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

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado Zimmerman SC, Co-Bond Counsel, in connection with the issuance of the Series 2016A Bonds, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series 2016A Bonds will not be includable in gross income for federal income tax purposes. The Series 2016A Bonds are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Series 2016A Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Series 2016B Bonds is includible in gross income for federal income tax purposes. Interest on the Series 2016AB Bonds is not subject to taxation by the State of Wisconsin except that interest on and income from the Series 2016AB Bonds is includable in the measure of tax for Wisconsin corporate franchise tax purposes.

$24,985,000
REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE (WISCONSIN)
Redevelopment Lease Revenue Bonds, Series 2016

consisting of

$18,710,000
Redevelopment Lease Revenue Bonds, Series 2016A (Milwaukee Public Schools)

$6,275,000
Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B (Milwaukee Public Schools—Qualified Energy Conservation Bonds—Direct Payment Subsidy)

DATED:	Date of Delivery.
MATURITIES, INTEREST RATES, PRICES, YIELDS, CUSIPS:	Maturities, interest rates, prices, yields, CUSIP numbers and certain additional information are set forth on the inside front cover.
INTEREST PAYMENT DATES:	Payable semi-annually on the 15th day of each May and November, commencing November 15, 2017. Interest will be computed on the basis of a 30-day month and a 360- day year.
ISSUANCE:	The hereinafter defined Series 2016AB 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 2016AB Bonds. Purchasers of Series 2016AB Bonds will not receive physical delivery of bond certificates. Beneficial ownership of the Series 2016AB 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 2016AB Bonds will be issued pursuant to the terms of an Indenture of Trust dated as of June 1, 2015 (the "*Original Indenture*"), as supplemented by a First Supplemental Indenture of Trust dated as of November 1, 2016 (the "*First Supplemental Indenture*" and together with the Original Indenture, the "*Indenture*"), each 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 2016AB Bonds, the "*Bonds*"). The Series 2016AB Bonds are being issued as Additional Bonds.
AUTHORITY:	The Series 2016AB Bonds are being issued by the Authority pursuant to Section 66.1333 of the Wisconsin Statutes, as amended (the "*Act*").
PURPOSE:	The Series 2016AB 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 2016AB 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 2016AB 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 2016AB BONDS**" herein.
REDEMPTION:	The Series 2016A Bonds are subject to optional and mandatory redemption prior to maturity, and the Series 2016B Bonds are subject to optional purchase and optional and mandatory redemption prior to maturity. See "**THE SERIES 2016AB BONDS—Redemption Prior to Maturity**" and "**—Optional Purchase of Series 2016B Bonds**" herein.
UNDERWRITING:	The Series 2016AB Bonds will be offered when, as and if issued by the Authority and accepted by the Underwriter, 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 Underwriter by its counsel, Foley & Lardner LLP. It is expected that delivery of the Series 2016AB Bonds will be made through the facilities of DTC on or about December 1, 2016, against payment therefor. For information with respect to the Underwriter and its compensation, see "**UNDERWRITING**" herein.

PIPER JAFFRAY & CO.

November 17, 2016

MATURITY SCHEDULE

$18,710,000
Redevelopment Lease Revenue Bonds, Series 2016A
(Milwaukee Public Schools)

Maturity (November15)	Principal	Interest Rate	Price	Yield	CUSIP††
2017	$ 440,000	3.00%	101.704%	1.20%	602418 BC8
2018	895,000	3.00	102.938	1.47	602418 BD6
2019	920,000	3.00	103.819	1.67	602418 BE4
2020	950,000	3.00	104.249	1.88	602418 BF1
2021	975,000	3.00	104.310	2.08	602418 BG9
2022	1,015,000	5.00	115.306	2.24	602418 BH7
2023	1,070,000	5.00	115.938	2.49	602418 BJ3
2024	1,125,000	5.00	116.288	2.71	602418 BK0
2025	1,180,000	5.00	116.371	2.91	602418 BL8
2026	1,240,000	5.00	117.007	3.01	602418 BM6
2027	1,305,000	5.00	115.517*	3.17	602418 BN4
2028	1,370,000	5.00	114.689*	3.26	602418 BP9
2029	1,440,000	5.00	113.959*	3.34	602418 BQ7
2030	1,515,000	5.00	113.687*	3.37	602418 BR5
2031	1,595,000	5.00	113.054*	3.44	602418 BS3
2032	1,675,000	5.00	112.426*	3.51	602418 BT1

*Priced to November 15, 2026 call date.

$6,275,000
Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B
(Milwaukee Public Schools – Qualified Energy Conservation Bonds – Direct Payment Subsidy)

Maturity (November 15)	Interest Rate during Initial Period†	Price	Yield	CUSIP††
2036	4.588%	100%	4.588%	602418 BY0

† Subject to change on any Optional Purchase Date.

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 Piper Jaffray & Co. 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 2016AB 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. Piper Jaffray & Co. (the "*Underwriter*") has provided the following sentence for inclusion in the Official Statement: the Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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 terms such 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 Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2016AB 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 2016AB 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 2016AB 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 2016AB 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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TABLE OF CONTENTS

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OFFICIAL STATEMENT

$24,985,000
REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE (WISCONSIN)
Redevelopment Lease Revenue Bonds, Series 2016

consisting of

$18,710,000 **Redevelopment Lease Revenue Bonds, Series 2016A (Milwaukee Public Schools)**	**$6,275,000** **Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B (Milwaukee Public Schools – Qualified Energy Conservation Bonds – Direct Payment Subsidy)**

INTRODUCTION

Purpose of this Official Statement

This Official Statement sets forth information in connection with the offering by the Redevelopment Authority of the City of Milwaukee (the "*Authority*") of (i) $18,710,000 aggregate principal amount of its Redevelopment Lease Revenue Bonds, Series 2016A (Milwaukee Public Schools) (the "*Series 2016A Bonds*"); and (ii) $6,275,000 aggregate principal amount of its Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B (Milwaukee Public Schools – Qualified Energy Conservation Bonds – Direct Payment Subsidy) (the "*Series 2016B Bonds*" and together with the Series 2016A Bonds, the "*Series 2016AB Bonds*"). The Series 2016AB 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 October 20, 2016. The Series 2016AB Bonds will be issued under and secured by an Indenture of Trust dated as of June 1, 2015 (the "*Original Indenture*"), as supplemented by a First Supplemental Indenture of Trust dated as of November 1, 2016 (the "*First Supplemental Indenture*" and together with the Original Indenture, the "*Indenture*"), each 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 2016AB 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 2016AB Bonds

The Series 2016AB 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.

Pursuant to the Original Indenture, the Authority has heretofore issued $38,000,000 aggregate principal amount of its Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A (Milwaukee Public Schools – Qualified School Construction Bonds – Direct Payment Subsidy) (the "*Series 2015A Bonds*") and designated the Series 2015A Bonds as "qualified school construction bonds" under Section 54F of the Internal Revenue Code of 1986 (the "*Code*"). In connection with the issuance of the Series 2015A Bonds, MPS, the City and the Authority have entered into a Cooperation Agreement dated as of June 1, 2015 (the "*Original Cooperation Agreement*"), providing for the redevelopment of the certain real property (the "*Original Redevelopment Property*"). The City leases the Redevelopment Property to the Authority under a Ground Lease dated as of June 1, 2015 (the "*Original Ground Lease*") for the uses and purposes set forth in the Original Cooperation Agreement.

In connection with the issuance of the Series 2016AB Bonds and the hereinafter defined Series 2016C Bonds (see "**PLAN OF FINANCE – Concurrent financing**" herein), MPS, the City and the Authority have agreed to amend and restate the Original Cooperation Agreement to provide for additional real property on which the Project Improvements will be constructed (the "*Series 2016 Redevelopment Property*" and together with the Original Redevelopment Property, the "*Redevelopment Property*") pursuant to an Amended and Restated Cooperation Agreement dated as of November 1, 2016 (the "*Cooperation Agreement*"). The Authority and MPS have agreed to amend and restate the Original Ground Lease for the purposes set forth in the Cooperation Agreement and the City will lease the Redevelopment Property to the Authority pursuant to an Amended and Restated Ground Lease dated as of November 1, 2016 (the "*Ground Lease*").

The Authority will lease the Redevelopment Property, including the Project Improvements, to MPS under an Amended and Restated Lease dated as of November 1, 2016 (the "*Lease*"). The rental payments payable by MPS under the Lease will be in amounts sufficient to pay the debt service, including the required sinking fund payments, on the Series 2015A Bonds, the Series 2016AB Bonds, the Series 2016C Bonds, and any Additional Bonds issued pursuant to the Indenture. See "**SECURITY FOR THE SERIES 2016AB BONDS**" herein.

The Authority has designated the Series 2016B Bonds as "qualified energy conservation bonds" within the meaning of Section 54D 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, the Series 2016AB Bonds, the Series 2016C Bonds and any Additional Bonds, the Authority has assigned 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).

The 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 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 2016AB 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.

The Series 2016AB Bonds are being issued as Additional Bonds pursuant to the Indenture. Further Additional Bonds may be issued in addition to the Series 2016AB 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.

PLAN OF FINANCE

Series 2016AB Bonds

MPS will use the proceeds of the Series 2016AB Bonds to finance the costs of the Project Improvements and to pay certain costs of issuance. The Project Improvements include certain energy efficiency remodeling, renovation and equipping projects at MPS schools. MPS anticipates financing Project Improvements at the following schools:

River Trail School
Vincent High School
Wisconsin Conservatory of Lifelong Learning

MPS 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 cause a covenant violation under the Indenture, including the covenant to maintain the status of the Series 2016B Bonds as Qualified Energy Conservation Bonds.

Concurrent Financing

Concurrently with the issuance of the Series 2016AB Bonds, the Authority intends to issue $1,470,000 aggregate principal amount of its Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016C (Milwaukee Public Schools – Qualified Zone Academy Bonds) (the "*Series 2016C Bonds*" and together with the Series 2016AB Bonds, the "*Series 2016 Bonds*"). The Series 2016C Bonds are expected to be issued pursuant to the First Supplemental Indenture along with the Series 2016AB Bonds as Additional Bonds. An agreement to privately place the Series 2016C Bonds with a commercial bank was entered into on November 4, 2016. The Series 2016C Bonds are tax-credit bonds, have a final maturity of November 15, 2051 with a Mandatory Purchase Date of December 16, 2023, and have a supplemental coupon of 0% through their initial Interest Period. Within one year prior to a Mandatory Purchase Date, the Series 2016C Bonds may be remarketed for another interest period or retired. The Series 2016C Bonds will be limited obligations of the Authority, secured on a parity with the Series 2015A Bonds, the Series 2016AB Bonds and any Additional Bonds.

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 2016AB Bonds to finance the Project Improvements. The Authority's governing body adopted a resolution on October 20, 2016 authorizing the issuance and sale of the Series 2016AB Bonds.

The Authority makes no representation regarding the sufficiency of the security for the Series 2016AB Bonds or the suitability of the Series 2016AB Bonds for investment.

THE SERIES 2016AB BONDS

Maturity and Interest Rate

The Series 2016AB Bonds bear interest at the rates per annum and mature in the amounts and at the times set forth on the inside cover page hereof. The Series 2016AB 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*").

Interest is payable semi-annually on the 15th day of each May and November, commencing November 15, 2017, and as to any particular Series 2016AB Bonds, on the redemption date thereof. Interest will be calculated on the basis of a 360-day year comprised up of twelve 30-day months.

Optional Purchase of Series 2016B Bonds

Series 2016B Bonds are subject to optional purchase in whole, but not in part, on any Business Day on or after November 15, 2026 and no later than November 15, 2035 (a "*Series 2016B Optional Purchase Date*"), at the option of the Authority (upon the direction of MPS), at a purchase price equal to the principal amount of such Series 2016B Bonds plus accrued interest thereon, if any, to such Series 2016B Optional Purchase Date. The Authority may exercise its option to purchase the Series 2016B Bonds on any Series 2016B Optional Purchase Date by providing written notice of such optional purchase by mail to the Trustee no less than 45 days prior to the Series 2016B Optional Purchase Date. The Trustee shall provide notice thereof to the Bondholders not less than 30 days prior to the Series 2016B Optional Purchase Date. The notice shall state the Optional Purchase Date, the Purchase Price and that interest on such Series 2016B Bond shall cease to accrue from and after the Purchase Date provided that payment of the Purchase Price has been provided. If the Series 2016B Bonds are purchased on a Series 2016B Optional Purchase Date, there shall be no additional optional purchase dates for the Series 2016B Bonds, and the next Interest Period shall end on November 15, 2036.

The purchase of the Series 2016B Bonds on an Optional Purchase Date shall be conditioned upon the receipt by the Trustee of an amount equal to the Purchase Price from the reoffering of the Series 2016B Bonds or otherwise from funds provided to the Trustee by the Authority or MPS. In the event the conditions precedent to an optional purchase have not been satisfied by the applicable Optional Purchase Date for the Series 2016B Bonds, then the optional purchase shall not take effect for the Series 2016B Bonds; the Series 2016B Bonds shall remain subject to the then current terms of such Bonds prior to the Optional Purchase Date; and no Event of Default shall be deemed to have occurred as a result of the failure to complete the optional purchase.

The Authority shall establish a new interest rate with respect to the Series 2016B Bonds subject to an optional purchase on a Business Day no earlier than 30 Business Days and no later than the Business Day immediately preceding the first day of the new Interest Period, as selected by the Authority. Such rate shall be the minimum rate which, in the judgment of the Authority, will result in a sale of the Series 2016B Bonds at a price equal to the purchase price on the first day of the new Interest Period.

Redemption Prior to Maturity

The Series 2016AB Bonds are not subject to redemption prior to maturity except as described in this section.

***Optional Redemption*.**

Series 2016A Bonds. The Series 2016A Bonds maturing on or after November 15, 2027 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 on or after November 15, 2026, upon prepayment of the Lease rentals by MPS in accordance with the Lease. The redemption price for any such redemption shall be 100% of the principal amount being so redeemed, plus accrued interest to the date set for redemption.

Series 2016B Bonds. The Series 2016B 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 on or after November 15, 2026, upon prepayment of the Lease rentals by MPS in accordance with the Lease. The redemption price for any such redemption shall be 100% of the principal amount being so redeemed, plus accrued interest to the redemption date. The Series 2016B Bonds shall no longer be subject to optional redemption after the Series 2016B Bonds have been purchased on any Series 2016B Optional Purchase Date. See "**THE SERIES 2016AB BONDS – Optional Purchase of Series 2016B Bonds**" herein.

***Mandatory Sinking Fund Redemption of Series 2016B Bonds*.** The Series 2016B Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, on November 15 of each of the years and in the principal amounts as follows:

Year	Principal Amount
2033	$ 1,460,000
2034	1,530,000
2035	1,605,000
2036†	1,680,000

†Maturity

The principal amounts of Series 2016B Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of the Series 2016B Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the Authority may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Trustee may, and if directed by the Authority shall, purchase Series 2016B Bonds required to be retired on such mandatory redemption date. Any such Series 2016B Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory redemption required on such next mandatory redemption date

Extraordinary Mandatory Redemption of Series 2016B Bonds. The Series 2016B Bonds are subject to extraordinary mandatory redemption within 90 days after December 1, 2019 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 of the Series 2016B Bonds 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 2016B 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. "Available Project Proceeds" means (i) the excess of the proceeds of the sale of the Series 2016B Bonds over the issuance costs financed by the Series 2016B 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 2016AB Bonds are subject to optional redemption by the Authority, upon the direction of MPS, in whole but not in part, on the earliest date for which proper notice may be given, 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**

2016AB 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 Series 2016AB 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 of Series 2016B Bonds Upon Reduction of Subsidy. The Series 2016B 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 a change to Section 54A, Section 540 or Section 6431 of the Code, or to any guidance published by the IRS or the United States Department of the Treasury with respect to such sections or any other determination by the IRS or the United States Department of the Treasury, pursuant to which the Authority's cash subsidy payment from the United States Treasury with respect to interest paid on the Series 2016B Bonds is reduced by 25% or more or eliminated and which is not the result of any act as omission by the Authority or MPS to satisfy the requirements of the Code to receive the cash subsidy payments.

General Provisions Regarding Redemption. Bonds may be called for optional redemption in accordance with this section 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 2016AB Bonds so to be called for redemption.

Purchase and Cancellation of Series 2016AB Bonds. MPS shall have the right to purchase any outstanding Series 2016AB Bond and deliver it to the Trustee for cancellation. Also, the Trustee may purchase any outstanding Series 2016AB Bond for cancellation in accordance with the provisions of the Indenture pertaining to discharge. Any such purchase and cancellation of a Series 2016AB 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 2016AB Bond.

Notice of Redemption. If any Series 2016AB 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 2016AB Bonds to be redeemed. Such redemption notice shall: (1) identify the Series 2016AB 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 2016AB 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 2016AB 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 2016 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 2016AB 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 2016AB Bond shall not affect the validity of any proceedings for the redemption of any other 2016AB Bond. On and after the Redemption Date specified in the notice, unless there is a default in payment of the Redemption Price, the

Series 2016AB 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 2016AB 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 2016AB 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 2016AB Bonds to be redeemed among the Direct Participants, Indirect Participants and Beneficial Owners. See "**BOOK-ENTRY-ONLY SYSTEM**" herein.

SECURITY FOR THE SERIES 2016AB BONDS

General

The Series 2016AB 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 2016AB Bonds are payable solely from the revenues of the Authority received pursuant to the Lease.

The Series 2016AB Bonds are limited obligations of the Authority payable by it, on a parity basis with the Series 2105A Bonds, the Series 2016C Bonds and 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 or purchase price of, and 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 and 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 Series 2016AB Bonds are being issued as Additional Bonds pursuant to the Indenture. The Authority may issue further Additional Bonds, including the Series 2016C 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 2016AB Bonds:

	Series 2016A	Series 2016B	Total
Sources of Funds:			
Principal Amount	$18,710,000	$6,275,000	$24,985,000
Original Issue Premium	2,292,963	--	2,292,963
Total Sources of Funds	$21,002,963	$6,275,000	$27,277,963
Uses of Funds:			
Project Improvements	$20,692,574	$6,177,426	$26,870,000
Issuance Expenses[1]	310,390	97,574	407,964
Total Uses of Funds	$21,002,963	$6,275,000	$27,277,963

(1) Includes Underwriter's discount, legal, consulting, printing and other costs of issuing the Series 2016AB Bonds.
Totals may not foot due to rounding.

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, the Series 2016AB Bonds and the Series 2016C Bonds:

	Series 2015A		Series 2016A		Series 2016B		Series 2016C		
Fiscal Year End (June 30)	**Sinking Fund Deposit**	**Interest**[1]	**Principal**	**Interest**	**Principal**[3][4]	**Interest**[1][2]	**Principal**[4]	**Interest**[2][5]	**Total**
2017	$ 1,461,538	$ 1,961,940	--	--	--	--	--	$ --	$3,423,478
2018	1,461,538	1,961,940	$ 440,000	$1,233,388	--	$ 419,050	--	--	5,515,916
2019	1,461,538	1,961,940	895,000	825,275	--	287,897	--	--	5,431,650
2020	1,461,538	1,961,940	920,000	798,050	--	287,897	--	--	5,429,425
2021	1,461,538	1,961,940	950,000	770,000	--	287,897	--	--	5,431,375
2022	1,461,538	1,961,940	975,000	741,125	--	287,897	--	--	5,427,500
2023	1,461,538	1,961,940	1,015,000	701,125	--	287,897	--	--	5,427,500
2024	1,461,538	1,961,940	1,070,000	649,000	--	287,897	$1,470,000[6]	--	6,900,375
2025	1,461,538	1,961,940	1,125,000	594,125	--	287,897	--	--	5,430,500
2026	1,461,538	1,961,940	1,180,000	536,500	--	287,897	--	--	5,427,875
2027	1,461,538	1,961,940	1,240,000	476,000	--	287,897	--	--	5,427,375
2028	1,461,538	1,961,940	1,305,000	412,375	--	287,897	--	--	5,428,750
2029	1,461,538	1,961,940	1,370,000	345,500	--	287,897	--	--	5,426,875
2030	1,461,538	1,961,940	1,440,000	275,250	--	287,897	--	--	5,426,625
2031	1,461,538	1,961,940	1,515,000	201,375	--	287,897	--	--	5,427,750
2032	1,461,538	1,961,940	1,595,000	123,625	--	287,897	--	--	5,430,000
2033	1,461,538	1,961,940	1,675,000	41,875	--	287,897	--	--	5,428,250
2034	1,461,538	1,961,940	--	--	$ 1,460,000	254,405	--	--	5,137,883
2035	1,461,538	1,961,940	--	--	1,530,000	185,814	--	--	5,139,292
2036	1,461,538	1,961,940	--	--	1,605,000	113,897	--	--	5,142,375
2037	1,461,538	1,961,940	--	--	1,680,000	38,539	--	--	5,142,017
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	--	--	--	--	--	--	3,423,479
2042	--	--	--	--	--	--	--	--	--
Totals	$ 36,538,462	$49,048,500	$18,710,000	$ 8,724,588	$ 6,275,000	$ 5,330,160	$ 1,470,000	$ --	$126,096,710

Totals may not foot due to rounding.

