NEW ISSUE	RATINGS:	Fitch	Standard & Poor's
BOOK ENTRY ONLY	(See **"RATINGS"** herein)	"F1+"	"SP-1+"

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado Zimmerman SC, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes 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 Notes 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 Notes is not exempt from Wisconsin income taxes.

$180,000,000
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES
SERIES 2017 M11
(Not a general obligation of the City)

Dated: Expected Date of Delivery **Due:** September 27, 2018

The School Revenue Anticipation Notes, Series 2017 M11 (the "*Notes*") are issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in the principal amounts of $5,000 or any integral multiple thereof and will be in book-entry-only form. Purchasers will not receive certificates representing their beneficial ownership in the Notes. Interest shall be payable at maturity. The Notes are not a general obligation of the City, do not constitute an indebtedness for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or the interest thereon. The Notes are not subject to redemption prior to maturity.

MATURITY SCHEDULE

Maturity	Amount	Rate	Yield	CUSIP(1) Base 602424
September 27, 2018	$180,000,000	5.00%	1.00%	BA0

The Notes are issued for the purpose of financing the general operating purposes of the Milwaukee Public Schools pending receipt of school State Aid payments from the State of Wisconsin (the "*State*"). School Operations Fund revenues have been pledged as security for the repayment on the Notes. In addition, the City has pledged available surplus revenues in its Debt Service Fund to the payment of interest due on the Notes. (See "THE NOTES—**Security and Purpose"** herein.)

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated September 26, 2017 and are being issued subject to the legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado Zimmerman SC, Wauwatosa, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notice of Sale. Delivery of the Notes will be on or about October 19, 2017 (the "*Expected Date of Delivery*") in New York, New York.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

For Further Information Contact:
Martin Matson, City Comptroller and Secretary to Public Debt Commission
City Hall, Room 404, 200 East Wells Street - Milwaukee, WI 53202 - Phone (414) 286-3321
www.MPSBonds.com and www.MilwaukeeBonds.com

(1) The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Notes. The City is not responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Notes, or as indicated above. CUSIP numbers are subject to change after the issuance of the Notes.

October 3, 2017

No dealer, broker, salesperson or other person has been authorized by the City of Milwaukee or Milwaukee Public Schools to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of these securities and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Milwaukee or Milwaukee Public Schools since the date hereof. The Notes have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the City of Milwaukee ("*City*"), Milwaukee Public Schools ("*MPS*") and the offering of $180,000,000 School Revenue Anticipation Notes, Series 2017 M11 of the City dated the Expected Date of Delivery (the "*Notes*").

The following information is furnished solely to provide limited introductory information regarding the Notes and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including Appendices hereto.

Summary Statement

Issuer:	City of Milwaukee, Wisconsin.
Issue:	$180,000,000 School Revenue Anticipation Notes, Series 2017 M11.
Dated Date:	Expected Date of Delivery.
Sale Date and Time:	Tuesday, October 3, 2017, Until 10:00 A.M. C.T.

Principal Amount, Interest Rate and Yield:

Principal Amount	Interest Rate	Yield
$180,000,000	5.00%	1.00%

Maturity Date:	September 27, 2018
Interest Payment Date:	September 27, 2018
Interest:	Calculated on a 30/360 day basis.
Denominations:	$5,000 or integral multiples thereof.
Purpose:	To finance MPS operations on an interim basis pending receipt of school State Aid payments.
Security:	MPS and the City have pledged and will irrevocably segregate upon receipt, school State Aid payments in an amount sufficient with interest thereon, to pay, when due, the principal of and interest on the Notes. MPS and the City have also pledged all other revenues of the School Operations Fund included in the budget for the current fiscal year that are due MPS, that have not been received as of the date of delivery of the Notes, and that are not otherwise pledged or assigned. The City has also pledged available surplus revenues of the City's Debt Service Fund to the payment of interest on the Notes. (See **"THE NOTES – Security and Purpose"** herein.) The Notes are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or interest thereon.

Authority for Issuance:	The City of Milwaukee Common Council and the Milwaukee Board of School Directors ("*MBSD*") have authorized the issuance and sale of the Notes in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes.	
Form of Issuance:	The Notes will be issued in fully registered "*Book-Entry-Only Form*" in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York which will act as security depository for the Notes. (See **"BOOK-ENTRY-ONLY SYSTEM"** herein.)	
Tax Exemption:	Under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes 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 Notes 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 Notes is not exempt from Wisconsin income taxes. (See **"TAX STATUS"** herein)	
Redemption Feature:	The Notes are not subject to redemption prior to maturity.	
Official Statement:	The City will provide each original purchaser of the Notes with an electronic copy and up to 5 printed copies of this Official Statement within seven business days following the award of the Notes.	
Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
		Hurtado Zimmerman SC Wauwatosa, Wisconsin
	Financial Advisor:	PFM Financial Advisors LLC Milwaukee, Wisconsin
Record Date:	September 26, 2018	
Delivery:	Delivery will be on or about October 19, 2017 (the "*Expected Date of Delivery*") at the expense of the City, through the facilities of The Depository Trust Company ("*DTC*"), New York, New York.	
Reoffering:	The public reoffering price(s) and/or yield(s) of the Notes are detailed on the cover of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes, the City will provide an executed copy of its Continuing Disclosure Certificate. (See "*Continuing Disclosure*" and	

