(783,448)
Debt Service	988,941	783,662	783,662	-
District Insurance & Judgements	9,971,000	9,723,359	8,121,099	1,602,260
Management Intern Program	428,881	381,881	293,330	88,551
Safe Schools Supplement	1,101,182	1,526,099	1,107,093	419,006
Special & Contingent Funds	1,772,250	2,188,191	-	2,188,191
Transportation Operations	57,439,000	59,260,333	59,039,167	221,166
Technology Licenses & Equipment	4,166,222	9,877,311	5,803,617	4,073,694
TOTAL - OTHER ACCOUNTS	132,585,360	140,285,279	133,027,126	7,258,153
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	10,557,837	12,513,823	11,146,119	1,367,704
Summer School Wrap-around	5,967,486	7,482,721	4,887,825	2,594,896
Educational Programs	1,195,536	1,444,191	960,499	483,692
Partnership for the Arts/Humanities	2,000,000	2,813,092	1,773,183	1,039,909
Other Accounts	1,255,434	1,272,106	-	1,272,106
District Insurances and Utilities	768,196	768,196	730,014	38,182
Employee Benefits	429,448	429,448	(812,806)	1,242,254
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	22,173,937	26,723,577	18,684,834	8,038,743
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES	(8,773,518)	(10,109,497)	(10,460,202)	350,705
SCHOOL OPERATIONS & EXT. FUND	901,962,179	928,548,372	903,620,432	24,927,940
CAMP	-	-	4,193,777	(4,193,777)
GRANTS	148,344,501	165,014,409	153,841,136	11,173,273
Total Expenditures	1,050,306,680	1,093,562,781	1,061,655,345	31,907,436
Excess of revenues over (under) expenditures	20,306,752	(3,911,344)	23,522,754	(27,434,098)
Transfer In (Out)	(20,306,752)	(22,744,925)	(23,694,603)	949,678
Proceeds from sale of assets	-	-	4,140	(4,140)
Change in Fund Balance	$ -	$ (26,656,269)	(167,709)	$ 26,488,560
Fund balance-beginning of year			78,960,389	
Fund balance-end of year			$ 78,792,680	

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

For the Year Ended June 30, 2014

	Budgeted amounts		Actual	Variance with
	Adopted	**Revised**	**(GAAP basis)**	**Revised Budget**
Revenues:				
Lunchroom sales	$ 3,002,436	$ 3,323,505	$ 3,112,692	$ (210,813)
Other local sources	—	—	213,236	213,236
State aid:				
School nutrition aid	986,700	986,700	882,887	(103,813)
Federal aid:				
School nutrition aid	38,835,400	38,835,400	40,115,810	1,280,410
Other federal aid	—	628,393	625,530	(2,863)
Total revenues	42,824,536	43,773,998	44,950,155	1,176,157
Expenditures:				
Current operating:				
School Nutrition Services	42,712,536	43,661,998	42,699,913	962,085
Capital Outlay	112,000	112,000	13,431	98,569
Total expenditures	42,824,536	43,773,998	42,713,344	1,060,654
Excess of revenues over(under) expenditures	—	—	2,236,811	2,236,811
Net change in fund balances	$ —	—	2,236,811	2,236,811
Fund deficit—beginning of year			(4,973,734)	
Fund deficit—end of year			$ (2,736,923)	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2014

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
7/1/2013	$ 42,836,677	$ 55,656,223	$ 12,819,546	76.97 %	$ 14,585,097	87.89 %
7/1/2012	42,403,148	56,005,138	13,601,990	75.71	18,745,343	72.56
7/1/2011	42,744,856	52,975,446	10,230,590	80.69	19,365,117	52.83

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
7/1/2013	$ 120,720,162	$ 237,826,671	$ 117,106,509	50.76 %	$ 288,512,864	40.59 %
7/1/2012	114,882,834	230,401,333	115,518,499	49.86	323,922,137	35.66
7/1/2011	110,184,768	236,343,774	126,159,006	46.62	333,480,915	37.83

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

Fiscal year beginning	Annual Required Contribution	Percentage Contributed	Net Pension Prepayment
7/1/2013	$ 3,214,623	100 %	$ 2,786,612
7/1/2012	3,519,437	100	3,232,649
7/1/2011	4,210,948	100	3,614,364
7/1/2010	3,595,479	100	-
7/1/2009	3,242,746	100	2,500,000
7/1/2008	2,482,200	100	2,319,939

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Fiscal year beginning	Annual Required Contribution	Percentage Contributed	Net Pension Prepayment
7/1/2013	$11,168,472	100 %	$ 10,924,136
7/1/2012	14,365,412	100	11,291,126
7/1/2011	15,797,043	100	11,961,721
7/1/2010	15,645,398	100	187,428
7/1/2009	15,641,408	100	11,447,452
7/1/2008	15,235,493	100	15,276,218

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

MILWAUKEE PUBLIC SCHOOLS
Required Supplementary Information
For the Year Ended June 30, 2014

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
7/1/2013	$ 60,528,101	$1,403,017,033	$1,342,488,932	4.3%	$ 431,242,385	311.3%
7/1/2011	9,368,067	$1,393,486,064	$1,384,117,997	0.7%	$ 488,996,859	283.1%
7/1/2009	-	$2,398,129,645	$2,398,129,645	0%	$ 507,339,126	472.7%

Note: The District is required to present the above information for the three most recent actuarial studies.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Postemployment Health Care Plan

Fiscal Year Beginning	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
7/1/2013	$ 109,858,625	92.9%	$ 530,646,534
7/1/2012	110,503,788	72.3	523,394,993
7/1/2011	109,216,666	84.7	520,600,193
7/1/2010	194,969,742	33.5	389,150,650
7/1/2009	186,702,017	32.7	261,946,200
7/1/2008	189,880,613	31.3	131,035,465

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

MILWAUKEE PUBLIC SCHOOLS

Combining Balance Sheet—Nonmajor Governmental Funds

As of June 30, 2014

		Special Revenue		
Assets		**Categorically Aided Programs**	**Debt Service**	**Total**
Receivables due from other governmental units	$	5,640,073	—	5,640,073
Total assets	$	5,640,073	—	5,640,073
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$	75,676	—	75,676
Due to other funds		5,564,397	—	5,564,397
Total liabilities		5,640,073	—	5,640,073
Fund balances:				
Restricted		—	—	—
Total fund balances		—	—	—
Total liabilities and fund balances	$	5,640,073	—	5,640,073

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2014

	Special Revenue		
	Categorically Aided Programs	**Debt Service**	**Total**
Revenues:			
Property taxes	$ —	2,477,582	2,477,582
Federal aid:			
Other federal aid	20,207,699	—	20,207,699
Total revenues	20,207,699	2,477,582	22,685,281
Expenditures:			
Instructional services—special curriculum	4,839,232	—	4,839,232
Pupil and staff services	15,368,467	—	15,368,467
Capital Outlay	—	—	—
Debt service:			
Principal	—	12,380,845	12,380,845
Interest	—	13,754,906	13,754,906
Bond administrative fees	—	36,434	36,434
Total expenditures	20,207,699	26,172,185	46,379,884
Excess of revenues over (under) expenditures	—	(23,694,603)	(23,694,603)
Other financing sources (uses):			
Refunding bond issued debt	—	—	—
Premium on refunded debt issued	—	—	—
Transfers In	—	23,694,603	23,694,603
Total other financing sources (uses), net	—	23,694,603	23,694,603
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

For the Year Ended June 30, 2014

		Budgeted amounts		Actual
		Adopted	**Revised**	**(GAAP basis)**
Revenues:				
Federal aid:				
Other federal aid	$	24,538,393	24,586,720	20,207,699
Total revenues		24,538,393	24,586,720	20,207,699
Expenditures:				
Current operating:				
Special curriculum		5,876,324	5,887,897	4,839,232
Pupil and staff services		18,662,069	18,698,823	15,368,467
Capital Outlay		—	—	—
Total expenditures		24,538,393	24,586,720	20,207,699
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

For the Year Ended June 30, 2014

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Property taxes	$ 5,426,145	2,477,582	2,477,582
Total revenues	5,426,145	2,477,582	2,477,582
Expenditures:			
Current operating:			
Debt service	25,732,897	25,222,507	26,172,185
Total expenditures	25,732,897	25,222,507	26,172,185
Excess of revenues over (under) expenditures	(20,306,752)	(22,744,925)	(23,694,603)
Other financing sources (uses)			
Transfers In (Out)	20,306,752	22,744,925	23,694,603
Total other financing sources (uses), net	20,306,752	22,744,925	23,694,603
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 Position—Pension and Other Post Employment Benefits Trust Funds

As of June 30, 2014

		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	$	2,355,912	4,027,015	31,223,956	37,606,883
U.S. treasury and agency securities		—	—	17,246,119	17,246,119
Mortgage-backed securities		74	—	—	74
Nongovernmental obligations		1,983,213	4,575,911	20,438,599	26,997,723
Municipal Bonds		—	—	2,394,320	2,394,320
Investment in the State of Wisconsin		48,563,114	145,367,857	—	193,930,971
Receivables-interest and contributions		3,362	145,179	33,407,340	33,555,881
Total assets		52,905,675	154,115,962	104,710,334	311,731,971
Liabilities					
Liabilities:					
Accounts payable and accrued expenses		625,552	1,424,400	10,896,215	12,946,167
Total liabilities		625,552	1,424,400	10,896,215	12,946,167
Net Position					
Held in trust for supplemental pension benefits	$	52,280,123	152,691,562	93,814,119	298,785,804

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2014

		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	$	2,451,003	10,954,526	100,161,462	113,566,991
Participants contributions		—	—	7,489,342	7,489,342
Investment income (loss):					
Net investment (loss) from the State of Wisconsin:					
Core Retirement Investment Trust Fund		5,953,205	18,045,178	—	23,998,383
Variable Retirement Trust Fund		1,530,415	3,277,911	—	4,808,326
Net investment income from other investments		112,653	193,934	1,117,840	1,424,427
Total investment income (loss):		7,596,273	21,517,023	1,117,840	30,231,136
Investment expenses		(6,873)	(12,612)	—	(19,485)
Net investment income/(loss)		7,589,400	21,504,411	1,117,840	30,211,651
Total additions		10,040,403	32,458,937	108,768,644	151,267,984
Deductions:					
Benefits paid to participant's or beneficiaries		5,399,893	16,891,273	72,853,031	95,144,197
Realized Losses on Investments		—	—	—	—
Distribution of participant contribution accounts		87,514	—	—	87,514
Administrative expenses		56,590	176,226	120,494	353,310
Total deductions		5,543,997	17,067,499	72,973,525	95,585,021
Changes in net position		4,496,406	15,391,438	35,795,119	55,682,963
Net Position—Beginning of Year		47,783,717	137,300,124	58,019,000	243,102,841
Net Position—Ending of Year	$	52,280,123	152,691,562	93,814,119	298,785,804

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2014

Assets		**Balance July 1, 2013**	**Additions**	**Deductions**	**Balance June 30, 2014**
Cash and cash equivalents	$	5,144,161	9,922,144	(10,129,840)	4,936,465
Total assets	$	5,144,161	9,922,144	(10,129,840)	4,936,465
Liabilities					
Liabilities:					
Due to student organizations	$	5,144,161	9,922,144	(10,129,840)	4,936,465
Total liabilities	$	5,144,161	9,922,144	(10,129,840)	4,936,465

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APPENDIX B

FORM OF CO-BOND COUNSEL OPINIONS

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525 W. Monroe Street
Chicago, IL 60661-3693
312.902.5200 tel
312.902.1061 fax
www.kattenlaw.com

June 30, 2015

The Board of Commissioners of the Redevelopment Authority of the
City of Milwaukee, Wisconsin

Dear Members:

We have examined a record of proceedings relating to the issuance of $38,000,000 aggregate principal amount of Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A (Milwaukee Public Schools Qualified School Construction Bonds - Direct Payment Subsidy) (the "Series 2015A Bonds") of the Redevelopment Authority of the City of Milwaukee, a body corporate and politic of the State of Wisconsin (the "Authority") duly organized and existing under Section 66.1333 of the Wisconsin Statutes (the "Act"). The Series 2015A Bonds are authorized and issued under and pursuant to the Act and by virtue of Resolution Number 10555 adopted by the Board of Commissioners of the Authority on May 21, 2015 (the "Bond Resolution"). The Series 2015A Bonds are issued and secured under the Indenture of Trust dated as of June 1, 2015 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2015A Bonds are issued on behalf of the Milwaukee Board of School Directors, a body politic of the State of Wisconsin duly organized and existing under Chapter 119 of the Wisconsin Statutes (the "Borrower"). The Series 2015A Bonds are dated June 30, 2015, mature on May 15, 2041 and bear interest from their date at the rate of 5.163% per annum payable on November 15, 2015, and semi-annually thereafter on each May 15 and November 15.