(1) MPS is entitled to receive $2,138,309 per year ($1,850,600 in Fiscal Year 2017) of direct payment from the US Treasury for reimbursement of interest paid subject to sequestration. Assuming the current sequestration rate of 6.9%, MPS would receive $1,990,765 per year ($1,722,909 in Fiscal Year 2017). See "RISK FACTORS – Sequestration and Cash Subsidies" herein.

(2) Subject to change on a Purchase Date.

(3) Includes payment at maturity and mandatory sinking fund redemption.

(4) Does not reflect any optional purchase.

(5) The Series 2016C Bonds are Tax Credit bonds with an initial supplemental coupon of 0%.

(6) Mandatory Purchase Date for the Series 2016C Bonds. The Series 2016C Bonds may be retired or remarketed for other interest periods up to the maturity date with the same or a different interest rate.

INVESTMENT CONSIDERATIONS

General

The Series 2016AB Bonds are not suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Series 2016AB 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 2016AB Bonds, and which could also affect the marketability of or the market price for the Series 2016AB 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 2016AB 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 2016AB 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 2016AB Bonds.

Limited Obligations

The Series 2016AB Bonds are limited obligations of the Authority, payable solely from the pledge of rental payments from MPS to the Authority. The Series 2016AB 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 2016AB 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 2016AB Bonds and could affect the market price of the Series 2016AB 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 2016AB 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 2016AB 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 2016AB 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.

The 2015-2017 statewide biennial budget provided, among other things, for the creation of an Opportunity Schools and Partnership Program ("*OSPP*"). The OSPP, as it relates to MPS, is a program that allows 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. The County Executive appointed such a Commissioner in November 2015; however, the Commissioner resigned in June 2016 and has not been replaced.

Under the program, the Commissioner has the power to select eligible, qualified schools for transfer into the OSPP. Not less than one and no more than three schools would be selected for transfer during 2015-16, no more than three during 2016-17 and no more than five during each school year thereafter. Schools are to be transferred to the OSPP in the year following selection. There were no schools selected for transfer during the 2015-16 school year. The State's Department of Public Instruction has issued a preliminary determination that no MPS schools are eligible for selection for the OSPP in the 2016-2017 school year. However, implementation of the OSPP in future years 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 to the student. In September 2016 there were 121 private schools participating in the MPCP. The program is estimated to cost $203,700,000 in 2016-17 for an estimated 27,150 FTE students. In the 2016-17 school year, the MPCP state aid for a student enrolled full-time in the MPCP is $7,323 (for students in grades K4-8), or $7,969 (for students in grades 9-12), or the private school's operating and debt service cost per student, whichever is less. See "**REVENUES OF THE MILWAUKEE PUBLIC SCHOOLS – Milwaukee Parental Choice Program**" herein for additional information and for MPS' share of the cost.

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 2016B Bonds as "qualified energy conservation bonds" within the meaning of Section 54D, 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 2017, which ends September 30, 2017, sequestration results in reductions in subsidies of 6.9%. 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 2016B Bonds to extraordinary operational redemption pursuant to the terms of the Indenture. See "**THE SERIES 2016AB 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 2016 Bonds will be available and no assurance can be given that the initial offering prices for the Series 2016AB Bonds will continue for any period of time.

The Series 2016AB Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Series 2016AB Bonds in the event an owner thereof determines to solicit purchasers of the Series 2016AB Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Series 2016AB Bonds may be sold. Such price may be lower than that paid by the current owner of the Series 2016AB Bonds, depending on existing market conditions and other factors.

Redemption or Purchase

Under certain circumstances, some or all of the Series 2016AB Bonds may be redeemed or purchased prior to maturity at par. The purchase of the Series 2016B Bonds on an Optional Purchase Date is conditioned on the receipt by the Trustee of an amount equal to the Purchase Price from the reoffering of the Series 2016B Bonds or otherwise from funds provided to the Trustee by the Authority or MPS. In the event the conditions precedent to an optional purchase have not been satisfied by the applicable Optional Purchase Date for the Series 2016B Bonds, then the optional purchase shall not take effect for any Series 2016B Bonds and all Series 2016B Bonds shall remain subject to the then current terms of such Bonds prior to the Optional Purchase Date and no Event of Default or Optional Purchase Date shall be deemed to have occurred as a result of the failure to complete the optional purchase. If there are insufficient remarketing proceeds or other funds deposited with the Trustee by MPS or the Authority to provide for the payment of the purchase price on any Series 2016B Optional Purchase Date, there will be no purchase of the Series 2016B Bonds on such date, and the owners of the Series 2016B Bonds will continue to hold their Series 2016B Bonds. The availability of funds to pay the purchase price on a Series 2016B Optional Purchase Date will likely not be known definitively until the Series 2016B Optional Purchase Date. See "**THE SERIES 2016AB BONDS – Redemption Prior to Maturity**" and **– Optional Purchase of Series 2016B Bonds**" 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 (Other than RANs)
as of October 1, 2016

Year Ending December 31	Principal (1)	Interest (2)	Total
2016	$ 925,000	$ 198,710	$ 1,123,710
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
	$77,404,542	$44,355,875	$121,760,417

(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, 2016

2016 Equalized Value of Taxable Property in the City		$27,042,046,500
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,352,102,325
General Obligation Debt Outstanding subject to 5% Limit as of 10/1/16	$955,590,000	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 10/1/16		$955,590,000
Total Debt Margin for City Borrowing (in Dollars)		$396,512,325
As a percentage		29.3%
including Extendable Municipal Commercial Paper *		28.6%

* Excludes EMCP issued for Cash Flow purposes

Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$540,539,162
General Obligation Debt Outstanding subject to 2% Limit as of 10/1/16	$10,902,745	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 10/1/16		$10,902,745
Total Debt Margin for School Purpose Borrowing (in Dollars)		$529,636,417
(As a percentage)		98.0%

History of Equalized Valuation in the City of Milwaukee
(2012-2016)

Levy Year	Collection Year	Equalized Valuation	Percent Increase/Decrease
2012	2013	26,421,932,000	-5.48
2013	2014	26,089,611,100	-1.26
2014	2015	26,138,108,100	0.19
2015	2016	25,980,469,600	-0.60
2016	2017	27,042,046,500	4.09

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 October 1, 2016

Year Ending June 30	Debt Service Payments
2017	$ 1,326,493
2018	9,019,735
2029	9,268,485
2020	9,516,985
2021	9,794,153
2022	10,060,310
2023	10,650,500
2024	11,097,600
Total	$ 70,734,260

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 general obligation notes issued by the City, were 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 2003 Series D Pension Bonds were issued as variable rate securities. In 2005, the 2003 Series D 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 as of October 1, 2016

Year Ending June 30	Loan Payments
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 an $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 2017 to 2022. MPS has fulfilled all of its financial obligations with respect to its QZAB Agreements.

Borrowing – Future Financing

The City has $6,487,364 of authorized, but unissued, general obligation borrowing authority for school purposes. MPS has $34,933,000 of Qualified School Construction Bond allocation. MPS anticipates the issuance of the balance within the next four 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.

MPS also anticipates a forward or current refunding of the Redevelopment Authority of the City of Milwaukee Refunding Revenue Bonds, Series 2007A that are callable on August 1, 2017.

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
Mark Sain (*President*)	District 1	2019
Larry Miller (*Vice President*)	District 5	2017
Wendell Harris, Sr.	District 2	2019
Michael Bonds	District 3	2019
Annie Woodward	District 4	2017
Tatiana Joseph	District 6	2017
Claire Zautke	District 7	2017
Carol Voss	District 8	2019
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	2020
Grant F. Langley	Attorney	2020
Spencer Coggs	Treasurer	2020

Public Services and Facilities

In the 2015-16 school year, MPS had approximately 78,177 full-time students attending 158 school programs within approximately 170 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 special education, early childhood education and bilingual education. Through its specialty school programs, MPS offers advanced educational programs in such areas as language, fine arts, Montessori, International Baccalaureate, STEAM (science, technology, engineering, arts and math), business, and technical trades. In addition, MPS provides community recreation and education services through its parks and centers for the elderly.

MPS closed one school effective June 2015. There are no planned school closures as of October 1, 2016.

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

Enrollment

MPS tracks enrollment based on the amount of State Aid revenue allocated to its schools together with two other Milwaukee school groups: (i) those eligible for the MPCP and (ii) certain charter schools. The inclusion of both groups affects the levels of State Aid funding that MPS receives. (See "**REVENUES OF MILWAUKEE PUBLIC SCHOOLS** – State Aid-General Aids" and "– State Aid-Categorical Aids" herein for a discussion of different levels and categories of State Aid.) Below is a table that provides historical enrollment data for City of Milwaukee residents whose enrollment affects MPS's State Aids. Reduction in enrollment at MPS schools over the period shown can be attributed largely to increased enrollment at charter schools and schools eligible for MPCP funding.

Average Student Membership*

School Year	MPS	MPCP	Charter Schools	Total
2015-2016	78,177	26,470	8,807	113,454
2014-2015	80,437	25,745	8,413	114,595
2013-2014	81,744	24,776	7,964	114,484
2012-2013	81,752	23,789	7,459	113,000
2011-2012	82,982	22,220	6,863	112,065
2010-2011	84,422	20,256	7,159	111,837
2009-2010	85,239	20,372	6,124	111,735
2008-2009	87,137	19,428	5,296	111,861
2007-2008	89,110	18,558	5,487	113,155
2006-2007	92,224	17,088	4,830	114,142
2005-2006	94,973	14,604	4,489	114,066
2004-2005	96,874	14,071	4,066	115,011
2003-2004	98,338	12,882	3,601	114,821
2002-2003	98,987	11,304	3,360	113,651
2001-2002	99,054	10,497	2,046	111,597
2000-2001	99,302	9,238	1,411	109,951

* Membership can be generally defined as resident enrollment adjusted for full time equivalency (FTE).

Employee Relations

All eligible MPS personnel are covered by the Municipal Employment Relations Act ("*MERA*") of the Wisconsin Statutes. Pursuant to MERA, employees have rights to organize and, 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 2016-17 contract period, MPS is engaged in base wage negotiations with PAMPS, MTEA Teachers, MTEA Educational Assistants, MTEA Accountants/Bookkeepers and Local 420. 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, self-insured exclusive provider organization ("*EPO*") plan, and a self-insured high deductible health plan ("*HDHP*") with a health savings account ("*HAS*") option. MPS purchases stop-loss insurance for all three of the above medical and corresponding prescription drug (Rx) plans. The Rx benefits are self-funded and offered in concert with the medical plan. Should an employee elect to forego health insurance, there is a $500 annual opt-out program.

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/Indemnity and EPO plans; however 2016 premium rates are 67% lower than the monthly premium for the EPO plan and 65% lower than the monthly premium for the PPO/Indemnity Plan.

Life insurance benefits are provided for active and retired employees through a variable funding life insurance program. Life insurance costs that exceed certain rates are funded by MPS. Effective January 1, 2017, all benefit eligible employees will receive life insurance valued at one times annual base salary and long term disability paid by the District. Also, as of January 1, 2017, MPS will provide voluntary (employee paid) supplemental life and short term disability insurance programs.

MPS provides dental insurance benefits through a fully insured dental maintenance organization ("*DMO*") and through a self-insured indemnity plan. MPS does not purchase stop-loss insurance for its self-insured dental indemnity plan.

Additionally, MPS provides a fully-insured vision plan and medical and dependent care flexible spending programs.

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 $17,151,101 recorded in the School Operations Fund and $7,839,805 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2015.

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 Global Ratings, 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, 2016, the City had approximately 50% ($203,160,878) 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 2015-16, MPS's share of levy produced $272,968,295 of the total revenues to the School Operations Fund. MPS's 2016-17 School Operations Fund Revenues are budgeted at $978,838,932 of which City ad valorem property taxes are estimated at $260,069,165.

Milwaukee Public Schools
Property Tax Levies
All Funds
(2010-2015)

Levy Year	Collection Year	Taxes Levied
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
2015	2016	300,634,166

In addition to taxes for operations levied under Section 119.46 of the Wisconsin Statutes, MPS by a two-thirds 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 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 2015, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was 96.79 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 2015 levies (collected in 2016) were as follows (amounts in millions):

Milwaukee Public Schools	$300.6
City of Milwaukee	256.7
Milwaukee County	127.7
State of Wisconsin	4.4
MATC	31.3
Milwaukee Metropolitan Sewerage District	43.4

The net tax rate for all taxing jurisdictions was $29.36 per $1,000 of assessed property value.

Property Tax Collections – Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 will be collected in 2017. 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 MPCP. 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 among 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 for which data is available (as detailed below), these revenues have been based upon above average federal and State Aid payments.

Annual Revenues Per Pupil

	Statewide			Milwaukee		
	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15
Revenue per Pupil	$12,512	$12,705	$13,031	$14,333	$14,147	$14,599
Federal share (%)	7.8	7.8	7.5	17.6	16.4	16.4
State share (%)	44.9	45.3	45.7	53.6	55.2	55.2
Local share (%)	47.3	46.9	46.8	28.8	28.4	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 a 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 State's biennial budget for 2015-2017 prohibits any pupils from participating in the integration aid program unless those pupils attended a public school in a school district or attendance area under the program in the 2015-2016 school year. Integration aid funding is provided as a first draw from the general school aids appropriation. If less integration aid is distributed to MPS as a result of the changes to the program in the 2015-2017 biennial budget, more aid will be distributed through the equalization formula. Under the 2015-2017 biennial budget, it is possible that a four-year-old kindergarten pupil participating in the program in the 2015-16 school year could continue in the program through high school up through the 2028-29 school year. Funding for the program is being phased out annually such that the amount will be $0 in the 2022-2023 school year.

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 2015-16 were $5,029,760 or $31.78 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 the standards of the MPCP. 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 2006 Wisconsin Act 125 increased the limit of participants to 22,500 students. In June 2011 Wisconsin Act 32 eliminated the enrollment cap on the MPCP and increased 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. In the 2015-16 school year, the MPCP was funded 28.8% from a reduction in state general aid to MPS.

In September 2016 there were 121 private schools participating in the MPCP, with a total enrollment of 28,188 students or 27,302.4 full-time equivalent in the program.

Federal School Aids

In addition to State Aid, MPS receives federal aids for specific school programs. For the 2014-15 school year, total federal aids to MPS, including food services revenues of $47,908,559, was $193,461,866. A portion of this amount was received after the end of the 2015 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 incur the expenditure first, with federal reimbursement to follow. The federal programs administered by the Wisconsin Department of Public Instruction from which MPS received program reimbursement include the following: Title I – Disadvantaged and Low Income Children; Special Education – Grants to States; Special Education-Preschool Grants; Carl D. Perkins Vocational Education; School Improvement Grants; Title II; Title III and Improving Teacher Quality State Grants. MPS received aid directly from the Federal Government in the case of several federal programs including the Drug Free Schools program, Gear Up and Head Start.

General Fund Trends

Equalization Aid revenues in the 2014-15 school year increased by $4,663,781. Property tax revenues for general school purposes increased by $705,362.

Total expenditures decreased $3,703,260 in 2014-15 over the previous year. Expenditures for instructional services were 60.69% 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

	2015 Year End	2014 Year End	2013 Year End	2012 Year End
Revenues				
Property tax levy	$288,078,016	$287,372,653	$286,559,250	$287,184,152
Other local sources	18,377,886	15,950,922	13,741,738	10,995,975
Microsoft Settlement Refunds	0	1,557,605	4,492,796	278,642
State aid:				
Equalization aid	505,323,745	500,659,964	494,557,826	496,690,640
Special classes	53,338,018	53,565,720	51,792,301	54,013,275
Integration	32,247,348	33,522,834	34,178,357	35,235,721
Other state aid	59,520,486	51,928,558	50,161,524	47,442,724
Federal aid:				
Education Consolidation Improvement Act	77,649,649	89,387,237	96,038,429	106,765,706
Erate Refunds	–	–	52,666	2,753,269
Other federal aid	47,828,746	48,292,464	49,635,541	54,382,871
Intergovernmental Aid from City of Milwaukee				
Miscellaneous	1,103,886	506,273	3,190,257	3,196,721
Interest and investment earnings	2,835,798	2,433,869	183,416	224,006
Total Revenues	1,086,303,578	1,085,178,099	1,084,584,101	1,099,163,702
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	346,521,378	350,611,296	364,488,175	379,231,430
Regular and other curriculum	137,364,946	140,829,291	147,099,479	129,989,610
Special curriculum	158,171,616	162,317,985	165,369,430	151,900,661
Total instructional services	642,057,940	653,758,572	676,957,084	661,121,701
Community services	29,162,858	26,962,332	29,146,352	24,841,805
Pupil and staff services	116,865,100	110,843,729	111,575,339	112,712,746
General and school building administration	99,027,539	99,204,832	101,012,616	111,351,669
Business services	158,380,747	160,757,139	155,818,995	153,073,711
Debt Service:				
Principal	0	575,000	550,000	1,534,454
Interest	295,744	208,662	436,028	485,865
Bond Issuance Cost	3,258	–	1,000	1,000
Capital outlay	12,158,899	9,345,079	5,252,233	8,328,319
Total Expenditures	1,057,952,085	1,061,655,345	1,080,749,647	1,073,451,270
Excess of revenues over (under) expenditures	28,351,493	23,522,754	3,834,454	25,712,432
Other Financing Sources (Uses)				
Insurance Proceeds	843,560	0	0	0
Proceeds from sale of assets	0	4,140	63,500	0
Transfers in (out)	(28,350,899)	(23,694,603)	(21,287,465)	(20,963,406)
Total Other Financing Sources(uses)	(27,507,339)	(23,690,463)	(21,223,965)	(20,963,406)
Net Change in Fund Balances	844,154	(167,709)	(17,389,511)	4,749,026
Fund balance - beginning of year	78,792,680	78,960,389	96,349,900	91,600,874
Fund balance - end of year	79,636,834	78,792,680	78,960,389	96,349,900

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

Milwaukee Public Schools
School Operations Budget
Fiscal Years 2017 and 2016

	2016-2017 Budget (1)	2015-2016 Budget (2)
Revenues (3)		
Locally Generated:		
Property Tax Levy	$ 260,069,165	$272,968,295
Nutrition	950,000	1,002,986
Other Local Sources	13,337,549	17,635,122
Subtotal	274,356,714	291,606,403
State Aid:		
Equalization Aid	$516,742,805	509,173,092
Special Education	47,560,000	49,983,000
Integration	33,145,802	31,692,817
Nutrition	700,000	950,000
Other	41,933,593	33,532,920
Subtotal	640,082,200	625.331.829
Federal Aid:		
School Nutrition Commodities & Federal Indirect	48,922,000	46,657,432
Other	15,478,018	15,871,134
Subtotal	64,400,018	62,528,566
Total Revenues	978,838,932	979,466,801
Plus Use of Surplus	–	–
Total Sources of Funds	$978,838,932	$979,466,801
Expenditures (3)		
Instructional Services	$ 579,331,350	$552,623,489
Support Services	399,507,582	426,843,312
Total Expenditures	$978,838,932	$979,466,801
Summary		
Total Revenues and Use of Surplus	$978,838,932	$979,466,801
Total Expenditures	978,838,932	979,466,801
Difference	$ –	$ –

(1) Final Fiscal Year 2017 School Operations Fund Budget approved October 2016.
(2) Final Fiscal Year 2016 School Operations Fund Budget approved October 2015.
(3) Revenue and 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 595,787 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, and additional portions of 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
2015	595,787		Not Available
2014	596,993		$37,340
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

One indicator of economic growth is the activity in the building industry. The following table indicates building permit activity for the years 2011-2015.