	APPENDIX C – Form of Continuing Disclosure Certificate herein.)
Additional Information:	Periodically, the City updates its investor relations websites (www.MPSBonds.com and www.MilwaukeeBonds.com) with information regarding prospective financings and financial information. Inquiries may also be directed to: Mr. Martin Matson, City Comptroller, City Hall, Room 404, 200 East Wells Street, Milwaukee, WI 53202; Phone (414) 286-3321; or by emailing PDC@milwaukee.gov.

THE NOTES

Authority

Pursuant to Sections 65.05 and 119.46 of the Wisconsin Statutes, the Milwaukee Board of School Directors (the "*MBSD*"), the governing board of Milwaukee Public Schools ("*MPS*"), has full responsibility for its budget expenditures, and the required tax levy. These requirements are included with the City's financial requirements and MPS is effectively treated as a department of the City.

Pursuant to a resolution adopted in June 29, 2017 (the "*MBSD Resolution*"), MBSD has determined that it will be necessary to finance the operating budget of MPS on an interim basis, and has requested the City to issue notes pursuant to Section 67.12(1), Wisconsin Statutes, for that purpose.

The Common Council of the City has authorized the issuance and sale of the Notes through adoption of a resolution on June 20, 2017 (the "*City Resolution*") in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes.

Security and Purpose

Pursuant to the MBSD Resolution, MBSD has authorized the City to issue the Notes, and to pledge all revenues of the School Operations Fund included in the budget for the current fiscal year, that are due MPS, that have not been received as of the date of delivery of the Notes, and that are not otherwise pledged or assigned, as security for repayment of the Notes (the "*Pledged Revenues*").

The School Operations Fund is established by Section 119.46, Wisconsin Statutes, and is held by the City on behalf of MPS. Revenues from the local property tax, school State Aid payments and federal school aid payments are deposited into the School Operations Fund. See **"REVENUES OF MILWAUKEE PUBLIC SCHOOLS"** generally, and the summary presented under the caption **"MILWAUKEE PUBLIC SCHOOLS – School Operations Fund Budget Fiscal Year 2018 and 2017"** herein.

"*State Aid*" means the general school aids paid by the State to MPS pursuant to subchapter II of Chapter 121, Wisconsin Statutes, as the same may be amended or renumbered from time to time, or any other payments made directly or indirectly by the State to MPS in partial or full replacement or substitution for the school aid payments now made under subchapter II of Chapter 121, Wisconsin Statutes.

Pursuant to Section 121.15, Wisconsin Statutes, MBSD is anticipating receipt of State Aid payments from the State of Wisconsin to the School Operations Fund in December, 2017, and in March,

June, and July 2018. Such payments, per Section 119.50, Wisconsin Statutes, shall be received by the City Treasurer.

The Notes are being issued to fund MPS operations pending receipt of State Aid. MPS anticipates a cash flow deficit of approximately $219 million will occur in December 2017 due to MPS receiving the majority of State Aid and property tax revenues between December 2017 and June 2018, which is not until the last seven months of the MPS fiscal year. In contrast to the timing of the State Aid and property tax revenues, MPS expenditures are relatively evenly distributed throughout the school year (See the summary presented under the caption **"MILWAUKEE PUBLIC SCHOOLS – School Operations Fund Monthly Cash Flow Summary"** herein). In September of 2017, a $50 million draw on a line of credit was made for cash flow purposes, which will be repaid with proceeds of the Notes.

This Note issue of $180 million is the anticipated final interim borrowing for MPS during the 2017-2018 Fiscal Year. (See **"BORROWING-REVENUE BONDS – Borrowing – Future Financing"** herein.)

Pursuant to the City Resolution, the Common Council of the City has pledged the Pledged Revenues for the repayment of the Notes and has established a segregated account within the School Operations Fund to capture State Aid received under Section 121.15, Wisconsin Statutes, in June 2018 in the principal amount of the Notes. The MBSD and City Resolutions also direct the City Treasurer to segregate, for payment of the full amount of the Notes, June 2018 State Aid in the principal amount of the Notes. The City Treasurer has no discretion to otherwise apply such revenues.

The City has also pledged available surplus revenues in its Debt Service Fund to the payment of interest on the Notes.

Maturity, Interest Rates and Redemption

The Notes are dated the Expected Date of Delivery and will mature on September 27, 2018 in the principal amount of $180,000,000 without option of prior redemption. Interest is payable at maturity at the rates as shown on the cover of this Official Statement and is calculated on a 30/360 day basis.

Statutory Borrowing Limitations

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the Notes to sixty percent (60%) of the Estimated School Operation Fund Revenues for 2017-2018 Fiscal Year.