The Series 2015A Bonds are subject to optional redemption in whole or in part on any date upon prepayment of the Lease rentals by the Borrower in accordance with the Lease. The redemption price shall be the Make-Whole Redemption Price (as defined in the Indenture) of the Series 2015A Bonds or portions thereof so redeemed.

The Series 2015A Bonds are further subject to optional redemption by the Authority, at the direction of the Borrower, prior to maturity in whole upon the event of the termination of Lease by the Borrower and in whole or in part upon the occurrence of certain casualty or condemnation events and prepayment of the Lease rentals by the Borrower as more fully set forth in the Indenture.

The Series 2015A Bonds are subject to extraordinary mandatory redemption, as a whole or in part by lot, at the redemption price equal to the principal amount of the Series 2015A Bonds to be redeemed plus accrued interest to the redemption date, within 90 days after June 30, 2018 and on any date thereafter, in accordance with the requirements of Section 54(d)(2)(B) of the Internal Revenue Code of 1986 (the "Code") regarding the expenditure of the available project proceeds of the Series 2015A Bonds within the three year period (or permitted extended period) following the date of issuance of the Series 2015A Bonds.

The Series 2015A Bonds are subject to extraordinary redemption at the option of the Authority, at the direction of the Borrower, in whole or in part, at the redemption price of 100% of the principal amount being redeemed plus accrued interest to the redemption date, on or after the date that the Authority determines that (i) any action has been taken by the United States of America, including any agency thereof, the result of which is a reduction greater than 25% to the cash subsidy payment from the United States Treasury to the Authority with respect to interest paid on the Series 2015A Bonds, provided such reduction is not the result of (a) an act or omission by the Authority to satisfy the requirements of the Code and regulations thereunder required of the Authority for the Authority to receive the cash subsidy payments from the United States Treasury or (b) an offset of any such cash subsidy payment due to the Authority against any payments due from the Authority to the United States of America or (ii) the United States Treasury fails to make such a cash subsidy payment to which the Authority is entitled and such failure (a) is not caused by any action by or failure to act by the Authority or any agent of the Authority and (b) continues for at least 90 days.

The Series 2015A Bonds, and all additional bonds hereafter issued under the Indenture (the “Additional Bonds” and, together with the Series 2015A Bonds, the “Bonds”) will be entitled equally to the benefit and security under the Indenture of the assignment and pledge of the Lease and the Pledged Revenues (as such term is defined in the Indenture).

The City of Milwaukee (the “City”) will lease certain real property and improvements thereto (the “Redevelopment Property”) to the Authority pursuant to a Ground Lease dated as of June 1, 2015 (the “Ground Lease”) and the Authority will lease the Redevelopment Property to the Borrower pursuant to a Lease dated as of June 1, 2015 (the “Lease”). The Borrower will be obligated under the Lease to make rental payments in each year in amounts equal to the principal, premium, if any, and interest due on the Bonds.

The Series 2015A Bonds are limited obligations of the Authority payable by it on a parity basis with any Additional Bonds solely from the Pledged Revenues derived from the Lease and the Indenture, and do not constitute an indebtedness of the Authority within the meaning of any Wisconsin constitutional provisions or statutory debt limitation. The Series 2015A Bonds are not an indebtedness of the City of Milwaukee or the Borrower and do not constitute a charge against the general credit or taxing powers of the City of Milwaukee or the Borrower. The Authority has no taxing power.

Interest on the Bonds is not exempt from Federal income taxation.

Based upon our examination of said record of proceedings including the opinions, certifications and statements of facts and expectations contained in said record of proceedings, we are of the opinion that:

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Wisconsin to adopt the Bond Resolution, to enter into the Lease, the Ground Lease and the Indenture, to issue the Series 2015A Bonds and to perform all of its obligations under the Bond Resolution, the Lease, the Ground Lease and the Indenture.

2. The Ground Lease, the Lease and the Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

3. The Ground Lease has been duly authorized, executed and delivered by the City, acting on behalf of the Borrower, and constitutes the valid and binding contractual obligations of the City enforceable in accordance with its terms. The Lease has been authorized, executed and delivered by the Borrower and constitutes the valid and binding contractual obligations of the Borrower enforceable in accordance with its terms

4. The Series 2015A Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

5. The Series 2015A Bonds are payable solely from the Pledged Revenues and other moneys and securities pledged therefor under the Indenture. The Indenture creates a valid assignment and pledge of the Pledged Revenues and other moneys and securities held thereunder for the benefit and security of the Series 2015A Bonds, subject to application thereof in the manner provided in the Indenture.

6. Pursuant to the Act, the Series 2015A Bonds, together with the interest thereon and income therefrom are exempt from present Wisconsin income taxes. However, interest on and income from the Series 2015A Bonds are includable in the measure of tax for Wisconsin corporate franchise tax purposes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Series 2015A Bonds, the Lease, the Ground Lease and the Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

RMF

106910597

June 30, 2015

The Board of Commissioners of the Redevelopment Authority of the
City of Milwaukee, Wisconsin

Dear Members:

We have examined a record of proceedings relating to the issuance of \$38,000,000 aggregate principal amount of Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A (Milwaukee Public Schools Qualified School Construction Bonds - Direct Payment Subsidy) (the "Series 2015A Bonds") of the Redevelopment Authority of the City of Milwaukee, a body corporate and politic of the State of Wisconsin (the "Authority") duly organized and existing under Section 66.1333 of the Wisconsin Statutes (the "Act"). The Series 2015A Bonds are authorized and issued under and pursuant to the Act and by virtue of Resolution Number 10555 adopted by the Board of Commissioners of the Authority on May 21, 2015 (the "Bond Resolution"). The Series 2015A Bonds are issued and secured under the Indenture of Trust dated as of June 1, 2015 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2015A Bonds are issued on behalf of the Milwaukee Board of School Directors, a body politic of the State of Wisconsin duly organized and existing under Chapter 119 of the Wisconsin Statutes (the "Borrower"). The Series 2015A Bonds are dated June 30, 2015, mature on May 15, 2041 and bear interest from their date at the rate of 5.163% per annum payable on November 15, 2015, and semi-annually thereafter on each May 15 and November 15.

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The Series 2015A Bonds are further subject to optional redemption by the Authority, at the direction of the Borrower, prior to maturity in whole upon the event of the termination of Lease by the Borrower and in whole or in part upon the occurrence of certain casualty or condemnation events and prepayment of the Lease rentals by the Borrower as more fully set forth in the Indenture.

The Series 2015A Bonds are subject to extraordinary mandatory redemption, as a whole or in part by lot, at the redemption price equal to the principal amount of the Series 2015A Bonds to be redeemed plus accrued interest to the redemption date, within 90 days after June 30, 2018 and on any date thereafter, in accordance with the requirements of Section 54(d)(2)(B) of the Internal Revenue Code of 1986 (the "Code") regarding the expenditure of the available project proceeds of the Series 2015A Bonds within the three year period (or permitted extended period) following the date of issuance of the Series 2015A Bonds.

The Series 2015A Bonds are subject to extraordinary redemption at the option of the Authority, at the direction of the Borrower, in whole or in part, at the redemption price of 100% of the principal amount being redeemed plus accrued interest to the redemption date, on or after the date that the Authority determines that (i) any action has been taken by the United States of America, including any agency thereof, the result of which is a reduction greater than 25% to the cash subsidy payment from the United States Treasury to the Authority with respect to interest paid on the Series 2015A Bonds, provided such reduction is not the result of (a) an act or omission by the Authority to satisfy the requirements of the Code and regulations thereunder required of the Authority for the Authority to receive the cash subsidy payments from the United States Treasury or (b) an offset of any such cash subsidy payment due to the Authority against any payments due from the Authority to the United States of America or (ii) the United States Treasury fails to make such a cash subsidy payment to which the Authority is entitled and such failure (a) is not caused by any action by or failure to act by the Authority or any agent of the Authority and (b) continues for at least 90 days.

The Series 2015A Bonds, and all additional bonds hereafter issued under the Indenture (the "Additional Bonds" and, together with the Series 2015A Bonds, the "Bonds") will be entitled equally to the benefit and security under the Indenture of the assignment and pledge of the Lease and the Pledged Revenues (as such term is defined in the Indenture).

The City of Milwaukee (the "City") will lease certain real property and improvements thereto (the "Redevelopment Property") to the Authority pursuant to a Ground Lease dated as of June 1, 2015 (the "Ground Lease") and the Authority will lease the Redevelopment Property to the Borrower pursuant to a Lease dated as of June 1, 2015 (the "Lease"). The Borrower will be obligated under the Lease to make rental payments in each year in amounts equal to the principal, premium, if any, and interest due on the Bonds.

The Series 2015A Bonds are limited obligations of the Authority payable by it on a parity basis with any Additional Bonds solely from the Pledged Revenues derived from the Lease and the Indenture, and do not constitute an indebtedness of the Authority within the meaning of any Wisconsin constitutional provisions or statutory debt limitation. The Series 2015A Bonds are not an indebtedness of the City of Milwaukee or the Borrower and do not constitute a charge against the general credit or taxing powers of the City of Milwaukee or the Borrower. The Authority has no taxing power.

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Based upon our examination of said record of proceedings including the opinions, certifications and statements of facts and expectations contained in said record of proceedings, we are of the opinion that:

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Wisconsin to adopt the Bond Resolution, to enter into the Lease, the

Ground Lease and the Indenture, to issue the Series 2015A Bonds and to perform all of its obligations under the Bond Resolution, the Lease, the Ground Lease and the Indenture.