General Total

Year	Value	Permits Issued
2015	$303,762,859	2,332
2014	539,753,288	2,443
2013	269,010,398	2,217
2012	254,896,334	2,297
2011	269,386,167	2,340

Residential Building

	Single Family		Multi-Family		Total		
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Permits Issued
2015	$4,240,620	26	$78,356,702	657	$82,597,322	682	46
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

Commercial Building

Year	Value	Permits Issued
2015	$58,724,198	31
2014	320,611,159	49
2013	83,584,379	42
2012	52,952,469	51
2011	58,518,315	47

Public Building

Year	Value	Permits Issued
2015	$21,178,391	252
2014	31,118,208	314
2013	24,248,685	147
2012	43,046,652	211
2011	49,456,901	256

Alterations and Additions

Year	Value	Permits Issued
2015	$141,262,948	2,003
2014	167,503,559	2,041
2013	108,824,727	1,975
2012	124,033,741	1,975
2011	101,191,071	1,815

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 employment estimates can include employees located in counties contiguous to Milwaukee County.

Company	Business Description	2016 Approximate Employment
Aurora Health Care Inc.	Health Care System	25,696
Ascension Wisconsin	Health Care System	15,000
Froedert & Community Health	Health Care System	10,059
GE Healthcare	Health Care Technologies	6,000
Children's Hospital	Health Care System	5,571
The Medical College of Wisconsin	Private Medical School	5,290
Northwestern Mutual	Insurance, Investment Products	5,000
Goodwill Industries	Training Programs, Retail, & Food Service	3,970
US Bank NA	Banking Services	3,600
The Marcus Corp	Theaters and Hotel Properties	3,448
Johnson Controls Inc.	Control Systems, Batteries & Auto Interiors	3,200
BMO Harris Bank	Bank Holding Company	3,027
Rockwell Automation Inc	Industrial Automation Products	3,000
(FIS) Fidelity National Info. Services	Banking and Payments Technology	2,950
Harley-Davidson Inc.	Motorcycles & Accessories	2,800
Potawatomi Bingo Casino	Casino	2,789
Marquette University	University	2,765
Wisconsin Energy Corp	Electric & Natural Gas Utility	2,598
Bon-Ton Department Stores	Department Stores	2,100
Rexnord Corp.	Power Transmission Equipment	1,800
Sendik's Food Markets	Retail Supermarkets	1,750
Briggs & Stratton Corp.	Small Gasoline Engines	1,600
Robert W Baird	Asset Management and Capital Markets	1,488
MillerCoors LLC	Beer Brewery	1,400
JPMorgan Chase & Co.	Global Financial Services	1,252
Wells Fargo	Banking & Financial Services	1,250
Direct Supply	Shipping & eCommerce	1,200
Patrick Cudahy Inc.	Manufacturer of Processed Meats	1,190
Cargill Meat Solutions	Food Distribution	1,015
Associated Bank	Banking Services	900
Brady Corp.	Manufacturer of Identification Materials	890
Joy Global Inc.	Manufactures & Distributes Mining Equip	859

Source: Milwaukee Business Journal, as of July 22, 2016.

Employment and Industry

During 2015, the City's unemployment rate averaged approximately 6.7%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2011 through 2015.

Annual Unemployment Rates
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2015	6.7%	5.0%	4.6%	5.3%
2014	8.0	5.9	5.4	6.2
2013	10.1	7.2	6.7	7.4
2012	10.4	7.5	7.0	8.1
2011	11.1	8.1	7.8	8.9

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
July, 2016	6.5%	4.7%	4.1%	5.1%

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 (healthcare, service, finance, insurance, real estate and retail trade) employs over 74% of the workforce. Construction and manufacturing firms employ 15% of the workforce. Federal, State, and local governments employ 11% of the workforce. The area is not dominated by any large employers.

Ten Largest Taxpayers With 2015 Estimated Equalized Valuations

US Bank Corp	$246,859,310
Northwestern Mutual Life Ins.	173,021,542
Mandel Group	142,893,099
Forest County Potawatomi Community	128,640,384
Marcus Corp/Milw City Center/Pfister	109,723,288
Metropolitan Associates	98,217,196
Brewery Works/Riverbend Place	93,511,446
Jackson Street Holdings	83,522,476
100 E Wisconsin – CW Wisconsin Ave. LLC	79,959,925
Gorman & Co.	79,464,113

Source: City of Milwaukee, Assessor's Office January 2016.

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 in 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 2016AB 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 2016AB Bonds. Drafts of the legal opinions of Co-Bond Counsel for the Series 2016AB 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 Underwriter by its counsel, Foley & Lardner LLP.

TAX MATTERS

The Series 2016A Bonds

Bond Counsel are of the opinion that, under existing law, interest on the Series 2016A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), Bond Counsel are of the opinion that interest on the Series 2016A Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that interest on the Series 2016A Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2016A Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2016A Bonds. These requirements relate to the use and investment of the proceeds of the Series 2016A Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2016A Bonds and the use of the property financed with the proceeds of the Series 2016A Bonds.

Series 2016A Bonds Purchased at a Premium

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2016A Bonds is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Series 2016A Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 2016A Bond, the difference between the two is known as "*bond premium*."

Bond premium is amortized over the term of a Series 2016A Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period.

Owners who purchase Series 2016A Bonds at a price other than the Offering Price after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Series 2016A Bonds. In addition, owners of Series 2016A Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2016A Bonds; under the applicable provisions of state or local income tax law, bond premium may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

Exclusion from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2016A Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of proceeds of the Series 2016A Bonds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Investment Restrictions. Except during certain "*temporary periods*," proceeds of the Series 2016A Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "*minor portion*") may generally not be invested in investments having a yield that is "*materially higher*" (1/8 of one percent) than the yield on the Series 2016A Bonds.

Rebate of Arbitrage Profit. Unless the Authority qualifies for an exemption, earnings from the investment of the "*gross proceeds*" of the Series 2016A Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Series 2016A Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "*gross proceeds*" includes the original proceeds of the Series 2016A Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2016A Bonds.

Covenants to Comply

The Authority has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2016A Bonds.

Risks of Non-Compliance

In the event that the Authority and/or MPS fails to comply with the requirements of the Code, interest on the Series 2016A Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Authority's agreements with the owners of the Series 2016A Bonds require neither acceleration of payment of principal of, or interest on, the Series 2016A Bonds nor payment of any additional interest or penalties to the owners of the Series 2016A Bonds.

Federal Income Tax Consequences in connection with the Series 2016A Bonds

Pursuant to Section 103 of the Code, interest on the Series 2016A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2016A Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE SERIES 2016A BONDS.

*Cost of Carry***.** Owners of the Series 2016A Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Series 2016A Bonds. As discussed below, special allocation rules apply to financial institutions.

*Corporate Owners***.** Interest on the Series 2016A Bonds is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Series 2016A Bonds is taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

*Individual Owners***.** Receipt of interest on the Series 2016A Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

*Certain Blue Cross or Blue Shield Organizations***.** Receipt of interest on the Series 2016A Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

*Property or Casualty Insurance Companies***.** Receipt of interest on the Series 2016A Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

*Financial Institutions***.** Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Series 2016A Bonds.

*Foreign Personal Holding Company Income***.** A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Series 2016A Bonds held by such a company is properly allocable to the shareholder.

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 Series 2016A Bonds are 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 2016A Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2016A Bonds.

The Series 2016B Bonds

The following is a summary of the principal United States federal income tax consequences of ownership of the Series 2016B Bonds. This summary deals only with the Series 2016B 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 2016B

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 Code contains a number of provisions relating to the taxation of the Series 2016B 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 2016B 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 2016B Bonds.

United States Federal Income Tax Considerations for United States Holders

<u>Payments of Interest to United States Holders</u>. Interest on the Series 2016B 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 2016B 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 2016B Bond who or which is not a United States Holder.

<u>Sale and Retirement of the Series 2016B Bonds</u>. United States Holders of any Series 2016B Bonds must recognize any gain or loss on the sale, redemption, retirement or other disposition of their Series 2016B Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of a Series 2016B Bond and the United States Holder's adjusted tax basis in the Series 2016B 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 2016B Bond has been held for more than one year.

<u>Unearned Income Medicare Contribution Tax</u>. 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 2016B 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 2016B 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 2016B Bond is not a bank to which the Series 2016B 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 2016B 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 2016B 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 2016B 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 2016B 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 2016B Bonds. A beneficial owner of a Series 2016B Bond generally will not be subject to United States federal income tax on gain realized on the sale, exchange or redemption of a Series 2016B 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 2016B 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 2016B 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 2016B 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 2016B Bonds, or the proceeds of the sale or other disposition of the Series 2016B 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 2016B 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 Authority 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 2016B 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 2016B 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 2016B 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 2016B Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2016B Bonds.

State Tax Exemption

Pursuant to the Act, the Series 2016AB Bonds, together with the interest thereon and income therefrom, are exempt from all taxation by the State of Wisconsin except that interest on and income from the Series 2016AB Bonds is includable in the measure of tax for Wisconsin corporate franchise tax purposes.

RATINGS

At the request of MPS, Standard & Poor's Global Ratings and Fitch Ratings have issued ratings of "A+" with a "stable outlook" and "A" with a "stable outlook", respectively, for the Series 2016AB 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 2016AB Bonds. There is no assurance that the bond ratings assigned to the Series 2016AB 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 Underwriter, 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 2016AB Bonds or to oppose any such proposed revision or withdrawal. A downward revision in or withdrawal of any bond rating for the Series 2016AB Bonds may have an adverse effect on the market price or marketability of the Series 2016AB Bonds.

UNDERWRITING

The Underwriter has agreed to purchase (i) the Series 2016A Bonds at an aggregate purchase price of $20,876,082.06 (representing the par amount of the Series 2016A Bonds, plus original issue premium with respect to the Series 2016A Bonds of $2,292,963.20, less Underwriter's discount of $126,881.14) and (ii) the Series 2016B Bonds at an aggregate purchase price of $6,231,263.55 (representing the par amount of the Series 2016B Bonds, less Underwriter's discount of $43,736.45), pursuant to the Bond Purchase Agreement dated November 17, 2016, as accepted by MPS and the Authority. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2016AB Bonds to the public. The obligation of the Underwriter to accept delivery of the Series 2016AB Bonds is subject to various conditions in the Bond Purchase Agreement.

The Series 2016AB Bonds may be offered and sold to certain dealers and others at prices lower than the offering price stated on the inside front cover hereof. The offering prices may be changed from time to time.

CONTINUING DISCLOSURE

In order to assist the Underwriter 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 will enter into an undertaking (the "*Undertaking*") for the benefit of owners including beneficial owners of the Series 2016AB 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 2016AB 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 2016AB Bonds in the secondary market. Consequently, such a failure may adversely affect the liquidity of the Series 2016AB 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 relating to the Rule. MPS has endeavored to report rating changes that would impact any of its outstanding debt due to bond insurer downgrades. However, since the Nationally Recognized Statistical Rating Organizations (NRSRO) and bond insurers do not notify MPS of any such rating changes, no assurance can be provided that notices of all rating changes were reported.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("*DTC*"), New York, New York, will act as securities depository for the Series 2016AB Bonds. The Series 2016AB 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 each stated maturity of each series of the Series 2016AB 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 2016AB Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016AB Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016AB 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 2016AB 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 2016AB Bonds, except in the event that use of the book-entry-only system for the Series 2016AB Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016AB 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 2016AB 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 2016AB Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016AB 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 2016AB 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 2016AB 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 2016AB 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 2016AB 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 2016AB 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 Underwriter 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 Underwriter 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 Underwriter to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the Authority, the Trustee, MPS nor the Underwriter 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 2016AB 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 2016AB 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 2016AB 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 2016AB Bonds, the financial condition of the Authority or the financial condition of MPS.

MISCELLANEOUS

The references herein to the Series 2016AB 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 2016AB Bonds will be available for inspection at the offices of the Trustee.

It is anticipated that CUSIP identification numbers will be printed on the Series 2016AB Bonds, but neither the failure to print such a number on any Series 2016AB Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2016AB 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/ Lois A. Smith
Lois A. Smith
Chair

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

MILWAUKEE BOARD OF SCHOOL DIRECTORS

By: /s/ Mark Sain
Mark Sain
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, 2015

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report
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, 2015 financial statements of Milwaukee Public Schools have been audited by Baker Tilly Virchow Krause, LLP and they have issued an unqualified opinion dated December 21, 2015.

The complete Comprehensive Annual Financial Report 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, Wisconsin, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise 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 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 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 Milwaukee Public Schools, Wisconsin, as of June 30, 2015 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, Milwaukee Public Schools adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* effective July 1, 2014. Our opinions are not modified with respect to this matter.

As discussed in Note I, Milwaukee Public Schools adopted the provisions of GASB Statement No. 71, *Pension – Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68,* effective July 1, 2014. 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, OPEB schedule of funding progress, OPEB schedule of employer contributions and the schedule of district's proportionate share of the net pension asset/liability 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 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 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 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 December 21, 2015 on our consideration of 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.

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, 2015. 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 ($70.6 million) at June 30, 2015, from ($149.1 million) at June 30, 2014, an increase of approximately $78.5 million, or 52.6%. This increase is primarily due to *implementation of GASB Statement No. 68*, *Accounting for Pensions* which accounted for $48.1 million of the increase and approximately $23.7 million attributable to the decrease in the Net OPEB liability.
- Total revenues increased to $1.176 billion in fiscal year 2015 (FY15), up from $1.161 billion in fiscal year 2014, an increase of approximately 13.5% or $15.6 million. The increase is primarily attributable to $7.4 million in school Nutrition Services, $1.7 million in tax incremental financing, $1.1 million in library aid and $4.7 million in state equalization aid.
- Total expenses decreased to $1.131 billion, down from $1.155 billion for the year ended June 30, 2014, a decrease of 2.1% or $23.8 million. The decrease in expenditures is largely attributable to the decrease in medical insurance and Other Post-employment Benefits (OPEB) contribution of $15.6 million.

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

- Total fund balances of the District's governmental funds increased $32.1 million in fiscal year 2015. This increase included a $0.8 million increase in the General Fund, a $28.0 million increase in the Construction Fund, a $3.3 million increase in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The $.8 million increase in the General Fund balance is the result of a $.8 million increase in insurance proceeds.
- The increase in the Construction fund balance is the result of Construction fund revenues from long term debt issued in advance of upcoming project construction costs
- The $3.3 million increase in the School Nutrition fund balance is attributable to increase in federal meal reimbursements due to the District's participation in the Community Eligibility Program (CEP) which provides a healthy breakfast and lunch at no charge to all students at MPS schools. The CEP program resulted in a reduction in lunch room sales.
- Total fund balances for all governmental funds at June 30, 2015 were $129.9 million. Of this amount, $6.8 million was nonspendable, $69.3 million was restricted for self-insurance, debt service, flex spending, school nutrition services and capital projects, $9.2 million was committed for construction, $2.7 million was assigned, and $41.8 million remains unassigned.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

- Government-wide Financial Statements
  - Statement of Net 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 and Employer Contributions
- Schedule of Proportionate Share of Net Pension Asset/Liability

Management's Discussion and Analysis section discusses the financial performance of MPS during the year ending June 30, 2015. 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, deferred outflows, deferred inflows, 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, deferred outflows, deferred inflows, liabilities, revenues, and expenditures. Funds are created to carry on specific activities or attain certain objectives in accordance with special regulations or limitations. There are three types of funds: governmental, proprietary, and fiduciary. MPS does not have any proprietary funds. Table 1 summarizes various features of each of these funds.

Table 1

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

	Government-Wide	Fund Statements	
	Statements	Governmental Funds	Fiduciary Funds
Scope	Entire MPS entity (not including fiduciary funds)	Activities that are not proprietary or fiduciary; e.g. school operations, capital projects, and debt service	Activities where MPS acts as trustee or agent for another; e.g. employee retirement plans
Required financial statements	- Statement of net 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.

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. 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 $78.5 million. This increase is primarily due to *implementation of GASB Statement No. 68, Accounting for Pensions* which accounted for $48.1 million of the increase and approximately $23.7 million attributable to the decrease in the Net OPEB liability.

MPS ended its fiscal year with a net position of ($70.6 million), of which $489.6 million was net investment in capital assets, $16.6 million was restricted for debt service, $67.1 million restricted for pensions, and ($643.9) million was an unrestricted deficit. The unrestricted deficit is the result of a $507.7 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, 2015 the balance of the outstanding pension debt grew to $187.7 million due to the pension financing including capital appreciation securities which accrete over time.

Table 2

Condensed Statement of Net Position (Deficit)
(in thousands)

	Governmental Activities		
	2015	**2014**	**Difference**
Capital assets, net	$ 620,524	$ 611,030	$ 9,494
Noncapital assets and deferred outflows of resources	449,476	273,159	176,317
Intangible assets	16,153	15,457	696
Total assets and deferred outflows of resources	1,086,153	899,646	186,507
Current liabilities	123,946	143,057	(19,111)
Noncurrent liabilities and deferred inflows of resources	1,032,823	905,647	127,176
Total liabilities and deferred inflows of resources	1,156,769	1,048,704	108,065
Net position:			
Net investment in capital assets	489,612	483,025	6,587
Restricted	83,694	9,915	73,779
Unrestricted (deficit)	(643,922)	(641,998)	(1,924)
Total net position (deficit)	$ (70,616)	$ (149,058)	$ 78,442

Capital Assets increased by $9.5 million. The increase is the net result of Land decreasing by $.4 million, Construction in Progress increasing by $9.0 million, Buildings, Leasehold Improvements, and Furniture increasing by $21.5 million, and Accumulated Depreciation increasing by $20.6 million.

Notable changes in Noncapital Assets is the result of the *implementation of GASB Statement No. 68, Accounting for Pensions* which accounted for $141.6 million of the increase and $37.5 million restricted cash increase from long term debt issued.

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 $7.1 million and the noncurrent asset component is $49.7 million.

Current liabilities decreased $19.1 million in the current year. This is due to a decrease of $13.3 million reclassification of deferred inflow of resources as noncurrent liability; a decrease of $9.7 million in accrued pension payable offset by $3.3 million increases in current portion of long term obligations.

A notable change in Noncurrent liabilities is the result of $7.0 million increase in derivative instruments and the *implementation of GASB Statement No. 68, Accounting for Pensions* which accounted for $106.2 million of the increase.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2015 with an increase in net position of $45.4 million, compared to an increase of $6.0 million in fiscal year 2014.

Table 3

Schedule of Revenues and Expenses

(in thousands)

	Governmental Activities		
	2015	**2014**	**Difference**
Program revenues:			
Charges for services	$ 17,160	$ 17,279	$ (119)
Operating grants and contributions	286,680	277,833	8,847
Capital grants and contributions	849	3,546	(2,697)
Total program revenues	304,689	298,658	6,031
General revenues:			
Property taxes	302,279	299,450	2,829
Other taxes	1,837	54	1,783
Federal and state aid	563,629	559,342	4,287
Interest and investment earnings	2,913	2,542	371
Gain on sale of capital assets	-	111	(111)
Miscellaneous	933	498	435
Total general revenues	871,591	861,997	9,594
Total revenues	1,176,280	1,160,655	15,625
Expenses:			
Instruction	647,365	666,593	(19,228)
Community services	29,312	27,612	1,700
Pupil and staff services	131,799	127,674	4,125
General administration	98,125	101,276	(3,151)
Business services	160,678	167,753	(7,075)
School nutrition	47,234	43,657	3,577
Interest on long-term debt	16,332	20,088	(3,756)
Total expenses	1,130,845	1,154,653	(23,808)
Increase (decrease) in net position	45,435	6,002	39,433
Net Position-Beginning of Year	(116,051)	(155,060)	39,009
Net Position-End of Year	$ (70,616)	(149,058)	78,442

Total revenues increased $15.6 million or 1.3% over the prior year. The greatest changes came in the areas of Program-Operating grants and contributions and General-Federal and State Aid. Operating grants and contributions increased $8.8M due to increase in federal meal reimbursements due to the District's participation in the Community Eligibility Program (CEP) which provides a healthy breakfast and lunch at no charge to all students at MPS schools. The CEP program resulted in a reduction in lunch room sales. Federal and State Aid increased by $4.3 million due to increase in equalization aid.

Total expenses decreased by $23.8 million, or 2.1%. This decrease in instruction expense is primarily attributable to a decrease in medical insurance and Other Post-employment Benefits (OPEB) contribution of $15.6 million.