Total Amount of Estimated School Operations Fund Revenues For the 2017-2018 Fiscal Year	$982,169,341
Statutory Borrowing Limit (60% of Estimated Revenues)	589,301,605
Borrowing-School Revenue Anticipation Notes, Series 2017 M11 and commercial paper	180,000,000
Unused Amount Following this Issue	409,301,605
Percentage of Borrowing Limit Used	31%
Percentage of Borrowing to Estimated Revenues	18%

MILWAUKEE PUBLIC SCHOOLS

General

MPS was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. MPS is effectively treated by State Statutes as a City department. MPS is governed by MBSD. MPS has budget adoption authority (the City must then levy and collect a tax to support the MBSD budget). MPS provides elementary, secondary, vocational and special education services for grades K through 12 to residents of the City, whose boundaries are coterminous with those of MPS. All funds for MPS flow through the City Treasurer who, by statute, disburses them at the direction of the Director/Board Clerk of MBSD. The City Comptroller, City Treasurer and City Attorney perform their respective 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 **"BORROWING-REVENUE BONDS – Borrowing – Future Financing"** herein.)

City of Milwaukee
Outstanding General Obligation Debt
for School Purposes (Other than RANs)
as of October 1, 2017

Year Ending December 31	Principal (1)	Interest (2)	Total
2017	$ 925,000	$ 147,692	$ 1,072,692
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
	$65,837,498	$39,254,728	$105,092,226

(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 Wisconsin 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, 2017

2017 Equalized Value of Taxable Property in the City		$26,903,884,900
Legal Debt Limitation for City Borrowing*		
5% of Equalized Value		$1,345,194,245
General Obligation Debt Outstanding subject to 5% Limit as of 10/1/17	$928,187,734	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 10/1/17		$928,187,734
Total Debt Margin for City Borrowing (in Dollars)		$417,006,511
As a percentage		31.0%

* Excludes $50,00,000 of debt for cash flow purposes being refunded by the Notes.

Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$538,077,698
General Obligation Debt Outstanding subject to 2% Limit as of 10/1/17	$9,267,507	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 10/1/17		$9,267,507
Total Debt Margin for School Purpose Borrowing (in Dollars)		$528,810,191
(As a percentage)		98.3%

History of Equalized Valuation in the City of Milwaukee
(2013-2017)

Levy Year	Collection Year	Equalized Valuation	Percent Increase/Decrease
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
2017	2018	26,903,884,900	-0.51

BORROWING-REVENUE BONDS

The following sections provide information on outstanding revenue obligations issued by the Redevelopment Authority of the City of Milwaukee ("*RACM*") for school purposes.

Neighborhood Schools Initiative

Beginning in 2002, RACM issued bonds to partially finance and refinance 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 NSI Revenue Bonds do not constitute general obligations of MPS or the City and shall not constitute or give rise to a charge against the City's taxing powers. The schedule of remaining debt service payments on the NSI Revenue Bonds is as follows:

Redevelopment Authority of the City of Milwaukee
Neighborhood School Initiative Revenue Bonds
Annual Debt Service Payments as of October 1, 2017

Year Ending June 30	Debt Service Payments
2018	$ 8,444,099
2019	9,171,300
2020	9,419,800
2021	9,702,800
2022	9,079,750
2023	9,668,400
2024	10,113,300
Total	$65,599,449

Lease Revenue Bonds

The lease revenue bonds do not constitute general obligations of MPS or the City and shall not constitute or give rise to a charge against the City's taxing powers. MPS does, however, have an obligation to pay rents under a lease to support the debt service on the lease revenue bonds. Under the lease, the annual rent payments constitute a budgeted expenditure of MPS payable only if funds are budgeted and appropriated annually by MPS from its School Operations Fund. MPS's obligation under the lease may be terminated on an annual basis by MPS if MPS fails to budget and appropriate for lease payments.

Redevelopment Lease Revenue Bonds. Since 2015, RACM has issued five series of Redevelopment Lease Revenue Bonds in the aggregate principal amount of $94,185,000 and loaned the proceeds to MPS to fund certain remodeling, renovation and equipping projects at MPS schools. The following table sets forth the required rental payments (subject to certain credits) under each MPS lease in respect of the required principal and interest on these Redevelopment Lease Revenue Bonds:

Lease Revenue Bonds
as of October 1, 2017

Year Ending	Principal	Interest	Sinking Fund	Total	Entitlement (1)
6/30/2018	$ 440,000	$ 4,871,312	$ 1,461,538	$ 6,772,850	$2,261,613
6/30/2019	1,415,000	4,499,262	1,461,538	7,375,800	2,132,975
6/30/2020	1,995,000	4,448,112	1,461,538	7,904,650	2,132,975
6/30/2021	2,060,000	4,381,737	1,461,538	7,903,275	2,132,975
6/30/2022	2,130,000	4,307,562	1,461,538	7,899,100	2,132,975
6/30/2023	2,215,000	4,214,462	1,461,538	7,891,000	2,132,975
6/30/2024	3,800,000	4,100,837	1,461,538	9,362,375	2,132,975
6/30/2025	2,445,000	3,981,462	1,461,538	7,888,000	2,132,975
6/30/2026	2,570,000	3,856,087	1,461,538	7,887,625	2,132,975
6/30/2027	2,695,000	3,724,462	1,461,538	7,881,000	2,132,975
6/30/2028	2,835,000	3,586,212	1,461,538	7,882,750	2,132,975
6/30/2029	2,975,000	3,440,962	1,461,538	7,877,500	2,132,975
6/30/2030	3,125,000	3,288,462	1,461,538	7,875,000	2,132,975
6/30/2031	3,285,000	3,128,212	1,461,538	7,874,750	2,132,975
6/30/2032	3,455,000	2,959,712	1,461,538	7,876,250	2,132,975
6/30/2033	3,630,000	2,782,587	1,461,538	7,874,125	2,132,975
6/30/2034	3,510,000	2,607,095	1,461,538	7,578,633	2,100,125
6/30/2035	3,685,000	2,433,379	1,461,538	7,579,917	2,032,850
6/30/2036	3,865,000	2,251,087	1,461,538	7,577,626	1,962,313
6/30/2037	4,055,000	2,059,854	1,461,538	7,576,393	1,888,400
6/30/2038	–	1,961,940	1,461,538	3,423,478	1,850,600
6/30/2039	–	1,961,940	1,461,538	3,423,478	1,850,600
6/30/2040	–	1,961,940	1,461,538	3,423,478	1,850,600
6/30/2041	38,000,000	1,961,940	(36,538,462)	3,423,478	1,850,600
	$94,185,000	$78,770,617	$(2,923,077)	$170,032,540	

(1) Amount MPS is entitled to receive of direct payment from the US Treasury for reimbursement of interest paid on its 2015 QSCB and 2016B QECB Bonds. The amount is subject to sequestration.

Pension Obligation Bonds

In December, 2003, RACM issued its $146,569,122 Taxable Pension Funding Bonds, 2003 Series C and 2003 Series D (Milwaukee Public Schools) (the "*Pension Bonds*"). RACM loaned the proceeds of the Pension Bonds to MPS, which, together with the proceeds of a general obligation note issue issued by the City, was used to retire MPS unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement benefits for MPS employees. MPS is obligated to make payments to RACM sufficient to pay the principal of and interest on the Pension Bonds, subject to annual appropriation. MPS repayment obligation 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.

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 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, 2017

Year Ending June 30	Loan Payments
2018	$ 3,670,343
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, respectively, MPS entered into a $4,979,000 Lease and Deferred Payment Agreement (2002 QZAB Project), and a $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 the pre-2016 QZAB Agreements with each investor, under which MPS has made sufficient annual impoundment payments to date, so that no future payments are due from MPS.

The QZAB maturities range from 2015 to 2022. MPS has fulfilled all of its financial obligations with respect to its pre-2016 QZAB Agreements.

In December 2016, MPS entered into a $1,470,000 Lease Purchase Agreement (2016 QZAB Project) for the purpose of constructing certain improvements to, and purchasing and installing certain equipment for the use at various MPS schools. The debt service for the post-2015 QZAB bonds are included in the debt service for Lease Revenue Bonds.

Borrowing – Future Financing

The City has $8,000,000 of authorized, but unissued, general obligation borrowing authority for school purposes.

MPS has $34,933,000 of remaining Qualified School Construction allocation. MPS anticipates the issuance of the remaining allocation within the next five years. Additional QZAB borrowings are possible at any time whenever MPS is allocated QZAB authority from the State.

Board of School Directors

MPS is governed by a nine member Board of 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 its 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	2021
Wendell Harris, Sr.	District 2	2019
Michael Bonds, Ph.D.	District 3	2019
Annie Woodward	District 4	2021
Luis A. Báez, Ph.D.	District 6	2021
Paula Phillips	District 7	2021
Carol Voss	District 8	2019
Terrence 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 2016-17 school year, MPS had approximately 76,856 full-time students attending 159 school programs within approximately 170 school buildings. The average age of the MPS buildings is approximately 67 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 did not close any school buildings in the 2016-2017 fiscal year.

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 Milwaukee Parental Choice Program ("*MPCP*") and (ii) certain charter schools. The inclusion of both groups affects the levels of State Aid funding that MPS receives. 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	78,173	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 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, after significant

changes were made to the law by 2011 Act 10, very limited rights to collectively bargain with municipal employers.

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

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

Under Wisconsin law, 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 (HSA) 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 2017 premium rates are 68% lower than the monthly premium for the EPO plan, 67% lower than the monthly premium for the PPO/Indemnity Plan, and 66% lower than the HDHP 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 provides 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 $22,748,521 recorded in the School Operations Fund and $4,992,579 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2016.

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 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 S&P 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 portion of the Fund is additionally secured as to credit risk.

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 December 31, 2016, the City had approximately 48% ($308 million) of its and MPS' 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 caption **"MILWAUKEE PUBLIC SCHOOLS – General Fund – Four Year Summary"**.