2. The Ground Lease, the Lease and the Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

3. The Ground Lease has been duly authorized, executed and delivered by the City, acting on behalf of the Borrower, and constitutes the valid and binding contractual obligations of the City enforceable in accordance with its terms. The Lease has been authorized, executed and delivered by the Borrower and constitutes the valid and binding contractual obligations of the Borrower enforceable in accordance with its terms

4. The Series 2015A Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority, are entitled to the benefits and security of the Indenture and are enforceable in accordance with their terms.

5. The Series 2015A Bonds are payable solely from the Pledged Revenues and other moneys and securities pledged therefor under the Indenture. The Indenture creates a valid assignment and pledge of the Pledged Revenues and other moneys and securities held thereunder for the benefit and security of the Series 2015A Bonds, subject to application thereof in the manner provided in the Indenture.

6. Pursuant to the Act, the Series 2015A Bonds, together with the interest thereon and income therefrom are exempt from present Wisconsin income taxes. However, interest on and income from the Series 2015A Bonds are includable in the measure of tax for Wisconsin corporate franchise tax purposes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Series 2015A Bonds, the Lease, the Ground Lease and the Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

Hurtado Zimmerman SC

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

$38,000,000
Redevelopment Authority of the City of Milwaukee (Wisconsin)
Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A
(Milwaukee Public Schools – Qualified School Construction Bonds – Direct Payment Subsidy)

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT, dated as of June 1, 2015, is by and between the MILWAUKEE BOARD OF SCHOOL DIRECTORS ("*MPS*") and U.S. BANK NATIONAL ASSOCIATION, as dissemination agent (the "*Dissemination Agent*"), in connection with the issuance of the Series 2015A Bonds (defined below). The Series 2015A Bonds are being issued under and secured by an Indenture of Trust dated as of June 1, 2015 (the "*Indenture*") between the Redevelopment Authority of the City of Milwaukee (the "*Authority*") and U.S. Bank National Association, as trustee (the "*Trustee*"). This Agreement is being executed and delivered by MPS and the Dissemination Agent for the benefit of the Series 2015A Bondowners and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below) and constitutes the written undertaking of MPS for the benefit of the holders of the Series 2015A Bonds. The Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Series 2015A Bondowner, with respect to any such reports, notices or disclosures.

NOW, THEREFORE, in consideration of the premises and the promises contained herein, and other good and valuable consideration, MPS and the Dissemination Agent agree as follows:

1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Information Report*" shall mean any Annual Information Report provided by MPS pursuant to Section 2 of this Agreement, and as described in Section 3 of this Agreement.

"*Disclosure Representative*" shall mean the Superintendent of MPS, or his designee, or such other person as MPS shall designate in writing to the Dissemination Agent from time to time.

"*Dissemination Agent*" shall mean any dissemination agent designated in writing by MPS and which has filed with MPS (with a copy to the Trustee) a written acceptance of such designation. The initial Dissemination Agent shall be U.S. Bank National Association.

"*EMMA*" means the MSRB through its Electronic Municipal Market Access system or any other format prescribed by the MSRB.

"*Listed Events*" shall mean any of the events listed in subsection 4(a) of this Agreement.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriter*" shall mean any of the original underwriters of the Series 2015A Bonds required to comply with the Rule in connection with offering of the Series 2015A Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*Series 2015A Bonds*" shall mean $38,000,000 Redevelopment Authority of the City of Milwaukee (Wisconsin) Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A (Milwaukee Public Schools – Qualified School Construction Bonds – Direct Payment Subsidy).

2. Provision of Annual Information Report.

(a) MPS shall, or shall cause the Dissemination Agent, if any, to, not later than nine months after the end of MPS's fiscal year (presently, June 30), commencing with the report for the fiscal year ending June 30, 2015, provide to each Repository an Annual Information Report which is consistent with the requirements of Section 3 of this Agreement and shall provide a copy of such Annual Information Report and evidence of its filing with the MSRB to the Trustee concurrently with such filing. The Annual Information Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Agreement, provided that the audited financial statements of MPS may be submitted separately from the balance of the Annual Information Report and later than the date required above for the filing of the Annual Information Report if they are not available by that date. If MPS's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under subsection 4(f).

(b) If there is a Dissemination Agent then appointed and acting under this Agreement, MPS shall, not later than 15 Business Days prior to the date specified in subsection 2(a) for providing the Annual Information Report to the MSRB, provide the Annual Information Report to the Dissemination Agent, if any, and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Information Report, the Trustee shall contact MPS and the Dissemination Agent, if any, to determine if MPS is in compliance with the first sentence of this subsection 2(b).

(c) If the Dissemination Agent is unable to verify that an Annual Information Report has been provided to the MSRB by the date required in subsection 2(a), the Dissemination Agent shall send a notice to the MSRB for disclosure on EMMA, in substantially the form attached hereto as *Exhibit A.*

(d) MPS (or, if a Dissemination Agent is then appointed and acting under this Agreement, the Dissemination Agent) shall file a report with the Trustee certifying that the Annual Information Report has been provided pursuant to this Agreement, and stating the date it was provided to the MSRB for disclosure on EMMA.

3. Content of Annual Information Report. MPS's Annual Information Report shall contain or include by reference the audited financial statements of MPS for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If MPS's audited financial statements are not available by the time the Annual Information Report is required to be filed pursuant to subsection 2(a), the Annual Information Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Information Report when they become available. The Annual Information Report shall include the Comprehensive Annual Financial Report ("CAFR") and an update on Average School Year Daily Membership ("ADM"). The audited financial statements and ADM may be included within the CAFR.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of MPS or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. MPS shall clearly identify each such other document so included by reference.

4. Reporting of Significant Events.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2015A Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2015A Bonds, or other events affecting the tax-exempt status of the Series 2015A Bonds;

7. Modifications to the rights the holders of Series 2015A Bonds, if material;

8. Bond calls, if material;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Series 2015A Bonds, if material;

11. Rating changes;

12. Tender Offers;

13. Bankruptcy, insolvency, receivership or similar event of MPS[*];

---

[*] For the purpose of the event identified in clause (13), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for MPS in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of MPS, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of MPS.

14. The consummation of a merger, consolidation, or acquisition involving or MPS or the sale of all or substantially all of the assets of MPS, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Dissemination Agent shall, within one Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in subsections 4(a)(l), (4) or (5)) contact the Disclosure Representative, inform such person of the event, and request that MPS promptly notify the Dissemination Agent in writing whether or not the event will be reported pursuant to subsection 4(d).

(c) Whenever MPS obtains knowledge of the occurrence of a Listed Event, MPS shall promptly notify the Trustee and the Dissemination Agent, if any, in writing and shall, or direct the Dissemination Agent to, report the occurrence pursuant to subsection 4(d).

(d) If MPS has determined that it is appropriate to report the occurrence of a Listed Event, MPS or the Dissemination Agent shall file a notice of such occurrence (within 10 business days of the occurrence) with the MSRB with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections 4(a)(4) and (5) need not be given under this subsection 4(f) any earlier than the notice of the underlying event is given by the Trustee to the Owners of affected Series 2015A Bonds pursuant to the Indenture.

5. Termination of Reporting Obligation. MPS's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Series 2015A Bonds.

6. Dissemination Agent. MPS may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, MPS and the Dissemination Agent may amend this Agreement (and the Dissemination Agent shall agree to any amendment so requested by MPS) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both MPS and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

8. Additional Information. Nothing in this Agreement shall be deemed to prevent MPS from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If MPS chooses to include any information in any notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, MPS shall have no obligation under this Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

9. Default. In the event of a failure of MPS or the Dissemination Agent to comply with any provision of this Agreement, the Dissemination Agent may (and, at the request of any Participating

Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2015A Bonds, shall), or any Series 2015A Bondowner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause MPS or the Dissemination Agent, as the case may be, to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of MPS or the Dissemination Agent to comply with this Agreement shall be an action to compel performance.

10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article IX of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Agreement, and MPS agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Lease, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of MPS under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015A Bonds.

11. Beneficiaries. This Agreement shall inure solely to the benefit of MPS, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners from time to time of the Series 2015A Bonds, and shall create no rights in any other person or entity.

12. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement effective as of the date first above written.

MILWAUKEE BOARD OF SCHOOL DIRECTORS

By: ____
Michael Bonds, Ph.D.
President

By: ____
Darienne B. Driver, Ed.D.
Superintendent of Schools

U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent

By: ____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE
TO FILE ANNUAL INFORMATION REPORT

Name of Issuer:	Redevelopment Authority of the City of Milwaukee
Name of Bond Issue:	$38,000,000 Redevelopment Authority of the City of Milwaukee (Wisconsin) Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A (Milwaukee Public Schools – Qualified School Construction Bonds – Direct Payment Subsidy) (the "*Series 2015A Bonds*")
Date of Issuance:	June 30, 2015

NOTICE IS HEREBY GIVEN that the Milwaukee Board of School Directors ("*MPS*") has not provided an Annual Information Report with respect to the Series 2015A Bonds as required by Section 2 of the Continuing Disclosure Agreement dated as of June 1, 2015 between MPS and U.S. Bank National Association, as Dissemination Agent.

Dated: ____________________

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By: ___________________________
Authorized Officer

cc: MPS

APPENDIX D

SUMMARY OF DOCUMENTS

The following statements are brief summaries of certain provisions of the principal documents executed in connection with the issuance of the Series 2015A Bonds that have not been described elsewhere in this Official Statement. The summary does not purport to be complete and reference is made to the actual documents available from the Trustee for a full and complete statement of the provisions thereof.

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CERTAIN DEFINITIONS

Unless the context otherwise requires, capitalized terms used in the following summaries of the principal documents and elsewhere in this Official Statement have the meanings set forth below, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined.

"*Additional Bonds*" means Bonds issued or to be issued under the Indenture in accordance pursuant to the request of MPS and the authorization of the Authority.

"*Additional Rents*" means the rents specified in any Supplement to Lease (Additional Bonds) which shall at least be sufficient to pay the principal of, and interest and premium due on any such Additional Bonds, when due.

"*Authority*" means the Redevelopment Authority of the City of Milwaukee, a public body corporate and politic created and existing under the laws of the State of Wisconsin, and its successors.

"*Available Project Proceeds*" means, with respect to any series of Qualified School Construction Bonds, (A) the excess of (i) the proceeds of sale of such series, over (ii) the issuance costs financed by such series (to the extent that such costs do not exceed two percent of such proceeds), and (B) the proceeds from any investment of such excess.

"*Base Rents*" has the meaning set forth under the heading "**THE LEASE – Rents.**"

"*Bond Counsel*" means Independent Counsel whose legal and tax opinion on municipal bond issues is nationally recognized.

"*Bond Fund*" means the Trust Fund designated as such pursuant to the Indenture.

"*Bond Register*" means the registration books maintained by the Trustee pursuant to the Indenture.

"*Bondowners*" and "*Owners*" (when used with reference to Bonds) means, at the time or times of determination, the persons who are registered owners of Bonds.

"*Bonds*" means, collectively, the Series 2015A Bonds and any Additional Bonds.

"*Business Day*" shall mean any day other than a Saturday, Sunday, or other day on which banks are required or authorized to remain closed in the cities where the Trustee's Principal Office is located.

"*Chairperson*" means the person at the time incumbent in the office of Chairperson of the Authority or, in the event of the death, disability, or absence of such person, the person duly authorized and legally empowered to perform the duties of such office in such event.