Capital Assets

Table 4 shows that at June 30, 2015, MPS had $1.217 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of $34.2 million from the previous year. The primary driver of this increase is the Construction In Progress, Buildings and Software, which rose $9.0 million, $21.5 million and $4.1 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	$ —	$ 389	$ 31,106
Construction in progress	5,339	33,461	24,507	14,293
Buildings	1,028,703	24,498	3,028	1,050,173
Leasehold improvements	12,219	—	—	12,219
Furniture and equipment	51,849	829	785	51,893
Software	53,386	12,326	8,237	57,475
Total capital and intangible assets	1,182,991	71,114	36,946	1,217,159
Accumulated depreciation and amortization	(556,504)	(27,199)	(3,220)	(580,483)
Total Capital and intangible assets, net	$ 626,487	$ 43,915	$ 33,726	$ 636,676

Long-term Debt

Long-term debt at June 30, 2015 was $367.2 million with debt retirements totaling $15.4 million.

Table 5

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

	July 1, 2014	Issuances	Retirements	June 30, 2015
Governmental activities:				
Americans with Disabilities Act loans	$ 8,182	$ —	$ 4,700	$ 3,482
Neighborhood School Initiative bonds	81,870	—	5,698	76,172
Qualified School Construction Bonds	48,990		(28)	49,018
Qualified Zone Academy bonds	2,055	—	637	1,418
Pension refinancing debt	187,110	—	(596)	187,706
Capital leases	4,375	38,000	4,375	38,000
Other intergovernmental debt	4,707	7,295	648	11,354
Total debt	$ 337,289	$ 45,295	$ 15,434	$ 367,150

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 $5.7 million of NSI debt was retired in fiscal year 2015.

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 $636,588 in fiscal year 2015.

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 2015 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 had 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. On May 28, 2015, the District, through the city of Milwaukee, issued $3,372,791 of GO Series 2015 N2 notes for a current refunding of the remaining portion of the RACM Series 2005A bonds. This resulted in a gain to the District of $493,383 over the life of the refunded debt. The amount outstanding at year end 2015 was $0.0 million, down $4,375,000 from the previous year**.**

On June 30, 2015, the District entered into $38,000,000 of new capital lease obligations to fund major modifications/improvements at various school facilities, the complete demolition and construction of a new athletic facility at South Stadium, and the complete modernization of the athletic facility at Custer Stadium. The financing vehicle for the capital lease was lease revenue bonds, designated as Qualified School Construction Bonds (QSCB), issued through the Redevelopment Authority of the City of Milwaukee (RACM). Of note, under current law, the interest on the $38.0 million of capital leases is partially reimbursed to the District by the federal government.

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 increased $844,154 over the prior year-end. The increase in the General fund balance is the result of a $.8 million increase in insurance proceeds.
- The increase in the Construction fund balance is the result of Construction fund revenues from long term debt issued in advance of upcoming project construction costs.
- The $3,276,352 increase in the School Nutrition fund balance is attributable to increase in federal meal reimbursements due to the District's participation in the Community Eligibility Program (CEP) which provides a healthy breakfast and lunch at no charge to all students at MPS schools. The CEP program resulted in a reduction in lunch room sales.

NOTES TO BASIC FINANCIAL STATEMENTS

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

BUDGETARY HIGHLIGHTS

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

In May 2014, the MPS Board of School Directors (the Board) adopted the District's fiscal 2015 budget (July 1, 2014 – June 30, 2015). The adopted budget by necessity used a *projection* of the fiscal 2015 student enrollment. In October 2014, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2014, 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 2014, the Board approved a revised fiscal year 2015 (FY15) General Fund expenditure budget in the amount of $1,096,791,821. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY15 were over 99% of the FY15 revised General Fund budget.

Current Economic Facts and Next Year's Budget

In October 2015, the MPS Board approved a revised FY16 General Fund budget of $1,135,099,573. The FY16 budget includes prior year encumbrances and carryover appropriation authority and is up 1.3% from the FY15 General Fund Budget. The increase is due to State funding and a Microsoft settlement payment in FY16.

The state-imposed revenue limit for FY16 increased to $825,718,592, a 0.2% increase above FY15. The $1.7 million increase is due to increases for declining enrollment and prior year adjustments, partially offset by a transfer of $1,000,000 of tax authority to the construction fund.

State general aids, primarily equalization aid, increased .6% to $540,865,909. 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 aid required for Milwaukee Parental Choice Program (MPCP).

The MPS FY16 Amended Adopted Budget totals $1,168,690,105. This is 0.1% less than the FY15 Amended Adopted Budget of $1,170,412,141. Categorical grant revenue is projected to decrease by $13.0 million from the FY15 budget. This is as a result of continuing reductions in Federal grants.

Approximately 87 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. Seven 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 total enrollment, based on Third Friday September counts, is 83,298. This is down 1.4% from FY15. Enrollment in the District's Traditional, Charter, and Non-Instrumentality Charter Schools enrollment is down 2.4% from FY15 to FY16.

While the overriding goal of the 2014-15 budget was to add support to schools in the form of school-based positions, the main strategies of the 2015-16 budget is to increase school-support initiatives such as: a rigorous operational planning process which directs central resources to the most-needed strategies; investments in high school supports; funding for student participation in clubs and organizations; and an increase in staff for maintaining school safety. The 2015-16 Proposed Budget also includes additional funding for new instructional materials for the district's K-8 mathematics curriculum.

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

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BASIC FINANCIAL STATEMENTS

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

As of June 30, 2015

		Governmental Activities
Assets and Deferred Outflows of Resources		
Currents:		
Assets:		
Cash and investments (note 2)	$	99,954,055
Accounts receivable, net (note 3)		18,548,160
Due from other governments (note 3)		44,026,741
Inventory (note 1(g))		1,026,248
Prepaid items (note 1(g))		5,236,234
Total current assets		168,791,438
Noncurrent assets:		
Restricted cash and investments (note 1(d))		60,987,638
Deposits for self-insurance (note 1(l))		7,243,936
Capital assets not being depreciated (note 5)		45,398,547
Capital assets being depreciated, net (note 5)		575,125,285
Intangible assets, net (note 5A)		16,153,052
Restricted Assets (note 10)		
Net Pension assets WRS		67,124,130
Bond Sinking Fund (note 7)		7,650,000
Total noncurrent assets		779,682,588
Deferred outflows of resources:		
Deferred loss on refunding		724,135
Deferred cash flow hedges - unrealized loss on derivatives (note 7)		49,737,780
Related to pension - WRS		59,084,366
Related to pension - ERS		20,485,117
Related to pension - ASC & Teachers Supplementals		7,647,300
Total assets and deferred outflows of resources		1,086,152,724
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and other current liabilities		91,867,970
Accrued interest payable on long-term liabilities		3,915,621
Current portion of long-term obligations (note 7)		28,163,398
Total current liabilities		123,946,989
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		865,061,558
Net Pension Liability - ERS		14,021,000
Net Pension Liability - ASC & Teachers Supplementals		92,217,727
Noncurrent liabilities		971,300,285
Deferred inflows of resources:		
Deferred gain on refunding		149,996
Unearned revenue (note 1(o))		11,633,662
Derivative instruments liability (note 7)		49,737,780
Total liabilities and deferred inflows of resources		1,156,768,712
Net Position		
Net investment in capital assets		489,612,270
Restricted for debt service		16,570,259
Restricted for pensions		67,124,130
Unrestricted (Deficit)		(643,922,647)
Total net position (deficit)	$	(70,615,988)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2015

Functions/programs		Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expenses) revenues and changes in net position
Governmental activities:						
Instruction	$	647,364,824	7,144,293	201,995,731	849,132	(437,375,668)
Support services:						
Community services		29,311,872	4,144,116	6,141,526	—	(19,026,230)
Pupil and staff services		131,798,496	—	22,295,180	—	(109,503,316)
General, administration, and central services		98,125,128	—	—	—	(98,125,128)
Business services		160,678,353	5,068,641	7,056,988	—	(148,552,724)
School nutrition services		47,234,192	802,764	49,190,624	—	2,759,196
Interest on long-term debt		16,331,690	—	—	—	(16,331,690)
Total support services		483,479,731	10,015,521	84,684,318	—	(388,779,892)
Total school district	$	1,130,844,555	17,159,814	286,680,049	849,132	(826,155,560)

General revenues:		
Taxes:		
Property taxes levied for general purposes		271,012,144
Property taxes levied for construction		9,600,000
Property taxes levied for debt service		4,600,529
Property taxes levied for community services		17,065,872
Other taxes		1,837,208
Federal and state aid not restricted to a specific purpose:		
General (equalization aid)		505,323,745
Other		58,305,357
Miscellaneous		932,736
Interest and investment earnings		2,913,071
Total general revenues		871,590,662
Change in net position		45,435,102
Net position—Beginning of Year (As restated) (deficit)		(116,051,090)
Net position—Ending of Year (deficit)	$	(70,615,988)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

As of June 30, 2015

		Capital Projects	Special Revenue		
Assets	**General**	**Construction**	**School Nutrition Services**	**Nonmajor governmental funds**	**Total governmental funds**
Deposits with the City of Milwaukee and other cash (note 2)	$ 87,306,325	12,647,730	—	—	99,954,055
Receivables, net:					
Accounts (note 3)	16,026,584	2,521,576	—	—	18,548,160
Due from other governmental units (note 3)	39,376,688	—	2,618,710	2,031,343	44,026,741
Due from other funds (note 4)	419,357	964,801	76,212	—	1,460,370
Total receivables	55,822,629	3,486,377	2,694,922	2,031,343	64,035,271
Restricted cash and investments (note 1(d))	20,759,322	40,228,316	—	—	60,987,638
Inventories (note 1(g))	1,026,248	—	—	—	1,026,248
Prepaid items (note 1(g))	5,236,234	—	—	—	5,236,234
Deposits for self-insurance (note 1(l))	7,243,936	—	—	—	7,243,936
Total assets	$ 177,394,694	56,362,423	2,694,922	2,031,343	238,483,382
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	$ 54,028,782	3,906,880	2,155,493	366,673	60,457,828
Accrued salaries and wages	10,476,765	—	—	—	10,476,765
Accrued claims for self-insurance (note 9)	17,151,101	—	—	—	17,151,101
Accrued pension payable (note 10)	3,766,099	—	—	—	3,766,099
Other accrued expenditures	16,177	—	—	—	16,177
Due to other funds (note 4)	—	—		1,460,370	1,460,370
Total liabilities	85,438,924	3,906,880	2,155,493	1,827,043	93,328,340
Deferred inflow of resources (note 1(o))					
Unearned revenue	12,318,936	2,770,000	—	204,300	15,293,236
Fund balances:					
Non-Spendable					
Noncurrent Receivable	573,763	—	—	—	573,763
Inventories	1,026,248	—	—	—	1,026,248
Prepaid items	5,236,234	—	—	—	5,236,234
Noncurrent Advances	—	—	—	—	—
Restricted:					
Self-insurance deposits	7,243,936	—	—	—	7,243,936
Debt service	20,759,322	—	—	—	20,759,322
Restricted for capital projects	—	40,228,316	—	—	40,228,316
School Nutrition Services	—		539,429	—	539,429
Flex Spending	273,097	—	—	—	273,097
Long Term Investment Fund		250,000	—	—	250,000
Committed:					
Construction	—	9,207,227	—	—	9,207,227
Assigned for 2016 budget appropriation	2,732,369	—	—	—	2,732,369
Unassigned	41,791,865	—	—	—	41,791,865
Total fund balances	79,636,834	49,685,543	539,429	—	129,861,806
Total liabilities, deferred inflows and fund balances	$ 177,394,694	56,362,423	2,694,922	2,031,343	238,483,382

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, 2015

Total fund balances—governmental funds			$	129,861,806
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				574,139
Bond sinking cost reported as an asset at the government-wide level and reported as an expenditure for government funds				7,650,000
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	$	1,159,684,692		
Accumulated depreciation		(539,160,860)		
Net capital assets				620,523,832
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	$	57,474,877		
Accumulated depreciation		(41,321,825)		
Net capital assets				16,153,052
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds				67,124,130
Deferred outflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds				87,216,783
Net Pension Liabilities used in the governmental activities are not financial uses and, therefore, are not reported as liabilities in the governmental funds				(106,238,727)
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				3,659,574
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		(406,129,723)		
Bonds premium and discounts		(9,224,876)		
Discount on capital appreciation bonds		86,203,878		
Capital leases payable		(38,000,000)		
Accrued bond interest payable		(3,915,621)		
Compensated absences payable (vacation and sick leave)		(8,819,410)		
OPEB liability		(506,962,986)		
Workers' compensation claims payable		(7,455,925)		
Self-insurance claims payable		(383,880)		
Life insurance benefits and other long-term liabilities		(2,452,034)		
Total long-term debt liabilities				(897,140,577)
Total net position—government activities (deficit)			$	(70,615,988)

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, 2015

	General	Capital Projects Construction	Special Revenue School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property tax levy	$ 288,078,016	9,600,000	—	4,600,529	302,278,545
Other taxes	72,837	—	—	—	72,837
Lunchroom sales	—	—	802,753	—	802,753
Other local sources	18,305,049	2,197,648	378,479	—	20,881,176
State aid:					
Equalization aid	505,323,745	—	—	—	505,323,745
Special classes	53,338,018	—	—	—	53,338,018
Integration	32,247,348	—	—	—	32,247,348
Other state aid	59,520,486	1,737	903,580	—	60,425,803
Federal aid:					
Education Consolidation Improvement Act	77,649,649	—	—	—	77,649,649
School nutrition services	—	—	46,739,199	—	46,739,199
Other federal aid	47,828,746	—	1,169,360	20,074,912	69,073,018
Miscellaneous	1,103,886	127,964	—	—	1,231,850
Interest and investment earnings	2,835,798	77,273	—	—	2,913,071
Total revenues	1,086,303,578	12,004,622	49,993,371	24,675,441	1,172,977,012
Expenditures:					
Current:					
Instructional services:					
Undifferentiated curriculum	346,521,378	—	—	—	346,521,378
Regular and other curriculum	137,364,946	—	—	—	137,364,946
Special curriculum	158,171,616	—	—	4,785,916	162,957,532
Total instructional services	642,057,940	—	—	4,785,916	646,843,856
Community services	29,162,858	—	—	—	29,162,858
Pupil and staff services	116,865,100	—	—	15,288,996	132,154,096
General and school building administration	99,027,539	—	—	—	99,027,539
Business services	158,380,747	1,779,007	—	—	160,159,754
School nutrition services	—	—	46,653,985	—	46,653,985
Capital Outlay	12,158,899	26,894,352	63,034	—	39,116,285
Debt Service:					
Principal	—	—	—	21,671,993	21,671,993
Interest	295,744	—	—	13,227,836	13,523,580
Bond administrative fees	3,258	—	—	58,741	61,999
Total expenditures	1,057,952,085	28,673,359	46,717,019	55,033,482	1,188,375,945
Excess of revenues over (under) expenditures	28,351,493	(16,668,737)	3,276,352	(30,358,041)	(15,398,933)
Other financing sources (uses):					
Transfers In (Out)	(28,350,899)	5,287,707	—	23,063,192	—
Insurance Proceeds	843,560	—	—	—	843,560
Refunding bond debt issued	—	—	—	6,907,791	6,907,791
Premium on debt issued	—	—	—	387,058	387,058
Long Term Debt Issued	—	38,000,000	—	—	38,000,000
Proceeds from the sale of capital assets	—	1,406,273	—	—	1,406,273
Total other financing sources (uses), net	(27,507,339)	44,693,980	—	30,358,041	47,544,682
Net change in fund balances	844,154	28,025,243	3,276,352	—	32,145,749
Fund balances (deficit):					
Beginning of year	78,792,680	21,660,300	(2,736,923)	—	97,716,057
End of year	$ 79,636,834	49,685,543	539,429	—	129,861,806

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, 2015

Net change in fund balances—total governmental funds		$ 32,145,749
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	$ 39,116,285	
Depreciation and amortization expense reported in the statement of activities	(27,198,834)	
Amount by which capital outlays are less than depreciation and amortization in the current period		11,917,451
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position		(1,727,818)
Bond sinking cost reported as asset at the government-wide level and reported as an expenditure for government funds		3,375,000
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		2,780,610
Some expenses reported in the statement of activities require the use of current financial uses and, therefore, are reported as expenditures in the government funds.		
Net pension assets		(21,153,000)
Net pension liabilities		(43,945,892)
Deferred outflows of resources related to pensions		67,479,082
Gain on refunding		(149,996)
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.		
Debt issued:		
Bonds and notes	(38,000,000)	
Refunded debt	(6,907,791)	
Premium on refunding	(387,059)	
Repayments:		
Bonds and notes	10,901,996	
Refunded debt	7,394,999	
Net adjustment		(26,997,855)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Net decrease in accrued interest payable	223,039	
Accretion of interest on capital appreciation bonds	(3,536,265)	
Amortization of bond premium, discount and refunding deferred	567,115	
Net decrease in compensated absences payable (vacation and sick pay)	756,270	
Net decrease in workers' compensation claims payable	121,031	
Net decrease in OPEB liability	23,683,548	
Net decrease in general insurance claims payable	71,654	
Net increase in life insurance benefits payable	(174,621)	
Net adjustment		21,711,771
Change in net position of governmental activities		$ 45,435,102

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2015

Assets		Pension and Other Post Employment Benefits trusts	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	$	—	—	5,191,789
Investments (note 2)		—	2,789,037	—
Money market accounts		68,696,165	—	—
Treasury and agency securities		15,928,935	—	—
Mortgage-backed securities		72	—	—
Nongovernment obligations		27,161,409	—	—
Municipal bonds		2,308,079	—	—
Investment in the State of Wisconsin		185,053,168	—	—
Receivables-interest and contributions		30,161,406	—	—
Total assets		329,309,234	2,789,037	5,191,789
Liabilities				
Accounts payable and accrued expenses		7,053,571	—	—
Due to student organizations		—	—	5,191,789
Total liabilities		7,053,571	—	5,191,789
Net Position				
Held in trust for:				
Supplemental benefits		322,255,663	—	—
Endowments		—	2,789,037	—
Total net position	$	322,255,663	2,789,037	—

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2015

		Pension and Other Post Employment Benefits trusts	Private purpose trust
Additions:			
Employer contributions	$	101,140,204	—
Participants contributions		7,591,305	—
Private donations		—	321,386
Interest income		—	827
Investment income:			
Net investment from the State of Wisconsin:			
Core Retirement Investment Trust Fund		2,483,168	—
Variable Retirement Trust Fund		639,028	—
Net investment income from other investments		702,079	—
Total investment income:		3,824,275	—
Investment expenses		(22,092)	—
Net investment income		3,802,183	—
Total additions		112,533,692	322,213
Deductions:			
Benefits paid to participant's or beneficiaries	$	88,755,640	—
Distribution of participant contribution accounts		23,068	—
Administrative expenses		285,125	—
Scholarships and awards		—	256,116
Total deductions		89,063,833	256,116
Changes in net position		23,469,859	66,097
Net position—beginning of year		298,785,804	2,722,940
Net position—end of year		322,255,663	2,789,037

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.

Capital Project-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.

Special Revenue-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.

<u>Agency Fund</u>: 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 Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. 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. Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

(e) Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible accounts is reported at year-end for $398,697.

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 June 30 are purchased by the City.

(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.

(l) 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 $7,243,936 at June 30, 2015 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. The deferred balances consist of General Fund – Microsoft settlement of $5.8 million and unavailable grant revenues of $6.5 million plus long term receivable of $2.8 million in the Construction Fund.