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 2016-17, MPS's share of levy produced $260,069,165 of the total revenues to the School Operations Fund. MPS's 2017-18 School Operations Fund Revenues are budgeted at $982,169,341 of which City ad valorem property taxes are estimated at $262,840,543.

Milwaukee Public Schools
Property Tax Levies
All Funds
(2011-2016)

Levy Year	Collection Year	Taxes Levied
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
2016	2017	281,169,165

In addition to taxes for operations levied under Section 119.46 of the Wisconsin Statutes, the MBSD by 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 the MBSD, is required to levy and collect ad valorem taxes on or against all taxable property within MPS. 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 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 MPS as of January 1st. Real property is divided into classes for taxation purposes. In cities there are four classes of real estate: (1) Residential; (2) Commercial; (3) Manufacturing; and (4) 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 criterion in any year, the district's assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2016, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was 96.18 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 Tax 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 Tax 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 Tax Commissioner no later than the first Monday of November each year. The Tax 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 the MPS tax levy, owners of property within MPS 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 MPS. These include the City, Milwaukee County, the State of Wisconsin, Vocational School District and Milwaukee Metropolitan Sewerage District. As a result, property owners within the MPS' boundaries are subject to a variety of different mill levies.

The 2016 levies (collected in 2017) were as follows (amounts in millions):

Milwaukee Public Schools	$281.2
City of Milwaukee	263.6
Milwaukee County	130.1
State of Wisconsin	4.6
Milwaukee Area Technical College District	32.2
Milwaukee Metropolitan Sewerage District	44.7

The net tax rate for all taxing jurisdictions was $28.70 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 2017 will be collected in 2018. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 equal 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 equal 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 after deducting a statutory fee for such collection, remits the balance to MPS on a monthly basis from January through May and any balance of the annual levy remaining on 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 Aid

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 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 Aid

Equalization Aid

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

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

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

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

Annual Revenues Per Pupil

	Statewide			Milwaukee		
	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
Revenue per Pupil	$12,705	$13,031	$13,137	$14,147	$14,599	$15,058
Federal share (%)	7.8	7.5	7.1	16.4	16.4	15.3
State share (%)	45.3	45.7	45.5	55.2	55.2	55.0
Local share (%)	46.9	46.8	47.4	28.4	28.4	29.7

Integration Aid

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

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

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

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 Aid

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 2016-17 were $3,980,222 or $27.51 per child.

The State pays special aids to the district to finance approved programs for handicapped 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 and 119.74 of the Wisconsin Statutes for five-year old kindergarten and early childhood education.

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

Milwaukee Parental Choice Program

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City which meets all public school health and safety laws and codes, complies with federal nondiscrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement. Beginning in the 1996-97 school year, no more than 15% of the school district's membership may attend private school under Wisconsin Statute 119.23. In 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 2016-17 school year, the MPCP was funded 25.6% from a reduction in state general aid to MPS.

In January 2017 there were 121 private schools participating in the MPCP, with a total enrollment of 27,606 students or 26,731.7 full-time equivalent in the program.

Federal School Aid

In addition to State Aid, MPS receives federal aids for specific school programs. For the 2015-16 school year, total federal aids to MPS, including food services revenues of $50,890,355, was $189,558,041. A portion of this amount was received after the end of the 2016 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 2015-16 school year increased by $3,849,347. Property tax revenues for general school purposes decreased by $2,252,970.

Total expenditures increased $8,706,773 in 2015-16 over the previous year. Expenditures for instructional services were 58.48% 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

	2016 Year End	2015 Year End	2014 Year End	2013 Year End
Revenues				
Property tax levy	$285,825,045	$288,078,016	$287,372,653	$286,559,250
Other local sources	24,196,458	18,377,886	15,950,922	13,741,738
Microsoft Settlement Refunds	5,918,672	–	1,557,605	4,492,796
State aid:				
Equalization aid	509,173,092	505,323,745	500,659,964	494,557,826
Special classes	50,423,437	53,338,018	53,565,720	51,792,301
Integration	31,692,817	32,247,348	33,522,834	34,178,357
Other state aid	58,271,730	59,520,486	51,928,558	50,161,524
Federal aid:				
Education Consolidation Improvement Act	68,908,095	77,649,649	89,387,237	96,038,429
Erate Refunds	9,682,625	–	–	52,666
Other federal aid	42,859,924	47,828,746	48,292,464	49,635,541
Intergovernmental Aid from City of Milwaukee				
Miscellaneous	1,100,712	1,103,886	506,273	3,190,257
Interest and investment earnings	4,309,635	2,835,798	2,433,869	183,416
Total Revenues	1,092,362,242	1,086,303,578	1,085,178,099	1,084,584,101
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	339,332,220	346,521,378	350,611,296	364,488,175
Regular and other curriculum	136,707,351	137,364,946	140,829,291	147,099,479
Special curriculum	147,768,628	158,171,616	162,317,985	165,369,430
Total instructional services	632,808,199	642,057,940	653,758,572	676,957,084
Community services	27,347,401	29,162,858	26,962,332	29,146,352
Pupil and staff services	114,359,927	116,865,100	110,843,729	111,575,339
General and school building administration	111,159,224	99,027,539	99,204,832	101,012,616
Business services	163,928,809	158,380,747	160,757,139	155,818,995
Debt Service:				
Principal	–	–	575,000	550,000
Interest	–	295,744	208,662	436,028
Bond Issuance Cost	–	3,258	–	1,000
Capital outlay	26,055,298	12,158,899	9,345,079	5,252,233
Total Expenditures	1,066,658,858	1,057,952,085	1,061,655,345	1,080,749,647
Excess of revenues over (under) expenditures	25,703,384	28,351,493	23,522,754	3,834,454
Other Financing Sources (Uses)				
Insurance Proceeds	173,962	843,560	–	–
Proceeds from sale of assets	30,649	–	4,140	63,500
Transfers in (out)	(25,245,686)	(28,350,899)	(23,694,603)	(21,287,465)
Total Other Financing Sources(uses)	(25,041,075)	(27,507,339)	(23,690,463)	(21,223,965)
Net Change in Fund Balances	662,309	844,154	(167,709)	(17,389,511)
Fund balance - beginning of year	79,636,834	78,792,680	78,960,389	96,349,900
Fund balance - end of year	80,299,143	79,636,834	78,792,680	78,960,389