"*City*" means the City of Milwaukee, a Wisconsin municipal corporation and political subdivision and a city of the first class under the Wisconsin Statutes.

“*Code*” or “*Code and Regulations*” means the Internal Revenue Code of 1986, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

“*Condemnation and Insurance Proceeds Fund*” means the Trust Fund designated as such pursuant to the Indenture.

“*Construction Fund*” means the Trust Fund designated as such pursuant to the Indenture.

“*Continuing Disclosure Agreement*” means the Continuing Disclosure Agreement, dated as of June 1, 2015, executed by MPS and the U.S. Bank National Association, as dissemination agent, and delivered with respect to the Series 2015A Bonds.

“*Cooperation Agreement*” means the Cooperation Agreement, dated the Effective Date, between MPS, the Authority, and the City to provide for the financing of the Project Improvements.

“*Cost of Construction*” means (A) with respect to an Eligible Project financed with the proceeds of a series of Qualified School Construction Bonds, the cost of construction, rehabilitation, or repair of a public school facility; the cost of acquisition of land on which such facility is to be constructed with part of the proceeds of a series of Bonds and costs of acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of such series and (B) with respect to any Project that is not an Eligible Project, any capital expenditure related to that Project.

“*Credit Amount*” means the amount paid to, or on behalf of the Authority as a Credit Payment.

“*Credit Payment*” means the amount that the Authority is entitled to be paid by the United States of America pursuant to the Code as a credit for interest paid with respect to the Qualified School Construction Bonds.

“*Demised Premises*” means the Redevelopment Property and the Project Improvements.

“*Effective Date*” means June 30, 2015

“*Eligible Project*” means the construction, rehabilitation, or repair of a public school facility, the acquisition of land on which such public school facility is to be constructed and the acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of the Series 2015A Bonds or other Qualified School Construction Bonds, all to the extent that the improvement of such public school facility has been approved by MPS.

“*Eligible Project Costs*” means the cost of acquisition, construction and equipping of any Eligible Project, to the extent, but only to the extent in the case of Qualified School Construction Bonds, that such costs may be funded with the proceeds of Qualified School Construction Bonds under Section 54A and Section 54F of the Code.

"*Event of Default*" means any of the events designated as such and summaries under the heading "**THE INDENTURE – Default Provisions and Remedies of Trustee and Bondowners**."

"*Executive Director*" means the person at the time incumbent in the office of Executive Director of the Authority or, in the event of the death, disability, or absence of such person, the person duly authorized and legally empowered to perform the duties of such office in such event.

"*Expenditure Termination Date*" means with respect to the Series 2015 Bonds, June 30, 2018, the third anniversary date of the date of issuance of the Series 2015 Bonds, and the last date of the "expenditure period" as defined in Section 54A(d)(2)(B)(ii) of the Code or, upon the extension of such "expenditure period" pursuant to Section 54A(d)(2)(B)(iii) of the Code, the last day of the "expenditure period" as so extended.

"*Government Obligations*" means direct, full faith and credit obligations of the United States of America.

"*Ground Lease*" means the Ground Lease, dated as of June 1, 2015, between the City, acting on behalf of MPS, and the Authority, as amended from time to time.

"*Indenture*" means the Indenture of Trust from the Authority to the Trustee, dated the Effective Date, under which the Bonds are issued, as amended from time to time by Supplemental Indentures.

"*Independent Counsel*" means any attorney or firm of attorneys who or which shall be acceptable to the Trustee and who or which is not an employee of MPS or the Authority.

"*Interest Payment Date*" means each May 15 and November 15, commencing November 15, 2015 and each other date on which interest is stated to be due on any Bond pursuant to the Indenture.

"*Internal Revenue Code*" means the Internal Revenue Code of 1986, as amended from time to time.

"*Issuance Expense Fund*" means the Trust Fund designated as such pursuant to the Indenture.

"*Lease*" means the Lease, dated the Effective Date, between the Authority and MPS, as amended from time to time.

"*Material Disturbance*" means the occurrence of any of the following:

(1) the Authority shall breach its obligations under the Lease in any material respect or take any other action which, in either case, materially impairs Quiet Enjoyment;

(2) MPS shall be denied Quiet Enjoyment of the Redevelopment Property including the Project Improvements as a result of the failure of the Authority to have had a good and marketable leasehold interest in the Redevelopment Property including the Project Improvements

being subject to no liens or encumbrances (other than certain Permitted Encumbrances) in effect as of the date of the Lease; or

(3) the taking by eminent domain or inverse condemnation or the damage to or loss or destruction of so much of the Redevelopment Property, including Project Improvements that MPS determines, by resolution, that the Redevelopment Property, including the Project Improvements, cannot reasonably be restored, repaired, or replaced within one year following the date of such resolution to either substantially the same condition as existed prior to such taking, damage, loss, or destruction or to a condition which permits MPS to realize substantially the same intended benefits and public purposes; provided that such taking, damage, loss, or destruction (i) was not the result of willful, deliberate, or negligent action on the part of MPS and (ii) will result in a material impairment of Quiet Enjoyment.

"*MPS*" means the Milwaukee Board of School Directors, a board of school directors created under Chapter 119 of the Wisconsin Statutes to be in charge of the public schools of Milwaukee which are known as the Milwaukee Public Schools.

"*Outstanding Bonds*" and "*Outstanding*", when used with reference to Bonds, means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

(i) Bonds or portions thereof canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds or portions thereof in lieu of which other Bonds have been authenticated and delivered in accordance with the Indenture; and

(iii) Bonds which are not deemed to be Outstanding in accordance with the provisions of the Indenture.

"*Permitted Encumbrances*" means the liens, encumbrances, covenants, conditions, restrictions, and other items existing with respect to the Project Improvements on the date of issue of the Bonds or any that are thereafter created with the consent of both MPS and the Authority (or the Authority's assignee).

"*Pledged Revenues*" means all revenues and income derived by or for the account of the Authority from or for the account of MPS pursuant to the terms of the Lease and the Indenture, including, without limitation (i) all payments by MPS pursuant to the Lease and (ii) all cash and securities held from time to time in the Trust Funds, and the investment earnings thereon.

"*Project*" means the improvements to be made to the Redevelopment Property with proceeds of the Bonds.

"*Project Costs*" means the expenditures made to accomplish the Project, including the costs of issuance of the Bonds, interest during construction, the cost of engineering and legal expenses, plans, specifications, other expenses necessary or incident to constructing any portion of the Project and such other costs, expenses and funding as may be necessary or incident to the construction of the Project, all to the extent, but only to the extent with respect to the Series 2015A Bonds and any other QSCB Bonds, such costs may be funded with the proceeds of QSCBs under Section 54A and Section 54F of the Code.

"*Project Improvements*" means the real property improvements made on the Redevelopment Property, by MPS on behalf of the Authority, using proceeds of Bonds.

"*Qualified Investments*" means the investments listed in the Indenture, to the extent permitted under both Sections 66.0603 and 66.1333(5)(a)3 Wisconsin Statutes.

"*Qualified School Construction Bond*" or "*QSCB*" means any "qualified school construction bond" as defined in Section 54F(a) of the Code.

"*Quiet Enjoyment*" means the right of MPS to peaceably and quietly have, hold, and enjoy any of the Redevelopment Property, including the Project Improvements, and to use the Redevelopment Property and Project Improvements for the purposes intended or permitted by the Lease.

"*Rating Agency*" means each national rating agency which shall assign a rating to the Bonds at the request of MPS, with notice thereof to the Trustee.

"*Record Date*" means (i) for interest payable on a regularly scheduled Interest Payment Date, the 1st day (whether or not a Business Day) of the calendar month in which such Interest Payment Date occurs and (ii) for interest payable on any redemption date which is not a regularly scheduled semiannual Interest Payment Date, the day (whether or not a Business Day) immediately preceding such date.

"*Redemption Fund*" means the Trust Fund designated as such pursuant to the Indenture.

"*Redevelopment Property*" means, with respect to the Series 2015A Bonds, the property described as such in the Cooperation Agreement and the Lease and, with respect to any series of Additional Bonds, the property described as such in the Supplemental Indenture.

"*Rents*" means collectively the Base Rents and any Additional Rents.

"*Requisite Consent of Bondowners*" means the affirmative written consent of Bondowners owning in aggregate not less than a majority in principal amount of the Bonds (other than Bonds owned by the Authority or MPS) at the time Outstanding.

"*Series 2015A Bond Account*" means the account within the Bond Fund designated as such pursuant to the Indenture.

"*Series 2015A Bonds*" means the Authority's $38,000,000 Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A (Milwaukee Public Schools Qualified School Construction Bonds – Direct Payment Subsidy), dated their initial date of delivery and issued under the Indenture.

"*Series 2015A Condemnation and Insurance Proceeds Account*" means the account within the Condemnation and Insurance Proceeds Fund designated as such pursuant to the Indenture.

"*Series 2015A Construction Account*" means the account within the Construction Fund designated as such as pursuant to the Indenture.

"*Series 2015A Issuance Expense Account*" means the account within the Issuance Expense Fund designated as such pursuant to the Indenture.

"*Series 2015A Redemption Account*" means the account within the Redemption Fund designated as such pursuant to the Indenture.

"*Series 2015A Sinking Account Requirement*" means the respective amount shown on the table set forth under "**THE INDENTURE – Creation of Funds – Sinking Fund**" in this Appendix D.

"*Series 2015A Sinking Fund Account*" means the account within the Sinking Fund designated as such pursuant to the Indenture.

"*Sinking Account Requirement*" means the amount required to be on deposit in the account of the Sinking Fund applicable to the Series 2015A Bonds or to any Additional Bonds as may be further defined in a Supplemental Indenture.

"*Sinking Fund*" means the Trust Fund designated as such pursuant to the Indenture.

"*Sinking Fund Requirement*" means the aggregate of the Series 2015A Sinking Account Requirement and the Sinking Account Requirements with respect to any Additional Bonds.

"*Supplemental Indenture*" means any supplement to or amendment of the Indenture entered into in accordance with the provisions of the Indenture.

"*Supplemental Lease*" means any supplement to or amendment of the Lease entered into in accordance with the provisions of the Lease or the Indenture, as applicable.

"*Trust Estate*" means the properties, revenues, and rights described in the Granting Clauses.

"*Trust Funds*" means the trust funds administered by the Trustee under the Indenture other than the segregated trust accounts described in the Indenture.

"*Trustee*" means U.S. Bank National Association, and any successor banking corporation, banking association, or trust company at the time serving as corporate trustee under the Indenture.