(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 balances are displayed as follows:

- 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) Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) & Employee Retirement System (ERS) and additions to/deductions from WRS' & ERS' fiduciary net position have been determined on the same basis as they are reported by WRS & ERS. For this purpose, benefit payments (including refunds on employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(t) New Accounting Pronouncements

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 an asset/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 has implemented this Statement beginning with the fiscal year ending June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68.* The objective of this statement is to address an issue regarding the application of the transition provisions of Statement No. 68. The issue relates to contributions to a defined benefit plan after the measurement date of the government's beginning net pension liability. This Statement will eliminate the source of a potential significant understatement of restated net position and expense in the first year on implementation of Statement 68. The District has implemented this Statement simultaneously with Statement 68 beginning with the 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	$ 95,624,059	$ 95,624,081
Demand deposits	9,584,269	18,558,843
Repurchase Agreement	3,000,000	13,478,240
Money market funds	120,118,171	111,256,605
Non-Government Obligations	15,928,935	15,928,935
U.S. Treasury Notes and Agencies	2,308,079	2,308,079
State and Municipal Notes	23,273,939	23,273,939
Total Cash and Investments	$ 269,837,452	$ 280,428,722

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 99,954,055
Restricted cash and investments	60,987,638
Per statement of net position – Fiduciary Funds	
Private purpose trust	2,789,037
Other post employment benefits trust	100,914,933
Agency	5,191,789
Total Cash and Investments	$ 269,837,452

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 $15,928,935 are AA+ rated (Standard & Poor's) and AAA rated (Fitch). State and Municipal of $2,308,709 are rated AA+ to A+ (Standard and Poor's). The non-government obligations of $23,273,939 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, 2015 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	$ 13,478,240	$ 13,478,240	-	-	-
U.S. Treasury Notes		-			
and Agencies	15,928,935	-	11,330,723	1,774,160	2,824,052
State and Municipal	2,308,079	-	2,108,921	199,158	-
Non-Government obligations	23,273,939	-	14,986,055	7,967,702	320,182
	$ 54,989,193	13,478,240	28,425,699	9,941,020	3,144,234

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 $32,140,296 of which $13,478,240 was invested in overnight repurchase agreements. Of the $32,140,296 bank balance, $12,613,629 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $19,527,016 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, $6,048,776 is uninsured and uncollateralized and $13,478,240 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 $111,256,605 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, 2015.

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. On June 30, 2015, the SWIB Core Fund strategic targets were 26% to U.S. Stocks, 37% to Fixed Income, 24% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. On June 30, 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 107% and 103%, respectively, reflecting the possibility of introducing leverage into the portfolio. On June 15, 2015, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. On June 30, 2014, the SWIB Variable Fund asset-mix targets also 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, 2015 and the fair value at SWIB as of June 30, 2015.

Investment	Duration (Years)		Fair Value
SWIB Core and Variable Funds	Details on SWIB fixed income investments as of 12/31/14 are included below.	$	46,333,197
Money market accounts (at BMO)	0.1	$	1,624,537
Mutual Funds (at BMO)	4.0	$	1,850,498
Mortgage Backed Securities	N/A	$	72

SWIB information provided within the accompanying financial statement is as of December 31, 2014. There has been no significant change in SWIB's investment strategies, asset allocations and investment pricing methods from December 31, 2014 to June 30, 2015. Based on SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2014 is a fair representation for June 30, 2015.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2014.

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	1.6	$ 49 Million
Commerical Paper	0.2	$ 870 Million
Corporate Bonds and Private Placements	5.7	$ 4,992 Million
Corporate Bonds and Private Placements	N/A	N/A
Foreign Gov't/Agency Bonds	7.7	$ 3,752 Million
Future Contracts	4.9	$ 3,691 Million
Municipal Bonds	10.7	$ 118 Million
Repurchase Agreements	0.0	$ 152 Million
US Government Agencies	1.8	$ 634 Million
US TIPS	7.9	$ 6,879 Million
U.S. Treasury Security	4.8	$ 3,926 Million
Commingled Funds	0.3 to 7.2	$ 8,816 Million

Note: On June 30, 2015, SWIB's Core Fund and Variable Fund had $89.5 billion and $7.3 billion in assets, respectively. As of June 30, 2015, the Plan's assets were invested 83% in the SWIB Core Fund, 11% in the SWIB Variable Fund, and 6% 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, 2014 and in the separate accounts managed by BMO on June 30, 2015. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2014	BMO 6/30/2015
P-1 or A-1	2%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	2%	49%
AA/Aa	41%	N/A
A	8%	N/A
BBB/Baa	9%	N/A
BB/Ba	2%	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***	29%	51%
Not-Rated	3%	0%

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

**As of December 31, 2013 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 $247.9 million on December 31, 2014. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $17.9 million on December 31, 2014, all of which were uncollateralized and uninsured. In total, these deposits represented 0.02% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2014.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. The repurchase agreements held by the fund were 13 agreements totaling $151.5 million as of December 31, 2014. All of these repurchase agreements were tri-party agreements held in short–term cash management portfolios managed by SWIB's custodian. The underlying securities for these repurchase agreements were held by the tri-party's agent, not in SWIB's name. These agreements represented 0.2% and 1.2% of the combined assets of the SWIB Core and Variable Funds on December 31, 2014 and December 31, 2013, respectively.

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, 2014, $22.7 billion of the SWIB Core and Variable Funds' $96.4 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, 2015, the Plan's interest in the plan net position of the Core Trust was approximately 0.046% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.73% . 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, 2014 (in thousands):

	12/31/2014
Future contracts	$ 5,365,299
Foreign exchange forward and spot contracts – sold	3,986,182
Foreign exchange forward and spot contracts – purchased	(3,997,098)
Options – puts	(414,396)
Options - calls	(2,943)

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. On June 30, 2015, the SWIB Core Fund strategic targets were 26% to U.S. Stocks, 37% to Fixed Income, 24% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. The strategic target allocations total 107% and105%, respectively, reflecting the possibility of introducing leverage into the portfolio. On June 30, 2015, the SWIB Variable Fund strategic 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, 2015 and at the fair value at SWIB as of June 30, 2015.

Investment	Duration (Years)		Fair Value
SWIB Core and Variable Funds	Details on the SWIB fixed income investments are as of 12-31-14 are included below.	$	138,719,970
Money market accounts (at BMO)	0.1	$	7,667,648
Mutual Funds (at BMO)	4.0	$	2,036,972

SWIB information provided within the accompanying financial statement is as of December 31, 2014. There has been no significant change in SWIB's Investment strategies, asset allocations and Investment pricing methods from December 31, 2014 to June 30, 2015. Based on the SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2014 is a fair representation for June 30, 2015.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2014.

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	1.6	$ 49 Million
Commerical Paper	0.2	$ 870 Million
Corporate Bonds and Private Placements	5.7	$ 4,992 Million
Corporate Bonds and Private Placements	N/A	N/A
Foreign Gov't/Agency Bonds	7.7	$ 3,752 Million
Future Contracts	4.9	$ 3,691 Million
Municipal Bonds	10.7	$ 118 Million
Repurchase Agreements	0.0	$ 152 Million
US Government Agencies	1.8	$ 634 Million
U.S. TIPS	7.9	$ 6,879 Million
U.S. Treasury Securities	4.8	$ 3,926 Million
Commingled Funds	0.3 to 7.2	$ 8,816 Million

Note: On June 30, 2015, SWIB's Core Fund and Variable Fund had $89.5 billion and $7.3 billion in assets, respectively. As of June 30, 2015, the Plan's assets were invested 84% in the SWIB Core Fund, 10% in the SWIB Variable Fund, and 6% 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, 2014 and in the separate accounts managed by BMO on June 30, 2015. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2014	BMO 6/30/2015
P-1 or A-1	2%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	2%	80%
AA/Aa	41%	N/A
A	8%	N/A
BBB/Baa	9%	N/A
BB/Ba	2%	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***	29%	20%
Not-Rated	3%	0%

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

**As of December 31, 2013 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

$247.9 million on December 31, 2014, 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 $17.9 million on December 31, 2014, all of which were uncollateralized and uninsured. In total, these deposits represented 0.02% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2014.

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 13 tri-party repurchase agreements totaling $151.5 billion on December 31, 2014. These agreements represented 0.2% of the combined assets of the SWIB Core and Variable Funds on December 31, 2014.

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, 2014, $22.7 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, 2015, the Plan's interest in the plan net position of the Core Trust was approximately 0.138% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.210%. 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, 2014 (in thousands):

	12/31/2014
Future contracts	$ 5,365,299
Foreign exchange forward and spot contracts – sold	3,986,182
Foreign exchange forward and spot contracts – purchased	(3,997,098)
Options – puts	(414,396)
Options - calls	(2,943)

(3) Receivables

Receivables as of June 30, 2015 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	$	16,425,281	2,521,576	—	—	18,946,857
Intergovernmental-federal		22,671,720	—	2,511,792	2,031,343	27,214,855
Intergovernmental-state		16,704,968	—	—	—	16,704,968
Intergovernmental-other		—	—	106,918	—	106,918
Gross receivables		55,801,969	2,521,576	2,618,710	2,031,343	62,973,598
Less allowance for uncollectibles		(398,697)	—	—	—	(398,697)
Total receivables, net	$	55,403,272	2,521,576	2,618,710	2,031,343	62,574,901

The District expects to collect all receivables within one year except for $573,763.

Accounts Receivable includes $5,821,913 from the settlement of a class action lawsuit with Microsoft Corporation as of June 30, 2015. Of the receivable amount all is expected to be collected within one year, at which time the program will be officially terminated.

Accounts Receivable includes $2.5 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, is being paid in monthly installments of $15,301.35 which began March 1, 2013 and continues until maturity on 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, 2015 are as follows:

		Principal	Interest	Total
Fiscal years:				
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		123,610	60,006	183,616
2021 - 2025		676,784	241,297	918,081
2026 - 2030		786,164	131,917	918,081
2031 - 2033		470,005	19,638	489,643
Totals	$	2,515,575	728,310	3,243,885

(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, 2015 represent due to/from balances among all funds:

		Due from other funds			
		General Fund	**Construction Fund**	**School Nutrition Services Fund**	**Total**
Due to other funds:					
General Fund	$	—	—	—	—
Construction fund		—	—	—	—
Nonmajor funds		419,357	964,801	76,212	1,460,370
Total	$	419,357	964,801	76,212	1,460,370

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, 2015 represent transfer in/out balances among all funds:

Fund Transferred To	**Fund Transferred From**	**Amount**	**Reason**
Debt Service Fund	General Fund	$23,063,192	To fund current year debt service
Construction	General Fund	5,287,707	To fund current year adjustment of prior year expenditures

(5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 31,494,591	—	388,715	31,105,876
Construction in progress	5,338,587	33,460,557	24,506,473	14,292,671
Total capital assets, not being depreciated	36,833,178	33,460,557	24,895,188	45,398,547
Capital assets, being depreciated:				
Buildings	1,028,704,030	24,497,925	3,028,396	1,050,173,559
Leasehold improvements	12,219,204	—	—	12,219,204
Furniture and equipment	51,849,220	828,772	784,610	51,893,382
Total capital assets, being depreciated	1,092,772,454	25,326,697	3,813,006	1,114,286,145
Less accumulated depreciation for:				
Buildings	(467,031,337)	(21,365,810)	(1,817,321)	(486,579,826)
Leasehold improvements	(4,276,010)	(540,942)	—	(4,816,952)
Furniture and equipment	(47,268,099)	(1,276,092)	(780,109)	(47,764,082)
Total accumulated depreciation	(518,575,446)	(23,182,844)	(2,597,430)	(539,160,860)
Total capital assets, being depreciated	574,197,008	2,143,853	1,215,576	575,125,285
Capital assets, net	$ 611,030,186	35,604,410	26,110,764	620,523,832

Depreciation expense for governmental activities for the year ended June 30, 2015 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	13,718,619
Community services		526,323
Pupil and staff services		2,673,001
General, administration and central services		2,023,169
Business services		3,287,735
School nutrition		953,997
Total depreciation	$	23,182,844

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	$ 3,695,053	4,835,504	7,490,956	1,039,601
Total intangible assets, not being amortized	3,695,053	4,835,504	7,490,956	1,039,601
Intangible assets, being amortized:				
Software	$ 49,690,664	7,490,956	746,344	56,435,276
Total intangible assets, being amortized	49,690,664	7,490,956	746,344	56,435,276
Less accumulated amortization for:				
Software	(37,928,652)	(4,015,990)	(622,817)	(41,321,825)
Total accumulated amortized	(37,928,652)	(4,015,990)	(622,817)	(41,321,825)
Total intangible assets being amortized	11,762,012	3,474,966	123,527	15,113,451
Intangible assets, net	$ 15,457,065	8,310,470	7,614,483	16,153,052

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Amortization expense for governmental activities for the year ended June 30, 2015 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	2,376,492
Community services		91,175
Pupil and staff services		463,047
General, administration and central services		350,476
Business services		569,538
School nutrition		165,262
Total amortization	$	4,015,990

(6) Short-term Borrowings

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 matured as follows: $59,000,000 on December 22, 2014 and $11,000,000 on December 29, 2014. The RANs matured on June 30, 2015. 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, 2015.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2015 totaled $392,991,067. Of this total, $25,840,346 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 $367,150,721 represents 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, for the year ended June 30, 2015, the District deposited $3,375,000 of principal payments into a Bond Sinking Fund to make Qualified School Construction Bond principal payments at maturity. Sinking fund principal payments on deposit as of June 30, 2015 total $7,650,000.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Life to Date 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	885,362	—	339,558	545,804	—	339,558
4.0 – 5.0%, due in annual installments to February 2015	335,000	67,000	—	67,000	—	—	—
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,173,474	—	4,023,849	149,625	—	149,625
2.5 – 3.0%, due in annual installments to Februrary 2019	2,700,000	1,350,000	—	270,000	1,080,000	—	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	355,906	—	—	355,906	—	110,952
General Obligation Bonds:							—
5.0%, due in installments to May 2021	4,095,000	4,095,000	—	515,000	3,580,000	—	535,000
Plus: Premium on issuance	787,801	612,735	—	87,533	525,202		—
4.0%, due in installments to March 2025	3,175,000	—	3,175,000	—	3,175,000	—	—
Plus: Premium on Issuance	387,059	—	387,059	45,325	341,734		—
2.0 -4.0%, due in installments to to March 2020	3,732,791	—	3,732,791	—	3,732,791	—	766,711
Qualified School Construction Bonds:							
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	2,750,000	925,000
Less: Discount on issuance	(450,000)	(309,375)	—	(28,125)	(281,250)		—
5.25%, due August 15th, 2014 to Februrary 2027	37,300,000	37,300,000	—	—	37,300,000	4,900,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	76,395,000	—	5,130,000	71,265,000	—	5,550,000
Plus: Premium on issuance	1,357,121	118,607	—	37,668	80,939	—	—
Less: Discount on 2007A issuance	(338,503)	(167,524)	—	(21,393)	(146,131)	—	—
Plus: Premium on 2013A issuance	—	5,523,695	—	552,104	4,971,591	—	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	2,054,976	—	636,588	1,418,388	—	505,293
Pension debt refinancing:							
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	35,475,000	—	2,940,000	32,535,000	—	2,510,000
Less: Discount	(25,232,986)	(9,570,684)	—	(1,576,896)	(7,993,788)	—	—
Capital appreciation bonds, due in annual installments beginning April 1, 2026 through April 1, 2041	110,525,000	110,525,000	—	—	110,525,000	—	—
Less: Discount	(94,805,878)	(80,169,459)	—	(1,959,369)	(78,210,090)	—	—
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	4,375,000	—	4,375,000	—	—	—
Capital lease-RACM QSCB2015	38,000,000	—	38,000,000	—	38,000,000	—	1,461,538
Total intergovernmental cooperation agreement debt		$ 337,289,713	45,294,850	15,433,842	367,150,721	7,650,000	15,573,677

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Life to Date Sinking Fund Contribution	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	$ 337,289,713	45,294,850	15,433,842	367,150,721	7,650,000	15,573,677
Accrued compensated absences	9,575,680	6,383,425	7,139,695	8,819,410	—	7,000,000
Accrued OPEB Obligation	530,646,534	75,250,634	98,934,182	506,962,986	—	—
Workers' compensation claims	7,576,956	5,061,887	5,182,918	7,455,925	—	5,200,000
General insurance claims	455,534	348,603	420,257	383,880	—	4,500
Life insurance benefits	1,992,362	174,621	—	2,166,983	—	385,221
Liability for other long-term benefits	285,051	—	—	285,051	—	—
Total long-term obligations	$ 887,821,830	132,514,020	127,110,894	893,224,956	7,650,000	28,163,398

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 $1,185,255 as of June 30, 2015. 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 as of June 30, 2015 are as follows:

	Principal	Interest	Total
Fiscal year ended June 30:			
2016	$ 14,112,130	12,987,303	27,099,433
2017	15,228,520	12,722,142	27,950,662
2018	14,956,579	12,364,332	27,320,911
2019	16,540,098	11,949,349	28,489,447
2020	17,405,445	11,502,439	28,907,884
2021 – 2025	87,269,742	50,634,686	137,904,428
2026 – 2030	53,640,001	33,435,800	87,075,801
2031 – 2035	66,990,000	20,612,075	87,602,075
2036 – 2040	90,145,001	11,865,150	102,010,151
2041 – 2045	25,925,000	3,058,385	28,983,385
Total	$ 402,212,516	181,131,661	583,344,177

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 0.18650% as of June 30, 2015.

On June 30, 2015 the District entered into a $38,000,000 capital lease to fund major modifications/improvements at various school facilities, the complete demolition and construction of a new athletic facility at South Stadium, and the complete modernization of the athletic facility at Custer Stadium. The financing vehicle for the capital lease was lease revenue bonds Series 2015A issued through the Redevelopment Authority of the City of Milwaukee (RACM) with a maturity in 2041 and an interest rate of 5.163%. The revenue bonds are designated as Qualified School Construction Bonds (QSCB) – Direct Payment Subsidy, which under current regulations, interest is reimbursable by the federal government up to the applicable tax credit rate of 4.87%. MPS, therefore, is entitled to receive $1,850,600 per year of direct payment from the US treasury for reimbursement of interest paid, subject to sequestration, resulting in a net effective interest rate on the capital lease of .65%. The District is also holding approximately $37.5 million of restricted cash and investments under this capital lease arrangement. Future maximum lease payments under these capital leases at June 30, 2015 are as follows:

Fiscal year ended June 30:		
2016	$	3,178,236
2017		3,423,478
2018		3,423,478
2019		3,423,478
2020		3,423,478
2021 – 2025		17,117,392
2026 – 2030		17,117,393
2031 – 2035		17,117,393
2036 – 2040		17,117,393
2041 – 2045		3,423,479
Total remaining maximum lease payments		88,765,198
Less amount representing interest		50,765,198
Present value of maximum lease payments	$	38,000,000

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 2015 was $25,967,905,900 and the 5% debt limit was $1,298,395,295. No referendum-approved debt is outstanding at June 30, 2015.

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, 2015 is $86,745,338. Principal and interest paid for the year ended June 30, 2015 was $8,332,335 while the Intradistrict Aid revenues were $30,325,834.

Revenue debt payable at June 30, 2015 consists of the following:

Neighborhood Schools Initiative Bonds

Amounts Outstanding

	Principal	Interest	Total
Fiscal year ended:			
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
	$ 71,265,000	15,480,338	86,745,338

Current Refunding

On May 28, 2015 the District issued $3,175,000 of GO Series 2015 N2 notes with an interest rate of 4.00% to refund $4,375,000 of 2005 RACM bonds that had an average interest rate of 4.50%. The proceeds of the new notes with related premium less applicable issuance cost, plus $940,000 of funds on hand were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The bonds are callable on August 1, 2015. The refunding gave the District an economic gain of approximately $674,811.

Projected cash flow for debt before refunding	$4,908,858
Projected cash flow for debt after refunding	4,234,047
Projected net savings from refunding	$ 674,811

On May 28, 2015 the District issued $3,732,791 of GO Series 2015 N2 notes with an average interest rate of 3.50% to refund $3,960,106 of GO Series 2005 A5 bonds that had an average interest rate of 5.00%. The refunding gave the District an economic gain of approximately $493,383.

Projected cash flow for debt before refunding	$4,607,053
Projected cash flow for debt after refunding	4,113,670
Projected net savings from refunding	$ 493,383

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 position. 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, 2015 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2015 Change in Fair Value		Fair Value, End of 2015		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	$7,072	Derivative	($49,738)	$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, 2015, 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.	($8,075)	A/A2/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.	($18,843)	AA-/Aa2/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.	($22,820)	A-/A3/A
						Total Fair Value	($49,738)	

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, 2015 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, 2015 the swap's currently have a cumulative negative fair value of $49.74 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, 2015, 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:				
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	—	203,079	7,137,606	7,340,685
2021 – 2025	12,575,000	1,204,611	35,030,612	48,810,223
2026 – 2030	31,250,000	976,638	28,401,062	60,627,700
2031 – 2035	31,250,000	685,232	19,926,843	51,862,075
2036 – 2040	31,050,000	394,448	11,470,703	42,915,151
2041 – 2044	24,725,000	101,674	2,956,711	27,783,385
Totals	$ 130,850,000	4,377,998	133,473,961	268,701,959

(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, 2015, is as follows:

General fund unassigned fund balance	$ 41,791,865
Amount required to fund six months of the school operation's property tax levy:	
Subsequent year's school operations school levy ($272,968,295) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (75) to total calendar school year days (180)	113,736,789
General fund unassigned fund balance deficiency	$ (71,944,924)

(8A) Restatement of Net Position

Net position has been restated as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*, which require the District's proportionate share of net pension asset (liability) of the Employee's Retirement System and record pension expense as the Employee's Retirement System and record pension expense as of the Employee's Retirement System actuarial valuation. The details of this restatement are as follows:

Net Position - June 30, 2014 (as reported)	$	(149,057,876)
Add: Net pension asset - cost sharing plan		25,984,295
Add: Deferred outflows of resources related to pensions		19,737,701
Less: Net Pension assets (prepayment)		(12,715,210)
Net Position - June 30, 2014 (as restated)	$	(116,051,090)

As a result of the restatement, the change in net position for 2014 increased by $33,006,786.