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

Milwaukee Public Schools
School Operations Fund Budget
Fiscal Years 2018 and 2017

	2017-2018 Budget (1)	2016-2017 Budget (2)
Revenues (3)		
Locally Generated:		
Property Tax Levy	$262,840,543	$260,069,165
Nutrition	650,000	700,000
Other Local Sources	11,171,286	13,337,549
Subtotal	277,560,617	274,106,714
State Aid:		
Equalization Aid	516,347,758	516,742,805
Special Education	49,240,500	47,560,000
Integration	30,326,936	33,145,802
Nutrition	950,000	950,000
Other	46,764,300	41,933,593
Subtotal	643,629,494	640,332,200
Federal Aid:		
School Nutrition Commodities & Federal Indirect	49,900,000	48,922,000
Other	13,978,018	15,478,018
Subtotal	63,878,018	64,400,018
Total Revenues	982,169,341	978,838,932
Plus Use of Surplus	–	–
Total Sources of Funds	$982,169,341	$978,838,932
Expenditures (3)		
Instructional Services	$550,047,375	$579,331,350
Support Services	432,121,966	399,507,582
Total Expenditures	$982,169,341	$978,838,932
Summary		
Total Revenues and Use of Surplus	$982,169,341	$978,838,932
Total Expenditures	–	978,838,932
Difference	$ –	$ –

(1) Initial Fiscal Year 2018 School Operations Fund Budget approved May 2017.
(2) Final Fiscal Year 2017 School Operations Fund Budget approved October 2016.
(3) Revenue and Expenditure categories include allocations based on estimates and may differ from actual experience.

The management of MPS has prepared the projected financial information set forth below to present the cash flow needs of MPS for the fiscal year 2017-2018. It is the belief of MPS management that these projections are reasonable and reflect the best current estimates and judgments regarding future cash flows. MPS independent auditors have not compiled, examined, or performed any procedures with

respect to the prospective financial information set forth below, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information.

Milwaukee Public Schools
School Operations Fund Monthly Cash Flow Summary
2016-17 Actual Results (Unaudited)
2017-18 Projected
(Millions of Dollars)

2016-17 Actual Results

	Beginning	Receipts	Disbursements	Ending
July, 2016	34.307	57.866	104.381	(12.188)
Aug	(12.188)	25.160	74.541	(61.570)
Sept	(61.570)	128.293 (1)	85.345	(18.621)
Oct	(18.621)	201.792 (2)	139.903 (3)	43.268
Nov	43.268	23.175	92.962	(26.519)
Dec	(26.519)	157.483	128.700	2.264
Jan, 2017	2.264	194.259	88.833	107.690
Feb	107.690	65.626	109.361	63.955
Mar	63.955	186.022	105.849	144.128
Apr	144.128	40.856	86.151	98.833
May	98.833	40.629	103.190	36.272
Jun	36.272	346.013	363.327 (4)	18.958

(1) Includes $45,000,000 of Commercial Paper proceeds.
(2) Includes $180,000,000 of 2016 RANs.
(3) Includes repayment of Commercial Paper.
(4) Includes repayment of 2016 RANs.

2017-2018 Projected

	Beginning	Receipts	Disbursements	Ending
July, 2017	18.958	30.233	80.290	(31.099)
Aug	(31.099)	33.148	77.593	(75.544)
Sept	(75.544)	137.379 (1)	75.598	(13.763)
Oct	(13.763)	212.550 (2)	152.661 (3)	46.126
Nov	46.126	37.429	90.955	(7.400)
Dec	(7.400)	157.446	143.412	6.634
Jan, 2018	6.634	189.661	83.664	112.632
Feb	112.632	68.817	100.112	81.337
Mar	81.337	189.019	105.152	165.204
Apr	165.204	45.466	93.113	117.557
May	117.557	37.697	99.137	56.117
Jun	56.117	330.282	359.219 (4)	27.180

(1) Includes $50,000,000 draw on a line of credit.
(2) Includes $180,000,000 of 2017 RANs.
(3) Includes repayment of line of credit draw.
(4) Includes repayment of 2017 RANs.