THE INDENTURE

General

The Indenture sets forth the terms of the Bonds, the nature and extent of the security, the various rights of the Owners, the rights, duties and immunities of the Trustee and the rights and obligations of the Authority. Certain provisions of the Indenture are summarized below. Other provisions are described in this Official Statement under the captions "**THE SERIES 2015A BONDS" and "SECURITY FOR THE SERIES 2015A BONDS.**"

Creation of Funds

The Indenture provides for the creation of a Bond Fund, a Redemption Fund, a Condemnation and Insurance Proceeds Fund, a Sinking Fund, an Issuance Expense Fund, a Construction Fund and a Direct Payment Fund, all of which are to be held by the Trustee. Each Fund and account shall be maintained by the Trustee as a separate and distinct trust fund or account to be held, managed, invested, disbursed and administered as provided in the Indenture. All money deposited in the Funds and accounts created under the Indenture shall be used solely for the purposes set forth in the Indenture. The Trustee shall keep and maintain adequate records pertaining to each Fund and account, and all disbursements therefrom, in accordance with its general practices and procedures in effect from time to time

Bond Fund. The Indenture establishes within the Bond Fund the "Series 2015A Bond Account." Pursuant to the Indenture, the Trustee is required to deposit in the Bond Fund (a) all payments (except prepayments pursuant to Section 3.17 of the Lease) of rent by MPS under the Lease; (b) moneys required to be transferred to the Bond Fund from any other Trust Funds or from Pledged Revenues in accordance with the Indenture; and (c) moneys required to be deposited into the Bond Fund pursuant to the terms of a Supplemental Indenture. To the extent that any such amounts are allocable to the Series 2015A Bonds, the Trustee is required to make such deposit to the Series 2015A Bond Account. All moneys in the accounts within the Bond Fund are to be used solely for the payment of interest on the Bonds and for the payment of principal and premium, if any, of the Bonds when due (whether at maturity or call for redemption or otherwise).

Redemption Fund. The Indenture establishes within the Redemption Fund the "Series 2015A Redemption Account." Pursuant to the Indenture, the Trustee is required to deposit into the Redemption Fund, when and as received: (a) all prepayments by MPS pursuant to Section 3.17 of the Lease, together with the premium, if any, thereon; (b) moneys required to be transferred to the Redemption Fund from other Trust Funds in accordance with the Indenture; and (c) moneys required to be deposited into the Redemption Fund pursuant to the terms of a Supplemental Indenture. To the extent that any such amounts are allocable to the Series 2015A Bonds, the Trustee is required to make such deposit to the Series 2015A Redemption Account.

Condemnation and Insurance Proceeds Fund. The Indenture establishes within the Condemnation and Insurance Proceeds Fund the "Series 2015A Condemnation and Insurance Proceeds Account." The Trustee is required to deposit into the Condemnation and Insurance Proceeds Fund, when and as received, the net proceeds (after payment of expenses of collection) of casualty insurance claims and eminent domain awards in accordance with and to the extent provided in the Lease on a *pro rata* basis among Outstanding series of Bonds. To the extent that any such amounts are allocable to the Series 2015A Bonds, the Trustee must make such deposit to the Series 2015A Condemnation and Insurance Proceeds Account. The Trustee is authorized under the Indenture and directed to use moneys in the accounts within the Condemnation and Insurance Proceeds Fund in accordance with directions from MPS for any combination of the following purposes: (a) to pay or reimburse MPS for the costs of repairing, restoring, replacing, or rebuilding any Project Improvement damaged or destroyed by fire or other casualty; (b) to pay or reimburse MPS for the costs of acquiring or constructing other land and facilities in the City to replace any Redevelopment Property destroyed by fire or other casualty, taken by eminent domain, or lost by reason of title defect; and (c) to transfer to the related accounts within the Redemption Fund if MPS elects to cause the redemption (in whole or part) of any related series of Bonds pursuant to the Lease or to terminate the Lease pursuant to the provisions thereof or otherwise; provided, however, that in the event MPS has terminated the Lease as a result of condemnation, inverse condemnation, loss, damage, or destruction to the Project Improvements, such proceeds shall be used only for the purpose set forth in clause (c) above.

Sinking Fund. The Indenture establishes within the Sinking Fund the "Series 2015A Sinking Fund Account." The Trustee is required to deposit into the Sinking Fund any monies received from the Direct Payment Fund pursuant to the Indenture, from MPS or from the Base Rents pursuant to the Lease for deposit into the Sinking Fund. The Authority is required to make sinking fund deposits by June 1st of each year to the extent that the aggregate amount held in the Sinking Fund on such date is less than the Sinking Fund Requirement shown below as of such June 1st.

Year	Series 2015A Sinking Account Requirement	Year	Series 2015A Sinking Account Requirement
2016	$ 1,461,538.46	2029	$ 20,461,538.44
2017	2,923,076.92	2030	21,923,076.90
2018	4,384,615.38	2031	23,384,615.36
2019	5,846,153.84	2032	24,846,153.82
2020	7,307,692.30	2033	26,307,692.28
2021	8,769,230.76	2034	27,769,230.74
2022	10,230,769.22	2035	29,230,769.20
2023	11,692,307.68	2036	30,692,307.66
2024	13,153,846.14	2037	32,153,846.12
2025	14,615,384.60	2038	33,615,384.58
2026	16,076,923.06	2039	35,076,923.04
2027	17,538,461.52	2040	36,538,461.50
2028	18,999,999.98		

The Trustee must make such deposit to the Series 2015A Sinking Fund Account or, if Additional Bonds have been issued, then to such account as MPS shall specify. The moneys on deposit in the Sinking Fund must be used by the Trustee for the payment of the principal of the Bonds due upon their maturity.

Moneys held in the Sinking Fund shall be invested as provided in the Indenture. Investment income earned in the Sinking Fund shall be retained in the Sinking Fund; provided, however, that if on any date the sum held in the Sinking Fund exceeds the principal amount of the Outstanding Bonds, then the amount of such excess, at the direction of the Authority upon direction of MPS, may be withdrawn from the Sinking Fund free from the lien of the Indenture.

If on any Interest Payment Date the available amount in the accounts within the Bond Fund (after making all required deposits therein) are insufficient to pay the principal and interest then due on the Bonds, the Trustee shall transfer to the accounts within the Bond Fund from the related accounts within the Sinking Fund the amount of the deficit; provided, however, that any such transfer by the Trustee shall not relieve MPS of any of its obligations under the Lease. In the event the Trustee shall transfer monies to the accounts within the Bond Fund from the related accounts within the Sinking Fund in order to fund a deficiency in the accounts within the Bond

Fund, it must give prompt written notice to the Authority and MPS. On such date as the entire outstanding principal amount of the applicable Bonds shall become due, whether by redemption or upon stated maturity, the Trustee shall transfer to the accounts within the Bond Fund from the related accounts within the Sinking Fund the balance thereof.

The Trustee shall value the Sinking Fund on May 15 of each year (or if such date is not a Business Day, on the next succeeding Business Day) (the "**Valuation Date**"), such value to be determined pursuant to the Indenture of all cash and investments in the Sinking Fund. Qualified Investments in the Sinking Fund that mature on demand or within one year of the Valuation Date shall be valued at par plus accrued and unpaid interest to the Valuation Date. In the event the Trustee determines that the value of the accounts within the Sinking Fund is less than the Sinking Fund Requirement as of the following June 1, it shall give prompt written notice to the Authority and MPS.

MPS has agreed in the Lease that it shall deposit with the Trustee sufficient cash or Qualified Investments to cure such deficit in the manner provided in the Lease.

Issuance Expense Fund. The Indenture establishes within the Issuance Expense Fund the "Series 2015A Issuance Expense Account." The Trustee is required to deposit into the Issuance Expense Fund, when and as received, the amount of Bond proceeds specified in the Indenture. To the extent that any such amounts are allocable to the Series 2015A Bonds, the Trustee is required to make such deposit to the Series 2015A Issuance Expense Account. Any amounts remaining in the Series 2015A Issuance Expense Account shall be transferred to the Series 2015A Construction Account on the earlier of (i) the date of receipt by the Trustee from MPS of a certificate to the effect that all costs associated with the issuance of the Series 2015A Bonds have been paid, or (ii) the six-month anniversary of the Effective Date.

Construction Fund. The Indenture establishes within the Construction Fund the "Series 2015A Construction Account." The Trustee is required to deposit into the Construction Fund, when and as received, the portion of the proceeds of the issuance of the Bonds not deposited to the Bond Fund or the Issuance Expense Fund, and any other amounts required by the Indenture. To the extent that any such amounts are allocable to Series 2015A Bonds, the Trustee shall make such deposits to the Series 2015A Construction Account. Any amounts remaining in the Series 2015A Construction Account on the earlier of (i) the date of receipt by the Trustee from MPS of a Certificate of Completion, pursuant to the Lease, evidencing the completion of the portion of the Project Improvements allocable to the Series 2015A Bonds or (ii) the Expenditure Termination Date, shall be transferred to the Series 2015A Redemption Fund.

Direct Payment Fund. No more than 90 days, and no less than 45 days (or such other time period as prescribed by the IRS), prior to each Interest Payment Date for any Bonds that are QSCBs, the Trustee shall file IRS Form 8038-CP, as revised to take into account payment of the refundable credit payments with respect to Direct Pay Tax Credit Bonds (or its successor), in order to qualify for the Credit Payments for interest paid on the Bonds. Credit Amounts received by the Trustee shall be deposited into the Direct Payment Fund. The Credit Amount received shall be paid as follows:

First: To the Bond Fund to pay interest on the Bonds on the interest payment date related to the Credit Amount.

Second: To the Sinking Fund, the amount, if any, necessary, together with funds then on deposit in the Sinking Fund, to satisfy the Sinking Fund Requirement on the following June 1st.

Third: To MPS;

provided however, in the event that interest was paid from a withdrawal from the Sinking Fund, the Credit Amount received, up to the amount withdrawn from the Sinking Fund, shall be deposited into the Sinking Fund. If the Credit Amount is not received by the Interest Payment Date, or the amount received is less than the amount anticipated to be received, the Trustee shall immediately notify the Authority and MPS.

Investments

Moneys held in the Trust Funds shall be separately invested and reinvested by the Trustee upon receipt of written direction from MPS in accordance with the Indenture and the Lease. Each investment shall be held by or under the control of the Trustee and shall be deemed at all times to be part of the particular Trust Fund in which such moneys were held. Income and profit from any such investment shall be credited to the Trust Fund for whose account the investment was made. Any net loss realized and resulting from any such investment shall be charged to the particular Trust Fund for whose account the investment was made.

All such investments and reinvestments shall be made in Qualified Investments having a maturity not later than the estimated time when the moneys so invested will be needed for the purposes of the Trust Fund of which they are a part. Moneys in the Bond Fund shall be invested only in Government Obligations.

The Trustee may make and execute any such investment through its own bond department, money center or other investment operation or through the bond department, money center, or investment operation of any affiliated bank.

Authority Covenants

The Authority has covenanted:

In General. That it will faithfully perform each and every undertaking, covenant, stipulation, and provision contained in the Indenture and in every Bond executed, authenticated, and delivered thereunder. The Authority represents that it is duly authorized under the Constitution and laws of the State of Wisconsin to issue the Bonds, to execute the Indenture and to pledge the revenues described herein. The Authority represents further that all action on its part for the issuance of the Series 2015A Bonds and the execution and delivery of the Indenture has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are, and will be, valid and enforceable obligations of the Authority according to the tenor and import thereof.

Instruments of Further Assurance. The Authority covenants in the Indenture that it will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such Supplemental Indentures and such further acts, instruments, and transfers as the Trustee may reasonably require for the better assuring, pledging, assigning, and confirming unto the Trustee all and singular the Trust Estate and the revenues pledged in the Indenture to the payment of the principal of, premium, if any, and interest on the Bonds.

Inspection of Books. The Authority and the Trustee each covenant and agree in the Indenture that all books and documents in their possession relating to the Bonds and the Pledged Revenues shall at all times be open to inspection by such accountants or other agents as the Trustee, MPS, or the Authority may from time to time designate.