(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 and effective January 1, 2015, the District added a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Also effective January 1, 2015, all Medicare eligible retirees and their Medicare eligible spouses have been enrolled in the MPS Group Medicare Advantage Plan that includes a group Medicare Part D pharmacy benefit. 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, excess liability and cyber 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 reduction in abuse and molestation liability limits effective July 1, 2013 remain in place. The District's limits remain, $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	
		2015	**2014**
Beginning of year liability	$	34,035,943	35,889,349
Current year claims and changes in estimate		159,439,692	179,949,335
Claim payments		(166,054,121)	(181,802,741)
End of year liability	$	27,421,514	34,035,943

The District has recognized the liability for health and dental benefits, which totaled $15,948,420 and $23,269,890 as of June 30, 2015 and 2014, respectively, in the general fund. The District has also recognized a liability of $1,181,255 and $1,031,150 as of June 30, 2015 and 2014, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $21,426 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

Wisconsin Retirement System

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. 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.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors.

For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate 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.

During the reporting period, the WRS recognized $75,878,102 in contributions from the district.

Contribution rates as of June 30, 2015 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

At June 30, 2015, the district reported an asset of $67,124,130 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actual valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions of benefit terms occurred between the actuarial valuation date and the measurement date. The district's proportion of the net pension asset was based on the district's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the district's proportion was 2.73277092% which was a decrease of .08447886% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the district recognized pension expense of $26,094,290.

At June 30, 2015, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources
Differences between expected and actual experence	$ 9,730,939
Changes in assumptions	-
Net differences between projected and actual earnings on pension plan investements	32,504,842
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,041,974
Employer contributions subsequent to the measurement date	14,806,611
Total	$ 59,084,366

$14,806,611 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outlfow of Resources
2016	$ 10,810,291
2017	10,810,291
2018	10,810,291
2019	10,810,291
2020	1,036,593
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date	December 31, 2013
Measurement Date of Net Pension Liability(Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Incresases:	
Inflation	3.2%
Seniority/Merit	0.2%-5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009-2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the district's proportionate share of the net pension (asset) to changes in the discount rate. The following presents the district's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the district's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	$ 189,369,294	$ (67,124,130)	$ (269,692,623)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at http://legis.wisconsin.gov/lab/ and reference report number 15-11.

Employes' Retirement System of the City of Milwaukee

Plan Description – The District makes contributions to the Employes' 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, 2014, 2013, and 2012, were $5,676,000, $5,716,000, and $5,878,000, respectively, equal to the required contributions on behalf of the plan members for each year.

At June 30, 2015, the district reported a liability of $14,021,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions of benefit terms occurred between the actuarial valuation date and the measurement date. The district's proportion of the net pension liability was based on the district's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014 the district's proportion was 12.35659% which was an increase of 0.68045% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the district recognized pension expense of $9,340,235.

At June 30, 2015, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources
Differences between expected and actual experence	$ -
Changes in assumptions	-
Net differences between projected and actual earnings on pension plan investements	15,787,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Employer contributions subsequent to the measurement date	4,698,117
Total	$ 20,485,117

$4,698,117 reported as deferred outflows related to pension resulting from the System employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outlfow of Resources
2016	$ 3,946,750
2017	3,946,750
2018	3,946,750
2019	3,946,750
2020	-
Thereafter	-

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2014, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2014, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial valuation date	December 31, 2013
Measurement Date of Net Pension Liability	December 31, 2014
Actuarial cost method	Entry age normal-Level Percentage of Pay
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The differences between projected and actual earnings are amortized over a closed period of five years.
Asset Valuation Method	Fair Market value
Actuarial Assumptions:	
Investment rate of return and discount rate	8.25% for calendar years through 2017, and 8.50% beginning with calendar year 2018
Projected Salary increases	General City 3.0%-7.5%
	Police & Fire 3.0% - 14.4%
Inflation Assumption	3.00%
Cost of living Adjustments	Vary by Employee Group as explained in summary of plan provisions
Mortality Table	For regular retirees and for survivors, the RP-2000 Combined Mortality Table projected nine years using Scale AA. Future generational rates are projected from 2009 based on Scale AA. For duty and ordinary disability retirees, use the RP-2000 Disability Mortality Table. For death in active service, the rates are similar to those used for regular retirees and survivors with a 6-year setback.
Experience Study	The actuarial assumptions used in December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2007-December 31, 2011.

Long-term expected rate of return-the long-term expected rate of return on pension plan investments was determined using Callan Associates' 10 year geometric capital market projections. Projected long term rates of return for each major asset class in the Retirement System's target asset allocation as of December 31, 2014, are summarized in the following table:

Asset Class	Policy	Actual	Long-term Expected Rate of Return
Domestic Equity	28.0%	30.1%	7.60%
International Equity	20.0%	20.8%	7.80%
Global Equity	10.0%	7.1%	7.70%
Fixed Income/Cash	28.0%	26.8%	3.60%
Real Estate	7.0%	7.6%	8.00%
Private Equity	2.0%	2.4%	8.50%
Absolute Return	5.0%	5.2%	5.25%
	100.0%	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 8.49 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members:. The cross over analysis produces a single rate of 8.49 percent, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the district's proportionate share of the net pension liability to changes in the discount rate - The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8.49 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.49 percent) or 1 - percentage-point higher (9.49 percent) than the current rate (in thousands):

	1% Decrease (7.49%)	Current Discount (8.49%)	1% Increase (9.49%)
District proportionate share of the net pension liability	$83,511,000	14,021,000	(44,515,000)

Additional Financial Information for the ERS- For additional information regarding ERS's financial statements and audit report, please visit the ERS web site at http:/www.cmers.com/About-Us/Reports.htm

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.

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 and the System.

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.

At June 30, 2015, the district reported a net pension liability of $92,217,727 for the Plans. The net pension liability was measured as of June 30, 2015

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

For the year ended June 30, 2015, the district recognized pension expense of $2,358,260.

At June 30, 2015, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources
Differences between expected and actual experence	$ 38,196
Changes in assumptions	19,965
Net differences between projected and actual earnings on pension plan investements	2,441,137
Total	$ 2,499,298

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources
2016	$ 668,445
2017	610,284
2018	610,284
2019	610,285
2020	-
Thereafter	-

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

For the year ended June 30, 2015, the district recognized pension expense of $2,267,740.

At June 30, 2015, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources
Differences between expected and actual experence	$ (2,142,105)
Changes in assumptions	-
Net differences between projected and actual earnings on pension plan investements	7,290,107
Total	$ 5,148,002

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources
2016	$ 1,822,527
2017	1,822,527
2018	1,822,527
2019	1,822,526
2020	-
Thereafter	-

Actuarial Assumptions

In February 2012, the Plan actuary performed an experience study based on actuarial valuations for the period July 1, 2006 to July 1, 2011. Based on this study the following assumptions were implemented effective for the July 1, 2012 actuarial valuation. The total pension liability was determined by an actuarial valuation as of July 1, 2014 and data rolled forward to June 30, 2015, above using the following actuarial methods and assumptions:

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	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	June 30, 2014l	June 30, 2014
Measurement date of Net Pension Liability	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal	Entry age normal
Asset Valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return and discount rate	7.5%	7.5%
Inflation	2.8%	0.0%
Salary increases	Certificated participants: In addition to price inflation, service based increases of up to 3.7% per year.	Is no longer needed as Plan was frozen effective July 1, 2013. Therefore salary increases after this date will not be considered pensionable under the Plan.
Morality rate	Wisconsin Projected Experience Table-2005.	Wisconsin Projected Experience Table-2005.

Long-Term Expected Rate of Return

On pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class as of December 31, 2014 are as follows:

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

Asset Class

SWIB Core Fund	Policy	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	26.00%	21.00%	5.30%
International Equity	24.00%	23.00%	5.70%
Fixed Income	37.00%	36.00%	1.70%
Inflation Sensitive Assets		20.00%	2.30%
Real Estate	7.00%	7.00%	4.20%
Private Equity/Debt		7.00%	6.90%
Multi-Asset		6.00%	3.90%
Alternative Investments	14.00%		
Cash	(8.00)%	(20.00)%	0.90%
Portfolio Target Allocation		79.00%	

Asset Class

SWIB Variable Fund	Policy	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	70.00%	70.00%	5.30%
International Equity	30.00%	30.00%	5.70%
Portfolio Target Allocation		14.00%	
BMO Fund			
Intermediate Fixed Income			0.70%
Portfolio Target Allocation		7.00%	
Long-Term Inflation Assumption			2.80%
Portfolio Target Allocation		79.00%	

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Asset Class

SWIB Core Fund	Policy	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	26.00%	21.00%	5.30%
International Equity	24.00%	23.00%	5.70%
Fixed Income	37.00%	36.00%	1.70%
Inflation Sensitive Assets		20.00%	2.30%
Real Estate	7.00%	7.00%	4.20%
Private Equity/Debt		7.00%	6.90%
Multi-Asset		6.00%	3.90%
Alternative Investment	14.00%		
Cash	(8.00)%	(20.00)%	0.90%

SWIB Variable Fund	Policy	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	70.00%	70.00%	5.30%
International Equity	30.00%	30.00%	5.70%
Portfolio Target Allocation		10.00%	
BMO Fund			
Intermediate Fixed Income			0.70%
Portfolio Target Allocation		5.00%	
Long-Term Inflation Assumption			2.80%

Single Discount Rate

The Plan is closed to future members, and the funding policy is projected to fully finance plan liabilities in the future. Actuarially determined contributions will be adjusted in the future, as experience emerges, to ensure that retiree benefits are paid.

A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that the plan sponsor would make the actuarially determined contribution as defined by the funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.5%) or 1-percentage- point higher (8.5%):

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

	1% Decrease 6.5%	Current Discount 7.5%	1% Increase 8.5%
Net Pension Liability	$8,883,086	$4,502,572	$296,536

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	1% Decrease 6.5%	Current Discount 7.5%	1% Increase 8.5%
Net Pension Liability	$111,381,045	$87,715,155	$67,652,965

(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. As of January 1, 2015, all Medicare eligible retirees and their Medicare eligible spouses have been enrolled in the MPS Group Medicare Advantage Plan that includes a group Medicare Part D pharmacy benefit.

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. Effective January 1, 2015, a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) was offered to all active employees with a lower employee premium share ranging from 2% to 9% based on their annual salary.

In general and in accordance with collective bargaining agreements, Board policy and plan provisions, retirees who meet the age and service requirements for retiree life insurance pay the premium contribution at the group rate until age 65 after which the District pays the premium. Certain collective bargaining units and non-represented employees who meet the age requirement and have 30 or more years of service receive life insurance benefits fully paid by the District. Certain other bargaining units have retiree life insurance benefits that are fully paid by the retiree at the group premium rate. Once retirees attain age 65, the life insurance coverage is reduced by 25 percent of the original coverage for each year following their 65^{th} 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, 2015, the District contributed $98,934,182 (including pre-funding contributions, and Medicare Part D contributions) to the Retiree Plan. For fiscal year ending June 30, 2015, total member contributions to the Retiree Plan were $8,295,133.

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, 2015, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$ 96,317,356
Interest on Net OPEB Obligation	24,144,417
Adjustment to annual required contribution	(45,211,139)
Annual OPEB cost	75,250,634
MPS Contributions made	(98,934,182)
Decrease in Net OPEB Liability	(23,683,548)
Net OPEB obligation, beginning of year	530,646,534
Net OPEB obligation, end of year	$506,962,986

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, 2015 and the two preceding years was as follows:

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
6/30/15	$ 75,250,634	131.5%	$506,962,986
6/30/14	93,541,008	109.1%	530,646,534
6/30/13	95,693,459	83.5%	539,203,697

The funded status of the plan, at the projected valuation date of July 1, 2014*, is based on the most recent actuarial valuation date of July 1, 2013 was as follows:

Actuarial accrued liability (AAL)	$1,153,519,384
Actuarial value of plan assets	93,814,107
Unfunded Actuarial Accrued Liability (UAAL)	$1,059,705,277
Funded ratio (actuarial value of plan assets/AAL)	8.1%
Covered payroll (active plan members)	$ 416,722,808
UAAL as a percentage of covered payroll	254.3 %

*Includes impact of change to Medicare Advantage Plan, effective as of January 1, 2015.

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, 2015 was based on the assumptions and methods in the January 1, 2015 interim 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 102 and 103.

(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, 2015, the District was over its revenue limitation by $40,756.

(13) Excess Expenditures Over Appropriations

The following funds and departments had an excess of actual expenditures over appropriations for the year ended June 30, 2015:

Fund	Excess Expenditures
General Fund:	
High Schools	326,514
Middle Schools	170,487
Multilevel Schools	438,152
Charter Schools	2,188,798
School Nurses	103,235
Substitute Teachers	5,303,037
School Office Staff, Support and School Safety	983,577
Central Guidance	543,603
Interscholastic Athletics & Academics	48,628
Office of School Administration	109,793
Office of Academics	1,174,183
Office of Finance	17,053
Building Operations Sites, Tenant Costs, Utilities	453,444
Debt Service	101,839
Technology Licenses & Equipment	1,084,721
CAMP	5,134,473
Debt Service	8,026,097

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

(14) 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, 2015 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 $39.5 million of encumbrances outstanding as of June 30, 2015 of which $29.3 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals of 6/30/15	Contract Commitments at 6/30/15
Major Funds		
General Fund	$ 30,900,150	$ 21,470,272
Construction Fund	7,962,446	7,441,819
Nutrition Fund	569,165	308,704
Total Major Funds	$ 39,431,761	$ 29,220,795
Non-Major Funds	69,567	30,013
Total Encumbrances and Contract Commitments	$ 39,501,328	$ 29,250,808

(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.

(15) Subsequent Events

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, the City of Milwaukee issued $45,000,000 of commercial paper on September 24, 2015, maturing October 22, 2015 and $25,000,000 of commercial paper on October 1, 2015, maturing, December 3, 2015. $180,000,000 of Revenue Anticipation Notes (RANs), Series 2015 M7, was issued on October 1, 2015. The RANs mature as follows: $50,000,000 on December 30, 2015 and $130,000,000 on June 30, 2016. Interest is payable at maturity.

REQUIRED SUPPLEMENTARY INFORMATION

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MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2015

	Budgeted amounts		Actual	Variance with
	Adopted	**Revised**	**(GAAP basis)**	**Revised Budget**
REVENUES:				
Property Tax Levy	$ 292,562,264	$ 288,078,016	$ 288,078,016	$ -
Equalization & Integration Aids	545,911,304	548,349,805	548,309,726	(40,079)
Other State Aids	72,501,662	74,518,885	75,073,901	555,016
Federal Aids	15,986,158	13,320,000	16,645,879	3,325,879
Other Local Revenues	8,972,063	11,108,372	16,265,936	5,157,564
Applied Surplus	2,421,323	2,421,323	-	(2,421,323)
SCHOOL OPERATIONS & EXTENSION	938,354,774	937,796,401	944,373,458	6,577,057
CAMP	-	-	4,947,173	4,947,173
GRANTS	144,677,079	150,501,015	136,982,947	(13,518,068)
Total Revenues	1,083,031,853	1,088,297,416	1,086,303,578	(1,993,838)
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	62,399,673	63,342,770	63,669,284	(326,514)
Middle Schools	12,343,338	12,813,683	12,984,170	(170,487)
K-8 Schools	108,961,250	109,783,395	109,467,028	316,367
Multilevel Schools	24,839,498	23,709,105	24,147,257	(438,152)
Elementary Schools	60,474,520	60,787,474	60,687,158	100,316
Charter Schools	59,758,987	60,536,318	62,725,116	(2,188,798)
Supplemental School Support	1,433,858	2,847,589	2,839,938	7,651
Art, Music, Physical Education, Library	21,040,976	20,907,156	20,012,058	895,098
Grant Transitional	2,660,382	4,240,756	3,788,934	451,822
School Nurses	2,334,549	2,348,408	2,451,643	(103,235)
Substitute Teachers	6,324,660	6,284,436	11,587,473	(5,303,037)
School Office Staff, Support and School Safety	42,332,612	43,663,242	44,646,819	(983,577)
Central Guidance	7,674,536	7,625,727	8,169,330	(543,603)
Education Maintenace	1,968,521	3,461,699	3,446,996	14,703
Career and Technical Education	403,808	744,731	525,695	219,036
Student Retention	2,385,121	1,135,003	826,556	308,447
SpringBoard	694,917	714,302	297,753	416,549
Interscholastic Athletics & Academics	3,830,362	4,333,208	4,381,836	(48,628)
Milwaukee County Collaborative	1,044,662	1,044,823	858,864	185,959
MPS Alternative Schools/Programs	9,604,622	9,899,123	9,229,884	669,239
Itinerant Allied Health Services	4,979,819	5,046,941	4,655,062	391,879
Special Education Services	177,375,234	178,974,913	170,000,811	8,974,102
Summer School	2,652,399	2,917,994	2,807,501	110,493
Partnership/Contracted Programs	12,545,628	11,727,255	10,417,971	1,309,284
Non-Public Schools	-	204,804	5,034	199,770
School Special and Unallotted	52,353,041	55,944,699	51,634,182	4,310,517
TOTAL - PROGRAM ACCOUNTS	**$** 682,416,973	**$** 695,039,554	**$** 686,264,353	**$** 8,775,201

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, 2015

	Budgeted amounts		Actual	Variance with Revised
	Adopted	Revised	(GAAP basis)	Budget
INDIRECT & SUPPORT SERVICES				
Board/Office of Board Governance	$ 2,453,114	3,266,740	2,605,999	660,741
Office of Accountability and Efficiency	1,340,225	1,694,311	1,236,724	457,587
Office of Superintendent	9,791,495	7,416,475	5,858,011	1,558,464
Office of School Administration	2,338,450	2,332,210	2,442,003	(109,793)
Office of Academic	15,499,827	16,563,421	17,737,604	(1,174,183)
Office of Finance	5,051,460	5,294,777	5,311,830	(17,053)
Office of Operations	1,851,055	2,014,696	1,657,290	357,406
Dept. of Recreation & Community Services	128,369	147,266	131,241	16,025
Dept. of Facilities & Maintenance	23,366,819	25,501,187	24,542,320	958,867
Dept. of Technology	9,874,056	13,038,003	11,334,085	1,703,918
Office of Human Capital Services	5,064,924	6,109,630	5,170,935	938,695
Office of Innovation	1,295,219	5,486,438	4,710,220	776,218
TOTAL - INDIRECT & SUPPORT	78,055,013	88,865,154	82,738,262	6,126,892
OTHER ACCOUNTS				
Building Operations Sites, Tenant Costs, Utilities	53,772,029	54,500,300	54,953,744	(453,444)
Debt Service	197,162	197,163	299,002	(101,839)
District Insurance & Judgements	8,861,231	9,443,357	7,990,021	1,453,336
Management Intern Program	447,647	447,647	293,802	153,845
Safe Schools Supplement	-	397,623	10,826	386,797
Special & Contingent Funds	6,878,650	8,209,867	-	8,209,867
Transportation Operations	60,057,000	60,179,802	59,050,942	1,128,860
Technology Licenses & Equipment	8,519,127	10,527,138	11,611,859	(1,084,721)
TOTAL - OTHER ACCOUNTS	138,732,846	143,902,897	134,210,196	9,692,701
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	10,557,838	12,603,251	10,559,671.81	2,043,579
Summer School Wrap-around	5,534,236	7,614,078	6,598,398.51	1,015,679
Educational Programs	695,536	982,484	524,855.76	457,628
Partnership for the Arts/Humanities	1,750,000	2,733,509	1,857,994.67	875,514
Facilities	1,255,434	1,260,431	1,189,792.38	70,639
Insurance and Utilities	1,264,702	1,264,702	558,366.73	706,335
Employee Benefits	429,448	429,448	-1,146,029.87	1,575,478
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	21,487,194	26,887,903	20,143,050	6,744,852
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES	(8,787,526)	(8,404,702)	(8,622,461)	217,759
SCHOOL OPERATIONS & EXT. FUND	911,904,500	946,290,806	914,733,400	31,557,405
CAMP	-	-	5,134,473	(5,134,473)
GRANTS	144,677,079	150,501,015	138,084,212	12,416,803
Total Expenditures	1,056,581,579	1,096,791,821	1,057,952,085	38,839,736
Excess of revenues over (under) expenditures	26,450,274	(8,494,405)	28,351,493	(36,845,898)
Transfer In (Out)	(26,450,274)	(22,331,944)	(28,350,899)	6,018,955
Insurance Proceeds			843,560	(843,560)
Change in Fund Balance	$ -	$ (30,826,349)	844,154	$ 31,670,503
Fund balance-beginning of year			78,792,680	
Fund balance-end of year			$ 79,636,834	