Milwaukee Public Schools
School Operations Fund Cash Flow Projection
July 1, 2017 - June 30, 2018
(Millions of Dollars)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	18.958	(31.099)	(75.544)	(13.763)	46.126	(7.400)	6.634	112.632	81.337	165.204	117.557	56.117	
RECEIPTS													
Property Taxes							147.190	26.284	7.885	13.142	7.885	60.453	262.840
Integration Aid												30.327	30.327
Computer Aid	7.125												7.125
State Aid													
Equalization Aid	8.808		76.207			126.800			126.880			177.653	516.348
Other				12.005	7.386	8.836	11.789	7.386	30.618	5.000		12.985	96.005
Categorical Aid	6.281	24.079	5.549	2.433	19.043	7.438	15.399	22.803	10.395	14.741	16.486	32.242	176.889
Nutrition	1.864	5.552	0.343	0.713	1.592	5.349	7.742	3.978	5.837	5.070	5.126	8.334	51.500
Local Revenues	0.258	1.120	2.882	1.094	1.357	1.097	0.527	0.441	0.390	0.499	0.232	1.274	11.171
Other Local Receipts	1.340	2.397	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	27.717
Reimbursed QSCB Interest					1.037	0.912		0.911			0.954		3.814
GASB 45	4.557			13.907	4.616	4.616	4.616	4.616	4.616	4.616	4.616	4.616	55.392
Short-term Debt			50.000										50.000
Note Proceeds				180.000									180.000
Total Receipts	30.233	33.148	137.379	212.550	37.429	157.446	189.661	68.817	189.019	45.466	37.697	330.282	1,469.128
DISBURSEMENTS													
Salaries and Benefits	17.393	29.138	64.371	66.754	66.507	96.163	66.175	67.777	67.637	67.925	67.591	81.952	759.383
Services & Supplies	56.438	46.048	8.829	16.265	15.268	26.090	10.816	25.544	30.845	18.518	20.325	81.426	356.412
Other Local Expenses	1.340	2.397	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	27.717
GASB 45	1.449			17.244	4.272	4.401	4.272	4.391	4.272	4.272	4.555	4.272	53.400
Debt Service	3.670	0.010			2.510	14.360	0.003	0.002			4.268	9.171	33.994
Short-term Debt				50.000									50.000
Note Repayment												180.000	180.000
Total Disbursements	80.290	77.593	75.598	152.661	90.955	143.412	83.664	100.112	105.152	93.113	99.137	359.219	1,460.906
Balance	(31.099)	(75.544)	(63.763)	46.126	(7.400)	6.634	112.632	81.337	165.204	117.557	56.117	27.180	

Milwaukee Public Schools
School Operations Fund Cash Flow Actual
July 1, 2016 – June 30, 2017
(Millions of Dollars)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	34.307	(12.188)	(61.570)	(18.621)	43.268	(26.519)	2.264	107.690	63.955	144.128	98.833	36.272	
RECEIPTS													
Property Taxes							148.129	26.732	7.015	12.269	7.325	59.480	260.950
Integration Aid												33.146	33.146
Computer Aid	6.596												6.596
State Aid													
Equalization Aid	8.960		75.132			128.039			126.982			177.774	516.887
Other	12.005				6.975	8.952	9.275	7.520	32.296	3.980		13.083	94.088
Categorical Aid	14.512	22.059	4.271	2.879	10.082	2.439	23.623	21.361	8.354	12.402	19.999	35.143	177.124
Nutrition	7.014	0.316	0.111	1.333		10.970	4.802	4.122	5.940	4.842	5.573	9.435	54.458
Local Revenues	0.170	1.162	0.097	0.675	2.358	0.268	0.076	0.695	0.098	0.108	0.182	0.560	6.448
Other Local Receipts	5.000	1.298	3.476	0.886	1.245	1.298	1.032	1.035	0.852	1.040	2.217	11.796	31.176
Reimbursed Interest (QSCB)						0.911		0.911			1.723		3.545
GASB 45	3.628	0.326	0.206	16.019	2.515	4.607	7.321	3.250	4.486	6.214	3.610	5.596	57.777
Short-term Debt			45.000										45.000
Note Proceeds				180.000									180.000
Total Receipts	57.886	25.160	128.293	201.792	23.175	157.483	194.259	65.626	186.022	40.856	40.629	346.013	1,467.194
DISBURSEMENTS													
Salaries and Benefits	26.298	20.212	64.884	67.253	67.008	105.191	66.677	68.270	68.131	68.418	68.085	82.370	772.797
Services and Supplies	61.874	53.027	16.985	8.654	23.530	17.523	20.797	36.052	33.899	13.826	27.607	77.015	390.788
Other Local Expenses	5.000	1.298	3.476	0.886	1.245	1.298	1.032	1.035	0.852	1.040	2.217	11.796	31.176
GASB 45	11.209			18.110	0.198	0.363	0.325	4.002	2.967	2.867	2.839	3.131	46.011
Debt Service		0.004			0.981	4.325	0.002	0.002			2.442	9.015	16.771
Short-term Debt				45.000									45.000
Note Repayment												180.000	180.000
Total Disbursements	104.381	74.541	85.345	139.903	92.962	128.700	88.833	109.361	105.849	86.151	103.190	363.327	1,482.543
Balance	(12.188)	(61.570)	(18.621)	43.268	(26.519)	2.264	107.690	63.955	144.128	98.833	36.272	18.958	