Rights Under Lease and Other Documents. The Authority covenants and agrees that, except as provided in the Indenture and in the Lease, it will not sell, assign, pledge, transfer, encumber, or otherwise dispose of the Pledged Revenues. The Lease, a duly executed counterpart of which has been filed with the Trustee, sets forth covenants and obligations of the Authority and MPS, including provisions that subsequent to the issuance of the Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions of the Indenture, the Lease shall not be effectively amended, changed, modified, altered, or terminated (other than as provided therein) without the concurring written consent of the Trustee. The Authority agrees in the Indenture that the Trustee in its own name may enforce all rights of the Authority and all obligations of MPS under and pursuant to the Lease (other than the Unassigned Rights) for and on behalf of the Bondowners whether or not the Authority is in default under the Indenture, but the Trustee shall not thereby be deemed to have assumed the obligations of the Authority under the Lease and shall have no obligations thereunder except as expressly provided in the Indenture or the Lease. The Authority agrees in the Indenture to cooperate fully with the Trustee (at the expense of MPS) in any proceedings or to join in or commence in its own name any proceedings necessary to enforce the rights of the Authority and all obligations of MPS under and pursuant to the Lease if the Trustee shall so request. The Authority covenants that it will not take any action that would disturb MPS's Quiet Enjoyment (as defined in the Lease) of the Project Improvements.

Indenture to Constitute Contract. In consideration of the purchase and acceptance of Bonds by those who shall hold the same from time to time, the provisions of the Indenture and any Supplemental Indenture shall be a part of the contract of the Authority with the owners of Bonds and shall be deemed to be and shall constitute a contract between the Authority, the Trustee and the owners from time to time of the Bonds. The Authority covenants and agrees with the owners of Bonds and the Trustee that it will faithfully perform all of the covenants and agreements contained in the Indenture and in the Bonds.

Extension of Payment of Bonds. If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Bond or installment of interest shall not be entitled, in case of any default under the Indenture, to the benefit of the Indenture or to the payment out of Pledged Revenues or Funds, Accounts and Sub-Accounts established by the Indenture or moneys held by fiduciaries or depositaries (except moneys held in trust for the payment of such Bond or installment of interest) until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended, and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

QSCBs Designation and Allocation of Series 2015A Bonds. In accordance with the requirements of Sections 54A and 54F of the Code, the Authority designates in the Indenture $38,000,000 aggregate principal amount of the Series 2015A Bonds as “qualified school construction bonds.” In accordance with Section 6431(f)(3)(B) of the Code, the Authority irrevocably elects in the Indenture to have the provisions of Section 6431(f) of the Code, relating to direct pay “specified tax credit bonds,” apply to the Series 2015A Bonds.

Direct Pay QSCB Status. In order to maintain the status of the Series 2015A Bonds as “qualified school construction bonds” under Section 54F of the Code and “specified tax credit bonds” under Section 6431(f) of the Code, the Authority shall comply, and shall cause MPS to comply, with the provisions of the Code applicable thereto, including without limitation (i) Sections 54A, 54F and 6431 of the Code, and (ii) the provisions of the Code relating to the computation of the yield on investments of the “gross proceeds” of an issue of “qualified school construction bonds,” as such terms are defined in the Code, reporting of the earnings on such gross proceeds and rebates of earnings on such gross proceeds to the Department of the Treasury of the United States of America (“Rebate Payments”), to the extent such provisions apply to an issue of “qualified school construction bonds.”

The Authority shall not take any action or fail to take any action which action or failure would cause the Series 2015A Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code; nor shall any part of the proceeds of the Series 2015A Bonds or any other funds of the Authority be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Series 2015A Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

The Authority shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2015A Bonds pursuant to Section 148(f) of the Code.

Use of Proceeds. The Authority acknowledges and agrees that 100% of the Available Project Proceeds of the Series 2015A Bonds are required by Sections 54A and 54F of the Code to be used prior to June 30, 2018 to pay or reimburse the payment of qualifying public school facility expenditures for the construction, rehabilitation or repair of public school facilities, including the acquisition of (A) land on which facilities financed with the proceeds of the Series 2015A Bonds are to be constructed, and/or (B) equipment to be used within the portion or portions of the facilities financed with the proceeds of the Series 2015A Bonds.

Default Provisions and Remedies of Trustee and Bondowners

The following events shall be Events of Default:

(a) Default in the due and punctual payment of the principal of, premium, if any, or interest on any Bond whether at the stated maturity thereof, or upon redemption thereof; or

(b) Default in the performance or observance of any of the covenants, agreements or conditions (i) on the part of the Authority in the Indenture or in the Bonds or (ii) on the part of MPS in the Lease, and the continuance thereof for a period of 30 days after written notice given to the Authority and MPS by the Trustee or to the Trustee, the Authority, and MPS by the Owners of not less than 10% in aggregate principal amount of Bonds then Outstanding; or

(c) Any of the City, the Authority or MPS shall file a petition seeking to become a debtor under the federal bankruptcy laws or seeking a composition of indebtedness under any other applicable law or statute of the United States of America or of the State of Wisconsin.

No Acceleration. The Trustee is not authorized to accelerate the maturity of the Bonds upon the occurrence of an Event of Default.

Remedies Upon Default. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy by action at law or suit in equity to enforce the payment of principal, premium, if any, and interest on the Bonds or of payments due under the Lease.

The Trustee, as an assignee of rights and interests of the Authority in and to the Lease, shall enforce such of its rights and the rights of the Authority thereunder as it shall deem necessary or appropriate. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee shall take such action as, in the judgment of the Trustee applying the standards described in the Indenture, would best serve the interests of the Bondowners.

If an Event of Default shall have occurred, and if requested so to do by the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding and if indemnified as provided in the Indenture, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred pursuant to the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondowners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bondowners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondowners under the Indenture or at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default in the Indenture, whether by the Trustee pursuant to the provisions of the Indenture or by the Bondowners, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Rights of Bondowners to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Waiver of Certain Rights. Upon the occurrence of an Event of Default, to the extent that such rights may then lawfully be waived, neither the Authority nor anyone claiming through it or under it, shall set up, claim or seek to take advantage of any moratorium, stay, extension, or redemption laws now or hereafter in force to prevent or hinder the enforcement of the Indenture, but the Authority for itself and all who may claim through or under it waives, to the extent that it lawfully may do so, the benefit of all such laws to which it may be entitled by law.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the default provisions of the Indenture shall, after payment (or the establishment of reserves for such payment) of the fees, costs, and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee, including any legal fees and expenses, be deposited into the Bond Fund, and all moneys held or deposited in the Bond Fund during the continuance of an Event of Default shall be applied, as follows:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest including interest (to the extent permitted by law) on overdue installments of interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto without any discrimination or privilege; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest (to the extent permitted by law) on such Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal, with interest (to the extent permitted by law) on such principal from the respective dates on which such principal became due, to the persons entitled thereto without any discrimination or privilege; and

THIRD: To the payment to the persons entitled thereto of the unpaid premium, if any, on any of the Bonds which have been called for redemption, in the order of the redemption dates, with interest (to the extent permitted by law) on such premiums from the respective dates on which such premiums became due, and, if the amount available shall not be sufficient to pay in full the premiums due on any particular redemption date, together with such interest, then to the payment ratably, according to the premium due on such date, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied as described above, such moneys shall be applied at such times or time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds and interest thereon have been paid under the provisions under this subheading and all fees, charges, and expenses of the Trustee and any paying agents and all other amounts required to be paid in the Indenture have been paid, any balance remaining in the Bond Fund shall be paid to the Authority.

Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds appertaining thereto, and any recovery of judgment shall, subject to the provisions in the previous subsection, be for the equal and ratable benefit of the Owners of the Outstanding Bonds.

Rights and Remedies of Bondowners. No Owner of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Indenture, unless: (i) a default has occurred of which the Trustee has been notified, or of which it is deemed to have notice, as provided in Indenture (ii) such default shall have become an Event of Default and the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit, or proceeding in its own name, (iii) such Owners shall have offered to the Trustee indemnity as provided in the Indenture, and (iv) the Trustee shall thereafter have failed or refused to exercise the powers granted in the Indenture, or to institute such action, suit, or proceeding in its own name; and such notification, request, and offer of indemnity are at the option of the Trustee conditions precedent to the execution of the powers and trust of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy thereunder; it being understood and intended that no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the security of the Indenture by its, or their action or to enforce any right thereunder except in the manner provided in the Indenture and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after the stated maturity thereof, or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Bonds issued under the Indenture to the respective Owners of the Bonds at the time, place, from the source and in the manner expressed in the Indenture and in said Bonds.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Authority, MPS, and the Trustee shall be restored to their former positions and rights under the Indenture and all rights, remedies, and powers of the Trustee shall continue as if no such proceedings had been taken.

Waivers of Events of Default. The Trustee shall waive any Event of Default under the Indenture and its consequences upon the written request of the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Owners of all the Bonds Outstanding (i) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein or at the date fixed for the redemption thereof, or (ii) any Event of Default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) on overdue installments of interest at the rate per annum provided in the Bonds, or all arrears of payments of principal, with interest (to the extent permitted by law) on overdue principal at the rate per annum provided in the Bonds, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for; and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee, and the Bondowners shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Opportunity to Cure Defaults by Authority. With regard to any alleged default by the Authority under the Indenture, the Authority names and appoints MPS as its attorney-in-fact and agent with full authority to perform any covenant or obligation alleged to constitute a default by the Authority, in the name and stead of the Authority with full power to do any and all things and acts with power of substitution.

Certain Notices to MPS and Rating Agency. In the event that the Trustee fails to receive when due any payment of MPS pursuant to the Lease, the Trustee shall promptly give written notice thereof by fax or email or if fax or email service is not available then by mail, postage prepaid, or by messenger to the Authority, and any Rating Agency, if any, specifying such failure. Such notice, however, shall not be a condition precedent to the exercise of any remedy under the Indenture, and failure to give such notice shall not preclude such default from being an Event of Default.

Concerning the Trustee

Intervention by the Trustee. In any judicial proceedings to which the Authority or MPS is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of Bondowners and shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of all Bonds then Outstanding, provided that the Trustee shall first have been offered such reasonable indemnity against such liability as it may incur in or by reason of such proceedings. The rights and obligations of the Trustee are subject to the approval of a court of competent jurisdiction.

Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, *ipso facto*, shall be and become a successor Trustee under the Indenture and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything herein to the contrary notwithstanding.

Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving 30 days' prior written notice to the Authority, MPS and any Rating Agency, and by first-class mail to each Owner of Bonds. Such resignation shall take effect, however, only upon the appointment of a successor Trustee (or a temporary Trustee as provided in the Indenture) by the Bondowners or by the Authority and the acceptance of such appointment.

Removal of Trustee. The Trustee may be removed at any time, either with or without cause, by the Authority so long as there has been no Event of Default which then remains uncured and provided that all fees and expenses of the Trustee that are due and owing pursuant to the Indenture and that are not disputed shall first be paid. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee, the Authority, and MPS, and signed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. Such removal shall take effect, however, only upon the appointment of a successor Trustee (or a temporary Trustee as provided in the Indenture) by the Bondowners or by the Authority and the acceptance of such appointment.