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, 2015

	Budgeted amounts		Actual	Variance with
	Adopted	**Revised**	**(GAAP basis)**	**Revised Budget**
Revenues:				
Lunchroom sales	$ 3,002,436	$ 3,062,500	$ 802,753	$ (2,259,747)
Other local sources	—	—	378,479	378,479
State aid:				
School nutrition aid	986,700	1,006,400	903,580	(102,820)
Federal aid:				
School nutrition aid	39,691,864	44,812,100	46,739,199	1,927,099
Other federal aid	1,124,704	1,210,007	1,169,360	(40,647)
Total revenues	44,805,704	50,091,007	49,993,371	(97,636)
Expenditures:				
Current operating:				
School Nutrition Services	44,705,704	50,553,843	46,653,985	3,899,858
Capital Outlay	100,000	985,302	63,034	922,268
Total expenditures	44,805,704	51,539,145	46,717,019	4,822,126
Excess of revenues over(under) expenditures	—	(1,448,138)	3,276,352	4,724,490
Net change in fund balances	$ —	—	3,276,352	3,276,352
Fund balance—beginning of year			(2,736,923)	
Fund balance—end of year			$ 539,429	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2015

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY

Wisconsin Retirement System

Fiscal Year end date	Proportion of the Net Pension Asset/(Liability)	Proportionate Share of the Net Pension Asset/(Liability)	Covered Payroll	Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
12/31/2014	0.0273277092%	$ 67,124,330	$ 369,586,810	18.16%	102.74%

Employes' Retirement System

Fiscal Year end date	Proportion of the Net Pension Asset/(Liability)	Proportionate Share of the Net Pension Asset/(Liability)	Covered Payroll	Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
12/31/2014	12.3564611222%	$ (14,021,000)	n/a	n/a	n/a

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

Fiscal Year end date	Proportion of the Net Pension Asset/(Liability)	Proportionate Share of the Net Pension Asset/(Liability)	Covered Payroll	Proportionate Share of the Net Pension Asset/(Liability) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
6/30/2015	100%	$ (4,502,572)	$ 17,917,354	-25.13%	276.23%

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Fiscal Year end date	Proportion of the Net Pension Asset/(Liability)	Proportionate Share of the Net Pension Asset/(Liability)	Covered Payroll	Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
6/30/2015	100%	$ (87,715,155)	$ 262,224,327	-33.45%	56.19%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Wisconsin Retirement System

Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2014	$ 25,878,102	$ 25,878,102	-	$ 369,586,810	7.00%

Employes' Retirement System

Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2014	$ 9,719,624	$ 9,719,624	-	n/a	n/a

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

Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	$ 2,346,545	$ 1,710,809	-	$ 17,917,354	9.55%

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	$ 10,329,340	$ 9,540,139	-	$ 262,424,327	3.64%

MILWAUKEE PUBLIC SCHOOLS
Required Supplementary Information
For the Year Ended June 30, 2015

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
7/1/2014	$ 96,317,356	102.7%	$ 506,962,986
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

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.

(2) Wisconsin Retirement System (WRS) Pension

The amounts presented in relation to the schedule of employer's proportionate share of the net pension asset and the schedule of employer contributions represents the specific data of the District. The information was derived using a combination of the employer's contribution data along with data provided by the Wisconsin Retirement System in relation to the District as a whole.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

The District is required to present the last ten fiscal years data; however, the standards allow the District to present as many years as are available until ten fiscal years are presented.

(3) Employes' Retirement System (ERS)

The amounts presented in relation to the schedule of employer's proportionate share of the net pension asset/liability and the schedule of employer contributions represents the specific data of the District. The information was derived using a combination of the employer's contribution data along with data provided by the ERS in relation to the District as a whole.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions

The District is required to present the last ten fiscal years data; however, the standards allow the District to present as many years as are available until ten fiscal years are presented.

(4) Supplemental Retirement Plans

The amounts presented in relation to the schedule of employer's proportionate share of the net pension asset/liability and the schedule of employer contributions represents the specific data of the District. The information was derived using the employer's contribution data.

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. There were no changes in the assumptions

The District is required to present the last ten fiscal years data; however, the standards allow the District to present as many years as are available until ten fiscal years are presented.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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, 2015

		Special Revenue		
Assets		**Categorically Aided Programs**	**Debt Service**	**Total**
Receivables due from other governmental units	$	2,031,343	—	2,031,343
Total assets	$	2,031,343	—	2,031,343
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	$	366,673	—	366,673
Due to other funds		1,460,370	—	1,460,370
Total liabilities		1,827,043	—	1,827,043
Deferred inflows of Resources (note 1(o)		204,300	—	204,300
Fund balances:				
Restricted		—	—	—
Total fund balances		—	—	—
Total liabilities, deferred inflows of resources and fund balances	$	2,031,343	—	2,031,343

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2015

		Special Revenue		
		Categorically Aided Programs	Debt Service	Total
Revenues:				
Property taxes	$	—	4,600,529	4,600,529
Federal aid:				
Other federal aid		20,074,912	—	20,074,912
Total revenues		20,074,912	4,600,529	24,675,441
Expenditures:				
Instructional services—special curriculum		4,785,916	—	4,785,916
Pupil and staff services		15,288,996	—	15,288,996
Debt service:				
Principal		—	21,671,993	21,671,993
Interest		—	13,227,836	13,227,836
Bond administrative fees		—	58,741	58,741
Total expenditures		20,074,912	34,958,570	55,033,482
Excess of revenues over (under) expenditures		—	(30,358,041)	(30,358,041)
Other financing sources:				
Refunding bond issued debt		—	6,907,791	6,907,791
Premium on refunded debt issued		—	387,058	387,058
Transfers In		—	23,063,192	23,063,192
Total other financing sources, net		—	30,358,041	30,358,041
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, 2015

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Federal aid:			
Other federal aid	$ 23,729,228	24,643,191	20,074,912
Total revenues	23,729,228	24,643,191	20,074,912
Expenditures:			
Current operating:			
Special curriculum	5,657,115	5,875,007	4,785,916
Pupil and staff services	18,072,113	18,768,184	15,288,996
Total expenditures	23,729,228	24,643,191	20,074,912
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, 2015

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Property taxes	$ —	4,600,529	4,600,529
Total revenues	—	4,600,529	4,600,529
Expenditures:			
Current operating:			
Debt service	26,450,274	26,932,473	34,958,570
Total expenditures	26,450,274	26,932,473	34,958,570
Excess of revenues over (under) expenditures	(26,450,274)	(22,331,944)	(30,358,041)
Other financing sources			
Refunding bond issued debt	—	—	6,907,791
Premium on refunded debt issued	—	—	387,058
Transfers In	26,450,274	22,331,944	23,063,192
Total other financing sources, net	26,450,274	22,331,944	30,358,041
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, 2015

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Other Post Employment Benefits trust	Total
Assets					
Investments					
Money market accounts	$	1,624,537	7,667,648	59,403,980	68,696,165
U.S. treasury and agency securities		—	—	15,928,935	15,928,935
Mortgage-backed securities		72	—	—	72
Nongovernmental obligations		1,850,498	2,036,972	23,273,939	27,161,409
Municipal Bonds		—	—	2,308,079	2,308,079
Investment in the State of Wisconsin		46,333,198	138,719,970	—	185,053,168
Receivables-interest and contributions		149,597	492,179	29,519,630	30,161,406
Total assets		49,957,902	148,916,769	130,434,563	329,309,234
Liabilities					
Accounts payable and accrued expenses		464,363	1,458,170	5,131,038	7,053,571
Total liabilities		464,363	1,458,170	5,131,038	7,053,571
Net Position					
Held in trust for supplemental pension and other post employment benefits	$	49,493,539	147,458,599	125,303,525	322,255,663

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2015

		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	$	1,710,809	9,540,139	89,889,256	101,140,204
Participants contributions		—	—	7,591,305	7,591,305
Investment income (loss):					
Net investment (loss) from the State of Wisconsin:					
Core Retirement Investment Trust Fund		629,237	1,853,931	—	2,483,168
Variable Retirement Trust Fund		140,847	498,181	—	639,028
Net investment income from other investments		36,142	73,395	592,542	702,079
Total investment income (loss):		806,226	2,425,507	592,542	3,824,275
Investment expenses		(6,950)	(15,142)	—	(22,092)
Net investment income/(loss)		799,276	2,410,365	592,542	3,802,183
Total additions		2,510,085	11,950,504	98,073,103	112,533,692
Deductions:					
Benefits paid to participant's or beneficiaries		5,215,227	17,037,741	66,502,672	88,755,640
Distribution of participant contribution accounts		23,068	—	—	23,068
Administrative expenses		58,374	145,726	81,025	285,125
Total deductions		5,296,669	17,183,467	66,583,697	89,063,833
Changes in net position		(2,786,584)	(5,232,963)	31,489,406	23,469,859
Net Position—Beginning of Year		52,280,123	152,691,562	93,814,119	298,785,804
Net Position—Ending of Year	$	49,493,539	147,458,599	125,303,525	322,255,663

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2015

Assets		Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Cash and cash equivalents	$	4,936,465	9,225,247	(8,969,923)	5,191,789
Total assets	$	4,936,465	9,225,247	(8,969,923)	5,191,789
Liabilities					
Liabilities:					
Due to student organizations	$	4,936,465	9,225,247	(8,969,923)	5,191,789
Total liabilities	$	4,936,465	9,225,247	(8,969,923)	5,191,789

APPENDIX B

FORMS OF CO-BOND COUNSEL OPINIONS

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__________ ___, 2016

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 $18,710,000 in aggregate principal amount of Redevelopment Lease Revenue Bonds, Series 2016A (Milwaukee Public Schools) (the "*Series 2016A Bonds*") of the Redevelopment Authority of the City of Milwaukee, a public body and 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 2016A Bonds are authorized and issued under and pursuant to the Act and by virtue of Resolution Number 10646 adopted by the Commissioners of the Authority on October 20, 2016 (the "*Bond Resolution*"). The Series 2016A Bonds are issued and secured under the Indenture of Trust dated as of June 1, 2015 (the "*Original Indenture*"), as supplemented by a First Supplemental Indenture of Trust dated as of November 1, 2016 (the "*First Supplemental Indenture*" and together with the Original Indenture, the "*Indenture*"), each by and between the Authority and U.S. Bank National Association, as trustee (the "*Trustee*"). Terms not defined herein shall have the definitions assigned to them in the Indenture.

The Series 2016A Bonds are issued to fund certain redevelopment projects for 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 2016A Bonds are dated December ___, 2016 and bear interest from their date payable on November 15, 2017 and semiannually thereafter on each May 15 and November 15. The Series 2016A Bonds mature on November 15 in each of the following years in the respective principal amount set opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
2017	$ 440,000	3.00%
2018	895,000	3.00
2019	920,000	3.00
2020	950,000	3.00
2021	975,000	3.00
2022	1,015,000	5.00
2023	1,070,000	5.00
2024	1,125,000	5.00
2025	1,180,000	5.00
2026	1,240,000	5.00
2027	1,305,000	5.00
2028	1,370,000	5.00
2029	1,440,000	5.00
2030	1,515,000	5.00
2031	1,595,000	5.00
2032	1,675,000	5.00

The Series 2016A Bonds maturing on or after November 15, 2027 are subject to redemption, at the option of the Authority, upon direction of the Borrower, in whole or in part (in multiples of $5,000) on any date on or after November 15, 2026, upon prepayment of the Lease rentals by the Borrower in accordance with the Lease.

The Series 2016A 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, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2016C Bonds and all additional bonds hereafter issued under the Indenture (the "*Additional Bonds*" and, together with the Series 2015A Bonds, the Series 2016A Bonds, 2016B Bonds and the Series 2016C Bonds, the "*Bonds*") are secured on a parity under the Indenture.

The City of Milwaukee (the "*City*") will lease certain real property and improvements thereto (the "*Redevelopment Property*") to the Authority pursuant to an Amended and Restated Ground Lease dated as of November 1, 2016 (the "*Ground Lease*") and the Authority will lease the Redevelopment Property to the Borrower pursuant to an Amended and Restated Lease dated as of November 1, 2016 (the "*Lease*"). The Borrower will be obligated under the Lease to make rental payments in each year in amounts at least sufficient to pay the principal, premium, if any, and interest due on the Bonds.

The Bonds are limited obligations of the Authority payable by it 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 Bonds are not an indebtedness of the City or the Borrower and do not constitute a charge against the general credit or taxing powers of the City or the Borrower. The Authority has no taxing power.

The Internal Revenue Code of 1986 (the "Code") contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from federal income taxes of interest on the Series 2016A Bonds. These requirements relate to, among other things, the use and investment of the proceeds of the Series 2016A Bonds, the periodic payment of certain amounts to the United States of America, the security and source of payment of the Series 2016A Bonds and the use and tax ownership of the property financed or refinanced with the proceeds of the Series 2016A Bonds. The Authority has made certain certifications, representations and covenants in the Indenture to comply with these requirements. In addition, the Authority has made certain certifications, representations and covenants in the Tax Compliance Certificate dated December ___, 2016 (the "Tax Certificate") of Authority to comply with these requirements. Our opinion expressly assumes and relies upon as being true, correct and complete, the certifications and representations set forth in the Tax Certificate.

In rendering our opinions set forth herein, we have also assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority, the City and the Borrower. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2016A Bonds to be included in gross income for federal income tax purposes under the Code for the owners of the Series 2016A Bonds.

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 2016A 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 obligation 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 obligation of the Borrower enforceable in accordance with its terms.

4. The Series 2016A 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 2016A 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 Bonds, subject to application thereof in the manner provided in the Indenture.

6. Under existing law, interest on the Series 2016A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the requirements of the Code described above, we are of the opinion that interest on the Series 2016A Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2016A Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Series 2016A Bonds must be taken into account, however, when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

7. Pursuant to the Act, the Series 2016A Bonds, together with the interest thereon and income therefrom are exempt from present Wisconsin taxes. Interest on and income from the Series 2016A Bonds are includable, however, in the measure of tax for Wisconsin corporate franchise tax purposes.

In rendering the opinions contained in the preceding paragraphs, we have relied upon representations and covenants contained in the Indenture and the Tax Compliance Agreement with respect to certain facts that are solely within the Authority's knowledge relating to, among other things, the nature and uses of the property financed or refinanced with the proceeds of the Series 2016A Bonds.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Series 2016A 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. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We have not undertaken to determine, or to inform any person, as to any change in any existing law, regulation, ruling or judicial decision or the effect of any such change. Our engagement with respect to the Series 2016A Bonds concludes with their issuance, and we disclaim any obligation to update this letter after the date hereof.

Respectfully yours,

RMF/CRD

__________ ___, 2016

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 $6,275,000 aggregate principal amount of Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B (Milwaukee Public Schools – Qualified Energy Conservation Bonds – Direct Payment Subsidy) (the "*Series 2016B Bonds*") of the Redevelopment Authority of the City of Milwaukee, a public body and 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 2016B Bonds are authorized and issued under and pursuant to the Act and by virtue of Resolution Number 10646 adopted by the Commissioners of the Authority on October 20, 2016 (the "*Bond Resolution*"). The Series 2016B Bonds are issued and secured under the Indenture of Trust dated as of June 1, 2015 (the "*Original Indenture*"), as supplemented by a First Supplemental Indenture of Trust dated as of November 1, 2016 (the "*First Supplemental Indenture*" and together with the Original Indenture, the "*Indenture*"), each by and between the Authority and U.S. Bank National Association, as trustee (the "*Trustee*"). Terms not defined herein shall have the definitions assigned to them in the Indenture.

The Series 2016B Bonds are issued to fund certain redevelopment projects for 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 2016B Bonds are dated December ___, 2016, mature on November 15, 2036 and bear interest from their date at the rate of 4.588% per annum payable on November 15, 2017, and semi-annually thereafter on each May 15 and November 15.

The Series 2016B Bonds are subject to optional purchase in whole, but not in part, on any business day on or after November 15, 2026 and no later than one year prior to the latest maturity date of the Series 2016B Bonds (provided that no more than one such optional purchase date for the Series 2016B Bonds shall be established).

The Series 2016B Bonds are subject to optional redemption by the Authority, at the direction of the Borrower, in whole or in part (in multiples of $5,000) on any date on or after November 15, 2026, upon prepayment of the Lease rentals by the Borrower in accordance with the Lease.

The Series 2016B 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 2016B Bonds are subject to extraordinary mandatory redemption within 90 days after December 1, 2019 or, upon the extension of such "expenditure period" pursuant to Section 54A(d)(2)(B)(iii) of the Internal Revenue Code of 1986, as amended, the last day of the "expenditure period" as so extended (the "*Expenditure Termination Date*"), in whole or in part, at the redemption price of 100% of the principal amount or portions thereof so redeemed plus accrued interest to the redemption date.

The Series 2016B 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 occurrence of an Extraordinary Event (as defined in the First Supplemental Indenture).

The Series 2015A Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2016C Bonds and all additional bonds hereafter issued under the Indenture (the "*Additional Bonds*" and, together with the Series 2015A Bonds, the Series 2016A Bonds, 2016B Bonds and the Series 2016C Bonds, the "*Bonds*") are secured on a parity under the Indenture.

The City of Milwaukee (the "*City*") will lease certain real property and improvements thereto (the "*Redevelopment Property*") to the Authority pursuant to an Amended and Restated Ground Lease dated as of November 1, 2016 (the "*Ground Lease*") and the Authority will lease the Redevelopment Property to the Borrower pursuant to an Amended and Restated Lease dated as of November 1, 2016 (the "*Lease*"). The Borrower will be obligated under the Lease to make rental payments in each year in amounts at least sufficient to pay the principal, premium, if any, and interest due on the Bonds.

The Bonds are limited obligations of the Authority payable by it 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 2016B Bonds are not an indebtedness of the City or the Borrower and do not constitute a charge against the general credit or taxing powers of the City or the Borrower. The Authority has no taxing power.

Interest on the Series 2016B 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 2016B 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 obligation of the Borrower enforceable in accordance with its terms.

4. The Series 2016B 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 2016B 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 2016B Bonds, subject to application thereof in the manner provided in the Indenture.

6. Pursuant to the Act, the Series 2016B Bonds, together with the interest thereon and income therefrom are exempt from present Wisconsin taxes. Interest on and income from the Series 2016B Bonds are includable, however, in the measure of tax for Wisconsin corporate franchise tax purposes.

In rendering the opinions contained in the preceding paragraphs, we have relied upon representations and covenants contained in the Indenture and the Tax Compliance Agreement with respect to certain facts that are solely within the Authority's knowledge relating to, among other things, the nature and uses of the property financed or refinanced with the proceeds of the Series 2016B Bonds.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Series 2016B 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. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We have not undertaken to determine, or to inform any person, as to any change in any existing law, regulation, ruling or judicial decision or the effect of any such change. Our engagement with respect to the Series 2016B Bonds concludes with their issuance, and we disclaim any obligation to update this letter after the date hereof.