Appointment of Successor Trustee by Bondowners; Temporary Trustee. In case the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Authority. If the Authority fails to appoint a Trustee and such failure persists for more than 30 days, or if the Trustee is removed by the Owners of the Bonds as described above under "**THE INDENTURE – Concerning the Trustee – Removal of Trustee**," then such Owners, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys-in-fact, duly authorized, may appoint a successor Trustee. In case of such vacancy the Authority shall appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondowners as described above; and any such temporary Trustee so appointed by the Authority shall immediately and without further act be superseded by the Trustee so appointed by such Bondowners. Every such Trustee shall be a trust company or bank organized and in good standing under the laws of the United States of America or any state of the United States of America having the power and any authority to assume the duties and trusts created by the Indenture and having a reported capital, surplus, and undivided profits of not less than $10,000,000 if there be such an institution willing, qualified, and able to accept the trust upon reasonable or customary terms.

Concerning Any Successor Trustee. Every successor Trustee shall execute, acknowledge, and deliver to its predecessor and also to the Authority and MPS an instrument in writing accepting such appointment under the Indenture, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all of the properties, rights, powers, trusts, duties, and obligations of its predecessor; but such predecessor shall nevertheless, on the written request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the properties, rights, powers, and trusts of such predecessor under the Indenture; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee to its successor. Any successor to the corporate Trustee shall be a corporation organized and doing business under the laws of the United States of America or any State or territory thereof, or of the District of Columbia, and shall be authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by Federal, State, Territorial, or District of Columbia authority and have a combined capital, surplus, and undivided profits of not less than the $10,000,000. Each successor Trustee shall give notice of its appointment to all Owners appearing on the Bond Register as of the date of appointment and shall cause a notice of such appointment to be posted on the Electronic Municipal Market Access system. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the properties, rights, powers and duties vested or intended to be vested in the predecessor, any and all such instruments in writing, shall, on request, be executed, acknowledged, and delivered by the Authority.

Appointment of a Co-Trustee. At any time or times, for the purposes of conforming to any legal requirements, restrictions or conditions in any State, or if the Trustee shall be advised by Independent Counsel that it is necessary or advisable in the interest of the Bondowners so to do, the Authority and the Trustee shall have power to appoint (and upon the request of the Trustee, the Authority shall for such purpose join with the Trustee in the execution, delivery, and recording of all instruments and agreements necessary or proper to appoint) another corporation or one or more persons, approved by the Trustee, either to act as separate Trustee or Trustees or Co-Trustees of all or any of the trust estate jointly with the Trustee under the Indenture.

Requirement of a Corporate Trustee. There shall at all times be one or more Trustees under the Indenture. One of the Trustees shall at all times be a corporate Trustee, and the corporate Trustee and any successor to the corporate Trustee shall be a corporation organized and doing business under the laws of the United States of America or any State or territory thereof, or of the District of Columbia, and shall be authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by Federal, State, Territorial, or District of Columbia authority and have a combined capital, surplus, and undivided profits of not less than the $10,000,000. If such corporate Trustee publishes reports of its condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then the combined capital, surplus, and undivided profits of the corporate Trustee shall be deemed its combined capital, surplus, and undivided profits as the same is set forth in the corporate Trustee's most recent report of condition so published.

Concerning the Redevelopment Property. The Trustee may take such actions with respect to the Redevelopment Property as it deems necessary or advisable in the interests of the Bondowners to preserve and protect the value of the Project Improvements; provided, however, that the Trustee shall not be responsible for the value of the Project Improvements or the Redevelopment Property, the payment of any taxes thereon, or the maintenance of insurance with respect thereto.

If during the continuance of an Event of Default the Trustee deems it advisable in the interests of the Bondowners to pay delinquent taxes on the Redevelopment Property or to pay insurance premiums with respect to insurance on the Redevelopment Property, the Trustee may (but is not required to) advance the funds necessary therefor and, to such extent, shall be reimbursed with interest at the rate of 12% per annum from the first Pledged Revenues collected thereafter.

Discharge

If the Authority shall pay or cause to be paid the principal, premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if the Authority shall not then be in default in any of the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed, and observed by it or on its part, and shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions of the Indenture, then the Indenture and the estate and rights granted in the Indenture shall cease, terminate, and be void, whereupon the Trustee, at the request of the Authority, shall cancel and discharge the lien of the Indenture and execute and deliver to the Authority such instruments in writing as shall be requisite to cancel and discharge the lien of the Indenture, and reconvey, release, assign, and deliver unto the Authority any and all the estate, right, title, and interest in and to any and all property conveyed, assigned, or pledged to the Trustee or otherwise subject to the lien of the Indenture, except moneys or securities held by the Trustee in separate segregated trust accounts pursuant to the Indenture for the payment of the principal of, premium, if any, and interest on unpresented Bonds.

Any Bonds shall be deemed to be paid within the meaning of the Indenture when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise) either (A) shall have been made or caused to be made in accordance with the terms of the Indenture, or (B) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (i) moneys sufficient to make such payment or (ii) Governmental Obligations not redeemable at the option of the issuer or anyone acting on its behalf maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees and expenses of the Trustee pertaining to the Bond with respect to which such deposit is made. At such time as a Bond shall be deemed to be paid, it shall no longer be deemed to be Outstanding and shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing, no deposit under clause (B) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until:

(a) The deposit shall have been made under the terms of an escrow agreement in form and substance satisfactory to the Trustee consistent herewith;

(b) In the case of an escrow deposit with respect to Bonds subject to redemption prior to maturity at the option of the Authority, the Authority shall have delivered a certificate signed by the Chairperson or the Executive Director designating when such Bonds are to be paid or redeemed under terms of such escrow agreement;

(c) In the case of Bonds which are subject to mandatory redemption or which are redeemable at the option of the Owners thereof, the Trustee shall have been furnished with evidence satisfactory to it that a redemption of such Bonds in accordance with their terms in advance of stated maturity will not create a deficiency in the escrow;

(d) In case of Bonds which are to be redeemed prior to maturity from such escrow deposit, a redemption notice meeting the requirements of the Indenture and stating that such Bonds are being redeemed from a deposit made pursuant to the Indenture shall either (i) have been given, or (ii) shall have been provided for by delivery to the Trustee of irrevocable instructions for the giving of such notice;

(e) In the case of any tax-exempt Bonds, the Trustee shall have been furnished with an opinion of Bond Counsel to the effect that the payment of such Bonds in accordance with said escrow agreement will not adversely affect the tax-exempt status of such Bonds and will not cause such Bonds to be classified as “arbitrage bonds” under Section 148 of the Internal Revenue Code; and

(f) The Trustee shall have given notice of such deposit to the Owner of each Bond Outstanding at the address shown on the Bond Register.

All moneys or Governmental Obligations set aside and held as described in this paragraph for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereon, if any) with respect to which such moneys and Governmental Obligations have been so set aside.

If moneys or Governmental Obligations have been deposited or set aside with the Trustee for the payment of Bonds and the interest and premium, if any, thereon and such Bonds and the interest and premium, if any, thereon shall not have in fact been actually paid in full, no amendment to the provisions of the Indenture relating to the defeasance of Bonds shall be made without the consent of the Owner of each of the Bonds affected thereby.

Supplemental Indentures

Amendments and Supplements Without Bondowners' Consent. The Indenture may be amended or supplemented from time to time, without the consent of the Bondowners, by a Supplemental Indenture authorized by a resolution of the Authority filed with the Trustee, for one or more of the following purposes:

(a) If the conditions for the issuance of Additional Bonds are otherwise satisfied, to provide for the issuance of Additional Bonds, and set forth any or all of the matters in connection with the issuance of such Additional Bonds required or permitted by the Indenture, including without limitation, the establishment of a reserve fund securing one or more series of Additional Bonds;

(b) To add additional covenants of the Authority or to surrender any right or power herein conferred upon the Authority; and

(c) For any purpose not inconsistent with the terms of the Indenture or to cure any ambiguity or to correct or supplement any provision contained therein or in any Supplemental Indenture which may be defective or inconsistent with any other provision contained therein or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture and which, in the judgment of the Trustee, shall not adversely affect the interests of the Owners of the Bonds.

Amendments with Bondowners' Consent. The Indenture may be amended from time to time by a Supplemental Indenture consented to by MPS and approved by Requisite Consent of Bondowners; provided that no amendment shall be made which affects the rights of some but less than all the Outstanding Bonds without the Requisite Consent of Bondowners so affected; and provided further that unanimous written consent of the Bondowners shall be required for any amendment with respect to (i) the amount or due date of any principal, premium, mandatory redemption or interest payment upon any Bonds, and (ii) provisions in the Indenture regarding

Supplemental Indentures or amendments to the Lease. For the purpose of determining whether the Owners of the Bonds have consented to any amendment, any person deemed to be an underwriter of the Bonds under applicable securities laws, who is the beneficial owner of any Bond may consent to an amendment with respect to the Bonds owned by such underwriter.

If at any time the Authority shall request the Trustee to enter into any Supplemental Indenture for which consent of Bondowners is required, the Trustee shall, upon being satisfactorily indemnified with respect to fees and expenses and being furnished by the Authority with a notice concerning the Supplemental Indenture, mail a copy of the notice by first-class mail to each Owner of the Bonds and to any Rating Agency. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Trustee's Principal Office for inspection by all Bondowners. If within six months following the giving of such notice, the execution of any such Supplemental Indenture shall have been consented to and approved as provided in the Indenture, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Consent of MPS. Any Supplemental Indenture which affects any rights of MPS shall not become effective unless and until MPS shall have consented in writing to the execution and delivery of such Supplemental Indenture.

Amendment of the Lease

Amendments Not Requiring Consent of Bondowners. The Authority and the Trustee may without the consent of or notice to the Bondowners agree to any amendment, change, or modification of the Lease or any in connection with any change therein for any of the following purposes:

(a) If the conditions for the issuance of Additional Bonds are otherwise satisfied, to set forth any or all of the matters in connection with the issuance of Additional Bonds required or permitted by the Indenture;

(b) To add additional covenants of MPS or to surrender any right or power therein conferred upon MPS or to add additional security for the performance of its obligations; and

(c) To make such other provisions in regard to matters or questions arising thereunder which shall not be inconsistent with the provisions of the Indenture and which, in the judgment of the Trustee, shall not adversely affect the interests of the Owners of the Bonds

Amendments Requiring Consent of Bondowners. Except for amendments, changes, or modifications as provided in the Indenture, neither the Authority nor the Trustee shall consent to any amendment of the Lease without the giving of notice and the Requisite Consent of Bondowners; provided, that no amendment shall be consented to which affects the rights of some but less than all the Outstanding Bonds without the Requisite Consent of Bondowners so affected; and provided further that the Trustee shall not without the unanimous written consent of the Bondowners consent to any amendment which would (i) decrease the amounts payable on the Lease, (ii) change the date of payment of rent under the Lease, or (iii) change Section 7.01 of the Lease.

If at any time the Trustee shall be requested to consent to any such proposed amendment, change, or modification, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, notify the Authority, MPS, and any Rating Agency and cause notice of such proposed amendment, change, or modification to be given in the same manner as provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change, or modification and shall state that copies of the instrument embodying the same are on file at the Trustee's Principal Office for inspection by all Bondowners. Nothing herein shall be construed to require the Trustee to solicit the consent of any Bondowner.