Respectfully yours,

RMF/CRD

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

$24,985,000
REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE (WISCONSIN)
Redevelopment Lease Revenue Bonds, Series 2016

consisting of

$18,710,000 **Redevelopment Lease Revenue Bonds, Series 2016A** **(Milwaukee Public Schools)**	**$6,275,000** **Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B** **(Milwaukee Public Schools – Qualified Energy Conservation Bonds – Direct Payment Subsidy)**

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT, dated as of December 1, 2016 (this "*Agreement*"), is by and between the MILWAUKEE BOARD OF SCHOOL DIRECTORS ("*MPS*") and the CITY OF MILWAUKEE, as dissemination agent hereunder (the "*City*" or the "*Dissemination Agent*"), in connection with the issuance of the Series 2016AB Bonds (defined below). The Series 2016AB Bonds are being issued under and secured by an Indenture of Trust dated as of June 1, 2015 (the "*Original Indenture*"), as supplemented by a First Supplemental Indenture of Trust dated as of November 1, 2016 (the "*First Supplemental Indenture*" and together with the Original Indenture, the "*Indenture*"), each 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 2016AB 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 2016AB Bonds.

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 the City.

"*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 2016AB Bonds required to comply with the Rule in connection with offering of the Series 2016AB 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 2016AB Bonds*" shall mean the Authority's (i) $18,710,000 aggregate principal amount of its Redevelopment Lease Revenue Bonds, Series 2016A (Milwaukee Public Schools) (the "*Series 2016A Bonds*"), and (ii) $6,275,000 aggregate principal amount of its Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B (Milwaukee Public Schools – Qualified Energy Conservation Bonds – Direct Payment Subsidy) (the "*Series 2016B Bonds*").

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, 2016, 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 Dissemination Agent 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. If by such date the Dissemination Agent has not received a copy of the Annual Information Report, the Dissemination Agent shall contact MPS 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. This Section shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2016AB 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 2016A Bonds, or other events affecting the tax-exempt status of the Series 2016A Bonds;

(7) Modifications to the rights the holders of Series 2016AB Bonds, if material;

(8) Bond calls, if material;

(9) Defeasances;

(10) Release, substitution or sale of property securing repayment of the Series 2016AB Bonds, if material;

(11) Rating changes;

(12) Tender Offers;

(13) Bankruptcy, insolvency, receivership or similar event of MPS*;

(14) The consummation of a merger, consolidation, or acquisition involving 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;

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* 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.

(15) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(16) With respect to the Series 2016B Bonds, any extension of the Expenditure Termination Date, as defined in the First Supplemental Indenture, to a date later than the third anniversary of the date of issuance of the Series 2016B Bonds.

Whenever MPS obtains knowledge of the occurrence of a Listed Event, MPS shall determine if it is appropriate to report the occurrence of such Listed Event. If MPS determines that it is appropriate to report such occurrence, MPS shall either file a notice of such occurrence (within 10 business days of the occurrence) with the MSRB or direct the Dissemination Agent to file a copy with the MSRB.

If MPS directs the Dissemination Agent to file a notice of such occurrence to the MSRB the Dissemination Agent shall file such notice within 2 Business Days of receiving such direction from MPS.

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 2016AB 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 Dissemination 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 MPS 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 Trustee or any Series 2016AB 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 and Dissemination Agent. 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 this Agreement, 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 2016AB 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 2016AB 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: ____
Mark Sain
President

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

CITY OF MILWAUKEE, as Dissemination Agent

By: _____________________________________
Authorized Officer

<u>EXHIBIT A</u>

NOTICE TO MSRB OF FAILURE
TO FILE ANNUAL INFORMATION REPORT

Name of Issuer:	Redevelopment Authority of the City of Milwaukee
Name of Bond Issue:	Redevelopment Authority of the City of Milwaukee's (i) $18,710,000 aggregate principal amount of its Redevelopment Lease Revenue Bonds, Series 2016A (Milwaukee Public Schools) (the "*Series 2016A Bonds*") and (ii) $ 6,275,000 aggregate principal amount of its Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B (Milwaukee Public Schools – Qualified Energy Conservation Bonds – Direct Payment Subsidy) (the "*Series 2016B Bonds*");
Date of Issuance:	December 1, 2016

NOTICE IS HEREBY GIVEN that the Milwaukee Board of School Directors ("*MPS*") has not provided an Annual Information Report with respect to the Series 2016AB Bonds as required by Section 2 of the Continuing Disclosure Agreement dated as of December 1, 2016 between MPS and the City of Milwaukee, as Dissemination Agent.

Dated: ______________________

CITY OF MILWAUKEE, 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 2016AB 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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TABLE OF CONTENTS

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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, the Series 2016B Bonds and the Series 2016C 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, the Series 2016 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 U.S. Bank National Association, as dissemination agent, with respect to the Series 2015 A Bonds, and the Continuing Disclosure Agreement, dated as of November 1, 2016, executed by MPS and the City, as dissemination agent, with respect to the Series 2016AB Bonds.

"*Cooperation Agreement*" means the Amended and Restated Cooperation Agreement, dated as of November 1, 2016, 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 (B) with respect to an Eligible Project financed with the proceeds of a series of Qualified Energy Conservation Bonds, the costs of construction, rehabilitation, repair or equipping of a public school facility which will have the effect of reducing energy consumption in such public school facility by at least 20%; (C) with respect to an Eligible Project financed with the proceeds of a series of Qualified Zone Academy Bonds, the costs rehabilitating or repairing the public school facility in which the Qualified Zone Academy is established, providing equipment for use at the Qualified Zone Academy, developing course materials for education to be provided at such Qualified Zone Academy and training teachers at such academy and (D) 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 or Qualified Energy Conservation Bonds.

"*Date of Determination of Loss of Qualified Zone Academy Bond Status*" means the date on which the IRS or a court of competent jurisdiction has issued to the Authority a determination of loss of Qualified Zone Academy Bond status.

"*Demised Premises*" means the Redevelopment Property and the Project Improvements.

"*Eligible Project*" means (i) with respect to the Series 2015A Bonds, or other QSCBs, 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 QSCBs, all to the extent that the improvement of such public school facility has been approved by MPS; (ii) with respect to the Series 2016B Bonds or other QECBs, a project for "qualified conservation purposes" as defined in Section 54D(f)(1)(A) (i) of the Code; and (iii) with respect to the Series 2016C Bonds or other QZABs, a project used for qualified purposes with respect to a Qualified Zone Academy established by MPS as set forth in Section 54E(d) of the Code where MPS has a written agreement with an entity ensuring that the private business contribution requirement of Section 54E(b) will be satisfied with respect to the Qualified Zone Academy.

"*Eligible Project Costs*" means the cost of acquisition, construction and equipping of any Eligible Project, to the extent, but only to the extent (i) 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; (ii) with respect to the Series 2016B Bonds or other QECBs, a project for "qualified conservation purposes" as defined in Section 54D(f)(1)(A) (i) of the Code; and (iii) with respect to the Series 2016C Bonds or other QZABs, a project used for qualified purposes with respect to a Qualified Zone Academy established by MPS as set forth in Section 54E(d) of the Code where MPS has a written agreement with an entity ensuring that the private business contribution requirement of Section 54E(b) will be satisfied with respect to the Qualified Zone Academy.

"*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 with respect to the Series 2016B Bonds and the Series 2016C Bonds, December 1, 2019, the third anniversary date of the date of issuance of the Series 2016 Bonds and, in either case, 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.

"*First Supplement*" means the First Supplemental Indenture of Trust from the Authority to the Trustee, dated as of November 1, 2016, under which the Series 2016 Bonds are issued.

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

"*Ground Lease*" means the Amended and Restated Ground Lease, dated as of November 1, 2016, 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 June 1, 2015, under which the Bonds are issued, as supplemented and amended by the First Supplement, as the same may be further supplemented and 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, with respect to the Series 2016 Bonds, each May 15 and November 15, commencing May 15, 2017 and each other date on which interest is stated to be due on any Series 2016 Bond pursuant to the First Supplement.

"*Interest Period*" with respect to Series 2016C Bonds, shall be from and including the Effective Date to, but not including, December 16, 2023 (or Optional Purchase Date, if earlier) and thereafter shall be from and including each Purchase Date to but not including the earlier of: (i) the next Purchase Date established in accordance with the First Supplement and (ii) the maturity date of such Bonds; and with respect to the Series 2016B Bonds, shall be from and including a Purchase Date, if any, to the maturity date of such Bonds; and provided, in any event, that each Interest Period shall be at least one year in length.

"*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 Amended and Restated Lease, dated November 1, 2016, between the Authority and MPS, as amended from time to time.

"*Mandatory Purchase Date*" means, with respect to the Series 2016C Bonds, the Business Day following the end of each Interest Period, unless such Interest Period ends on an Optional Purchase Date.

"*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.

"*Optional Purchase Date*" means, with respect to the Series 2016C Bonds, the first Business Day following any Tax Credit Allowance Date within 367 days prior to a Mandatory Purchase Date, as determined in accordance with the First Supplement; and with respect to the Series 2016B Bonds, any Business Day on or after November 15, 2026 and no later than November 15, 2035; provided, however, that, in accordance with the First Supplement, no more than one Optional Purchase Date may be established with respect to the Series 2016B Bonds.

"*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, including (i) 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; (ii) with respect to the Series 2016B Bonds and any other QECB Bonds, the cost of acquisition, construction and equipping of an Eligible Project, including the costs of issuance of such Bonds, interest during construction, the cost of engineering and legal expenses, plans, specifications, other expenses necessary or incident to constructing any portion of the QECB Project and such other costs, expenses and funding as may be necessary or incident to the construction of the Eligible Project, all to the extent, but only to the extent, such costs may be funded with the proceeds of Qualified Energy Conservation Bonds under Section 54A and Section 54D of the Code; and (iii) with respect to the Series 2016C Bonds and any other QZAB Bonds, the cost of rehabilitating or repairing any public school facility in which a Qualified Zone Academy is established, providing equipment for use at the Qualified Zone Academy, developing course materials for education to be provided at such academy and training teachers at such academy.

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

"*Purchase Date*" means, with respect to the Series 2016C Bonds, a Mandatory Purchase Date or an Optional Purchase Date; and with respect to the Series 2016B Bonds, an Optional Purchase Date.

"*Purchase Price*" means, with respect to the Series 2016B Bonds or Series 2016C Bonds, an amount equal to the principal amount of such Bonds purchased on any Purchase Date, plus accrued and unpaid interest thereon, if any, to such Purchase Date.

"*Qualified Energy Conservation Bond*" or "*QECB*" means any "qualified energy conservation bond" as defined in Section 54D(a) of the Code.

"*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.

"*Qualified Zone Academy*" has the meaning set forth in Section 54E(d)(1) of the Code.

"*Qualified Zone Academy Bond*" means any "qualified zone academy bond" as defined in Section 54E(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.

"*Series 2016 Bonds*" means collectively, the Series 2016AB Bonds and the Series 2016C Bonds.

"*Series 2016A Bond Account*" means the account within the Bond Fund designated as such pursuant to the First Supplement.

"*Series 2016A Bonds*" means the Authority's $18,710,000 Redevelopment Lease Revenue Bonds, Series 2016A (Milwaukee Public Schools), dated their initial date of delivery and issued under the Indenture.

"*Series 2016A Condemnation and Insurance Proceeds Account*" means the account within the Condemnation and Insurance Proceeds Fund designated as such pursuant to the First Supplement.

"*Series 2016A Construction Account*" means the account within the Construction Fund designated as such pursuant to the First Supplement.

"*Series 2016A Issuance Expense Account*" means the account within the Issuance Expense Fund designated as such pursuant to the First Supplement.

"*Series 2016A Redemption Account*" means the account within the Redemption Fund designated as such pursuant to the First Supplement.

"*Series 2016AB Bonds*" means collectively, the Series 2016A Bonds and the Series 2016B Bonds.

"*Series 2016B Bond Account*" means the account within the Bond Fund designated as such pursuant to the First Supplement.

"*Series 2016B Bonds*" means the Authority's $6,275,000 Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016B (Milwaukee Public Schools-Qualified Energy Conservation Bonds-Direct Payment Subsidy), dated their initial date of delivery and issued under the Indenture.

"*Series 2016B Condemnation and Insurance Proceeds Account*" means the account within the Condemnation and Insurance Proceeds Fund designated as such pursuant to the First Supplement.

"*Series 2016B Construction Account*" means the account within the Construction Fund designated as such pursuant to the First Supplement.

"*Series 2016B Issuance Expense Account*" means the account within the Issuance Expense Fund designated as such pursuant to the First Supplement.

"*Series 2016B Redemption Account*" means the account within the Redemption Fund designated as such pursuant to the First Supplement.

"*Series 2016C Bond Account*" means the account within the Bond Fund designated as such pursuant to the First Supplement.

"*Series 2016C Bonds*" means the Authority's $1,470,000 Federally Taxable Redevelopment Lease Revenue Bonds, Series 2016C (Milwaukee Public Schools – Qualified Zone Academy Bonds), dated their initial date of delivery and issued under the Indenture.

"*Series 2016C Condemnation and Insurance Proceeds Account*" means the account within the Condemnation and Insurance Proceeds Fund designated as such pursuant to the First Supplement.

"*Series 2016C Construction Account*" means the account within the Construction Fund designated as such pursuant to the First Supplement.

"*Series 2016C Issuance Expense Account*" means the account within the Issuance Expense Fund designated and described as such pursuant to the First Supplement.

"*Series 2016C Redemption Account*" means the account within the Redemption Fund designated and described as such pursuant to the First Supplement.

"*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, including the First Supplement.

"*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.

"*Tax Credit*" means the entitlement of a taxpayer to recognize a credit against the tax imposed by Chapter 1 of the Code.

"*Tax Credit Allowance Date*" means, with respect to Series 2016C Bonds, each March 15, June 15, September 15 and December 15 of each year beginning on December 15, 2016 and ending on the maturity date thereof unless such Bonds shall have been converted to interest bearing bonds pursuant to the Indenture.

"*Tax Credit Conversion Date*" means the March 15 following the next succeeding October 1 after the Date of Determination of Loss of Qualified Zone Academy Bond Status.

"*Tax Credit Program*" means the program for allocating Tax Credits and authorizing the issuance of Qualified Zone Academy Bonds promulgated under Sections 54A and 54E of the Code.

"*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, including the First Supplement, sets forth the terms of the Series 2015A Bonds and the Series 2016 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 2016AB BONDS"** and **"SECURITY FOR THE SERIES 2016AB 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," the "Series 2016A Bond Account," the "Series 2016B Bond Account" and the "Series 2016C 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 Series 2016A Bonds, the Series 2016B Bonds or the Series 2016C Bonds, the Trustee is required to make such deposit to the related applicable 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 (including the Purchase Price thereof) 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", the "Series 2016A Redemption Account," the "Series 2016B Redemption Account" and the "Series 2016C 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 Series 2016A Bonds, the Series 2016B Bonds or the Series 2016C Bonds, the Trustee is required to make such deposit to the related applicable 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 Series 2016A Condemnation and Insurance Proceeds Account," the "Series 2016B Condemnation and Insurance Proceeds Account" and the "Series 2016C 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 Series 2016A Bonds, the Series 2016B Bonds or the Series 2016C Bonds, the Trustee must make such deposit to the related applicable 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 "Series 2016A Issuance Expense Account," the "Series 2016B Issuance Expense Account" and the "Series 2016C 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 Series 2016A Bonds, the Series 2016B Bonds or the Series 2016C Bonds, the Trustee is required to make such deposit to the related applicable issuance expense account. Any amounts remaining in an issuance expense account shall be transferred to the related applicable 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 related applicable series of Bonds have been paid, or (ii) the six-month anniversary of the delivery of such Bonds.

Construction Fund. The Indenture establishes within the Construction Fund the "Series 2015A Construction Account," the "Series 2016A Construction Account," the "Series 2016B Construction Account" and the "Series 2016C 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 Series 2016A Bonds, the Series 2016B Bonds or the Series 2016C Bonds, the Trustee shall make such deposits to the applicable related construction account. Any amounts remaining in the a 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 applicable related series of Bonds or (ii) the applicable Expenditure Termination Date, shall be transferred to the appropriate related redemption account.

Direct Payment Fund.

QSCBs. 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.

QECBs. 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 QECBs, the Trustee shall file IRS Form 8038-CP, as revised to take into account payment of the refundable credit payments with respect to Tax Credit Bonds (or its successor), in order to qualify for the Credit Payments for interest paid on the QECBs. 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 Bond Fund, the amount, if any, necessary, together with funds then on deposit in the Bond Fund, to satisfy the mandatory redemption or principal payment due on the following November 15.

Third: To MPS.

provided however, in the event that interest was paid from a withdrawal from the Bond Fund, the Credit Amount received, up to the amount withdrawn from the Bond Fund, shall be deposited into the Bond 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, including the First Supplement and to pledge the revenues described in the Indenture. The Authority represents further that all action on its part for the issuance of the Series 2016 Bonds and the execution and delivery of the Indenture, including the First Supplement, has been duly and effectively taken, and that the Series 2016 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 of Series 2015A Bonds. 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, to the extent such provisions apply to an issue of "qualified school construction bonds."

QECBs Designation and Allocation of Series 2016B Bonds In accordance with the requirements of Sections 54A and 54D of the Code, the Authority designates in the First Supplement the Series 2016B Bonds as "qualified energy conservation bonds." In accordance with Section 6431(f)(3)(B) of the Code, the Authority irrevocably elects in the First Supplement to have the provisions of Section 6431(f) of the Code, relating to direct pay "specified tax credit bonds," apply to the Series 2016B Bonds.

Direct Pay QECB Status of Series 2016B Bonds. In order to maintain the status of the Series 2016B Bonds as "qualified energy conservation bonds" under Section 54D of the Code and as "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, 54D 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 energy conservation 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, to the extent such provisions apply to an issue of "qualified energy conservation bonds." In furtherance of the foregoing, the Authority shall comply with the provisions of the applicable Tax Agreement.

QZABs Designation and Allocation of Series 2016C Bonds In accordance with the requirements of Section 54A and 54E of the Code, the Authority designates in the First Supplement the Series 2016C Bonds as Qualified Zone Academy Bonds. In order to maintain the status of the Series 2016C Bonds as QZABs under Section 54E of the Code, the Authority shall comply with the provisions of the applicable Tax Agreement.

Not Arbitrage Bonds. The Authority shall not take any action or fail to take any action which action or failure would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code; nor shall any part of the proceeds of the 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 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 Bonds pursuant to Section 148(f) of the Code.

Use of Proceeds.

> <u>Series 2015A Bonds</u>. 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.
>
> <u>Series 2016B Bonds and Series 2016C Bonds</u>. The Authority acknowledges and agrees that 100% of the Available Project Proceeds of the Series 2016B Bonds and 100% of the Available Project Proceeds of the Series 2016C Bonds are required by Sections 54A, 54D and 54E of the Code to be used prior to December 1, 2019 to pay Project Costs.

Limitation on Legal Defeasance of Series 2016C Bonds. The Authority shall not cause all or any portion of the Series 2016C Bonds to be legally defeased and deemed paid within the meaning and effect expressed in Article X of the Indenture unless, prior thereto, (i) the Authority shall have obtained a ruling from the IRS to the effect that such legal defeasance of all or a portion of the Series 2016C Bonds will not cause a loss of the associated Tax Credits, or (ii) the IRS shall have promulgated regulations, or published a revenue ruling, revenue procedure, notice or other official pronouncement that the legal defeasance of QZABs will not cause a loss of Tax Credits.

Series 2016C Purchase Prohibited. The Authority agrees that prior to the Tax Credit Conversion Date it will not purchase, hold or own any Series 2016C Bonds except as provided in the First Supplement on a Purchase Date.

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 or Purchase Price of, premium, if any, or interest on any Bond whether at the stated maturity thereof, on a Mandatory Purchase Date, 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 2016AB 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, 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 or a Mandatory Purchase Date pursuant to the Indenture, the

redemption price or Purchase Price of the Bonds being redeemed or purchased, less amounts on deposit in the Redemption Fund or Bond Fund, as applicable, for such payment.

(4) On or prior to each June 1st, the Sinking Fund Requirement for that date.

(5) On or prior to each June 1 and any 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), (2) and (3) above, the due dates for payments shall be five (5) days prior to the regularly scheduled dates for the payment of principal and interest on the Series 2015A Bonds and the Series 2016 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 and the Series 2016 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, or Purchase Price, as applicable, if any, on any Mandatory Purchase Date 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 for personal injury, death or 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 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.

Hazard 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, 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 or 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, or the Project Improvements or any building or improvement now or hereafter constructed or installed 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 individual facilities to, 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 individual facilities to, or withdraw individual 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.

MPS

MILWAUKEE
PUBLIC SCHOOLS

Start. Stay. Succeed.

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