Consent of MPS. Anything herein to the contrary notwithstanding, any amendment, change, or modification which affects any rights or obligations of MPS shall not become effective unless and until MPS shall have consented in writing thereto.

THE LEASE

General

Certain provisions of the Lease are summarized below. Other provisions are described in this Official Statement under the caption **"SECURITY FOR THE SERIES 2015A BONDS – The Lease.**"

Rents

Under the Lease, MPS agrees to pay to the Trustee for the account of the Authority, without offset, the following rents (the "Base Rents") at the following times:

(1) On or prior to an interest payment date and redemption date, an amount equal to the interest due on the Bonds on such date, less amounts on deposit in the Bond Fund for such payment.

(2) On or prior to a date on which a payment of principal is due on the Bonds pursuant to the Indenture, the principal due on the Bonds on such date, less amounts on deposit in the Sinking Fund for such payment.

(3) On or prior to a redemption date pursuant to the Indenture, the redemption price of the Bonds being redeemed, less amounts on deposit in the Redemption Fund for such payment.

(4) Within 90 days of notice from the Trustee, the amount necessary to replenish the Sinking Fund or any debt service reserve account to the applicable Sinking Fund Requirement or any debt service reserve requirement.

(5) On or prior to a Sinking Fund Payment Date, the Sinking Fund Requirement for that date, less the aggregate amount on deposit in the Sinking Fund related to the Sinking Fund Requirement.

(6) On or prior to each June 1 and the date a Rebate Payment is due pursuant to the Indenture, the amount of Rebate Payment potentially owed, less amounts on deposit in an account for the Rebate Payment.

For purposes of clauses (1) and (3) above, the due dates for payment shall be five (5) days prior to the regularly scheduled dates for the payment of principal and interest on the Series 2015A Bonds.

Within seven calendar days of the adoption of a budget, MPS shall notify the Authority and the Trustee in writing of any failure by MPS to include in its annual budget provision for the payment of Base Rents or other amounts to become due under the Lease during the fiscal period to which such budget applies.

The obligation of MPS to pay Base Rents shall be subject to the conditions described in the Lease but shall not otherwise be subject to any diminution by set-off, counterclaim, abatement, suspension, or defense. In the event that the conditions in the Lease related to Quiet Enjoyment are not met with regard to some, but not all of the Redevelopment Property, MPS is still obligated to pay all Rents pursuant to the Lease.

The Indenture provides that the Series 2015A Bonds may be called for redemption. In the event of any such redemption the schedule of Base Rents shall be reduced accordingly.

With respect to each series of Additional Bonds, MPS agrees to pay to the Trustee for the account of the Authority, without offset, the rents (the “Additional Rents”) specified in any Supplement to Lease (Additional Bonds) which shall at least be sufficient to pay the principal of, and interest and premium due on any such Additional Bonds, when due.

The due dates of principal and interest on such Additional Bonds shall be the regularly scheduled dates as set forth in the Supplement to Lease for the payment of principal and interest on such Additional Bonds (including any Annual Sinking Fund Payments). The Additional Rents shall not include the amount of any Additional Bond principal which may become due in advance of stated maturity by reason of call for redemption. Upon the issuance of each series of Additional Bonds, the Authority and MPS shall set forth a schedule of the Additional Rents applicable to such Additional Bonds by executing a Supplement to Lease (Additional Bonds).

MPS shall notify the Authority and the Trustee in writing of any failure by MPS to include in its annual budget provision for the payment of any Additional Rents or other amounts to become due under the Lease during the fiscal period to which such budget applies.

The obligation of MPS to pay Additional Rents shall be subject to the conditions described in the Lease but shall not otherwise be subject to any diminution by set-off, counterclaim, abatement, suspension, or defense.

In the event MPS or the Authority receives any Credit Amount (as defined in the Indenture), such payment shall be immediately transferred to the Trustee for deposit into the Direct Payment Fund established under the Indenture.

The Indenture may provide that some or all of the Additional Bonds may be called for redemption. In the event of any such redemption the schedule of the applicable Additional Rents shall be reduced accordingly.

Covenants of MPS

Improvements. The Authority agrees to apply the proceeds from the sale of the Bonds to cause the purchase, construction, installation, or improvement of the Project Improvements. MPS deems in the Lease such funding to be sufficient for such purposes (taking into account the other sources of funding for the Project Improvements) and agrees in the Lease that the value received from the Authority is fair and reasonable in relation to the obligations of MPS under the Lease. As between the Authority and MPS, MPS assumes all responsibilities and shall bear all risks relating to the construction and development of the Project Improvements.

General Insurance. MPS agrees in the Lease to maintain or cause to be maintained general public liability insurance against all claims for personal injury, death, or property damage for which the Authority or MPS might be liable, occurring upon, in, or about the Redevelopment Property or any buildings, facilities, sidewalks, streets, and passageways therein or thereon; such insurance to afford protection to the Authority and MPS to the limit of not less than $1,000,000 per occurrence in respect of personal injury and death and property damage, or such other limits as may be mutually agreed upon. MPS may maintain a combination of general liability insurance and self-insurance in an amount not less than the above limits. MPS agrees in the Lease to obtain a certificate of insurance naming the Authority and the Trustee as certificate holders and providing 30 days' notice of cancellation; MPS agrees in the Lease that it will, once a year, provide the Trustee with a certificate to the effect that it is in compliance with this Lease, including the requirements of this section. If the required certificate of compliance is not provided, the Authority may, at the expense of MPS, purchase such insurance

Property Insurance. MPS shall cause all improvements, buildings, and structures and contents thereof that are part of the Redevelopment Property, including the Project Improvements (including construction in progress, if any), to be continually insured during the term of the Lease against damage or destruction by fire, windstorm, and any other loss or damage customarily insured in connection with comparable property, in an amount equal to one hundred percent (100%) of the insurable value of such property. Each such insurance policy shall contain a clause making all losses payable to the Trustee and shall contain a replacement cost endorsement. MPS shall obtain a certificate of insurance (naming the Authority and the Trustee as certificate holders) and providing 30 days' notice of cancellation; MPS shall, once a year, provide the Trustee with a certificate to the effect that it is in compliance with the Lease, including the requirements of this section. If the required certificate of compliance is not provided, the Authority may, at the expense of MPS, purchase such insurance.

In case of damage, loss, or destruction of the Project Improvements, or any part thereof, or any fixtures or equipment thereof, the proceeds of any insurance which pertains to such premises, fixtures and equipment shall be paid, deposited, used, and applied as provided in the Lease.

MPS assumes in the Lease all risks in connection with any damage, loss, or destruction of the Redevelopment Property and the Project Improvements, or any part thereof, or any fixtures or equipment thereof from any and all causes whatsoever, and, in the event of any such damage, loss, or destruction, MPS covenants and agrees in the Lease to repair, restore, rebuild, or replace the same to a good and tenantable condition, either from the proceeds of insurance as provided in the Lease, or, to the extent such proceeds of insurance are insufficient or unavailable therefor, from available appropriations of moneys derived from other sources.

Compliance with Laws. MPS agrees that throughout the term of the Lease, it will promptly comply with all laws and ordinances and the orders, rules, regulations, and requirements of all federal, state, and local governments and agencies and departments thereof which are applicable to MPS and the Redevelopment Property, and whether or not the same require structural repairs or alterations, which may be applicable to the Redevelopment Property, the improvements, fixtures, or equipment thereof, or the sidewalks, curbs, and parking areas adjoining the Redevelopment Property, or the use or manner of use of the Redevelopment Property. MPS will also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Redevelopment Property and the improvements, fixtures, and equipment thereof, including the Project Improvements.

Alterations and Additions. MPS shall have the right at any time and from time to time during the term of the Lease, without liability to the Authority, to make such changes, alterations, and additions, structural or otherwise, to the Redevelopment Property and the improvements, fixtures, and equipment thereof, now or hereafter located on the Redevelopment Property, including the Project Improvements, as MPS shall deem necessary or desirable in connection with the use of the Redevelopment Property. All such changes, alterations, and additions when completed shall be of such a character as not to reduce or otherwise adversely affect the value of the Redevelopment Property, including the Project Improvements, or the rental value thereof. The cost of any such change, alteration, or addition shall be promptly paid and discharged so that the Redevelopment Property, including the Project Improvements, shall at all times be free of liens for labor and materials supplied with respect to the Redevelopment Property, including the Project Improvements. All alterations, additions, and improvements to the Redevelopment Property shall be and become a part of the realty covering the Redevelopment Property; provided, however, that any and all trade fixtures and equipment installed by MPS (or any person claiming under MPS), if any, after the original completion of the Project Improvements may be replaced at any time during the term of the Lease and may be removed at the expiration or sooner termination of the Lease, provided that MPS, at its cost and expense, repairs any damage to the Redevelopment Property and the Project Improvements caused by such removal.

Covenant Against Waste. MPS covenants in the Lease not to do or suffer or permit any waste or damage, disfigurement or injury to the Redevelopment Property, including the Project Improvements or any building or improvement now or hereafter on the Redevelopment Property or the fixtures or equipment thereof.

Surrender of Right of Reentry and Acceleration

The Authority for itself and its successors and assigns waives, surrenders, relinquishes, and releases, during the term of the Lease, any and all rights of reentry, or to retake possession of, or to evict MPS from its tenancy of, the Redevelopment Property, including the Project Improvements, or to accelerate the payment of Rents or any other amounts due hereunder, and covenants in the Lease and agrees not to exercise any such right in the event of the failure of MPS to make payment of the Rents or any other amounts due under the Lease or in the event of any other default or defaults under the Lease by MPS. The only remedies of the Authority in such event shall be legal proceedings to collect such Rents or other amounts due under the Lease and to require performance by MPS of its obligations under the Lease.

Quiet Enjoyment

The Authority covenants that MPS shall have Quiet Enjoyment of the Redevelopment Property and the Project Improvements, free from hindrance or disturbance by the Authority or by anyone claiming by, through or under the Authority. The obligation of MPS to pay Base Rents and Additional Rents and other amounts due shall be on the condition that, and shall accrue only as long as the Lease shall remain in effect without termination therein.

Changes to Redevelopment Property

MPS shall have the right to add or withdraw individual facilities from the Redevelopment Property in the event of a sale, lease, change of use or other event which necessitates such addition or withdrawal in order for MPS to comply with its covenants for the benefit of the holders of Bonds. In order to add or withdraw facilities from the Redevelopment Property, MPS shall provide written notice to the Authority and the Trustee listing the facilities to be added or withdrawn together with an opinion of Bond Counsel confirming that such addition or withdrawal will not constitute a violation of the covenants of MPS with respect to the Bonds. Rent payable pursuant to the Lease shall not be reduced or adjusted as a consequence of such addition or withdrawal.

THE GROUND LEASE

Demised Premises

In the Ground Lease, the City leases to the Authority, and the Authority leases from City, for the term of the Ground Lease, at the rental and upon the covenants, terms and conditions therein set forth, but subject to the Permitted Encumbrances (as defined in the Ground Lease). In the Ground Lease, the Authority acknowledges and agrees that the Demised Premises have been delivered by City and accepted by the Authority, in “as is” condition, with no representations or warranties of any type or kind being made by City, except as expressly set forth in the Ground Lease.

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