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 594,667 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("*MSA*") includes the principal cities of Milwaukee, Waukesha and West Allis, in the counties of Milwaukee, Ozaukee, Waukesha and Washington, and has a population of nearly 1.6 million.

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

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

City of Milwaukee
Selected Economic Data

	Population		
Year	Department of Administration	U.S. Census	Adjusted Gross Income Per Return
2016	594,667		Not Available
2015	595,787		$39,931
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
2000	605,572	596,974	32,370

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

Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity for the years 2012-2016.

General Total

Year	Value	Permits Issued
2016	$416,249,287	1,896
2015	303,762,859	2,332
2014	539,753,288	2,443
2013	269,010,398	2,217
2012	254,896,334	2,297

Residential Building

	Single Family		Multi-Family		Total		
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Permits Issued
2016	$6,379,473	45	$104,919,926	1,001	$111,299,399	1,046	57
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

Commercial Building

Year	Value	Permits Issued
2016	$ 81,464,755	29
2015	58,724,198	31
2014	320,611,159	49
2013	83,584,379	42
2012	52,952,469	51

Public Building

Year	Value	Permits Issued
2016	$35,892,602	202
2015	21,178,391	252
2014	31,118,208	314
2013	24,248,685	147
2012	43,046,652	211

Alterations and Additions

Year	Value	Permits Issued
2016	$187,592,531	1,608
2015	141,262,948	2,003
2014	167,503,559	2,041
2013	108,824,727	1,975
2012	124,033,741	1,975

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

Leading Business and Industrial Firms
Located Within Milwaukee County

The listing of large employers in the Milwaukee County area which follows reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list which includes only employers with the majority or all of their employment in Milwaukee County. The employment estimates may include employees located in counties contiguous to Milwaukee County.

Company	Business Description	2017 Approximate Employment
Aurora Health Care	Health Care System	26,462
Ascension Wisconsin	Health Care System	12,000
Froedtert Health	Health Care System	10,913
GE Healthcare	Health Care Technologies	6,000
Medical College of Wisconsin	Private Medical School	5,573
Children's Hospital and Health System	Health Care System	5,004
Northwestern Mutual	Insurance, Investment Products	5,000
Goodwill Industries of SE Wisconsin Inc.	Training Programs, Retail, & Food Service	4,210
U.S. Bank	Banking Services	3,700
The Marcus Corp.	Theaters and Hotel Properties	3,180
BMO Harris Bank	Bank Holding Company	3,034
FIS	Banking and Payments Technology	2,950
Rockwell Automation Inc.	Industrial Automation Products	2,900
Marquette University	University	2,811
Johnson Controls International	Control Systems, Batteries & Auto Interiors	2,800
WEC Energy Group Inc.	Electric & Natural Gas Utility	2,736
Harley-Davidson Inc.	Motorcycles & Accessories	2,694
Potawatomi Hotel & Casino	Hotel & Casino	2,617
Bon-Ton Stores Inc.	Department Stores	2,000
Sendik's Food Market	Retail Supermarkets	1,950
Briggs & Stratton Corp.	Small Gasoline Engines	1,555
Rexnord Corp.	Power Transmission Equipment	1,550
Robert W. Baird & Co. Inc.	Asset Management and Capital Markets	1,489
MillerCoors LLC	Beer Brewery	1,400
Direct Supply Inc.	Shipping & eCommerce	1,200
Patrick Cudahy LLC	Manufacturer of Processed Meats	1,190
Wells Fargo	Banking & Financial Services	1,100
JPMorgan Chase & Co.	Global Financial Services	1,005
Cargill Meat Solutions	Food Distribution	1,000
Brady Corp.	Manufacturer of Identification Materials	1,000
Komatsu Mining Corp.	Mining Equipment Manufacturer & Distributor	950
Master Lock Co. LLC	Manufacturer of Padlocks & Security Products	877
La Macchia Enterprises Inc.	Travel Planning Brands and Software	674
Caterpillar Inc.	Manufacturer of Construction & Mining Equipment	640

Source: Milwaukee Business Journal, as of July 21, 2017.

EMPLOYMENT AND INDUSTRY

During 2016, the City's unemployment rate averaged approximately 5.8%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2012 through 2016.

Annual Unemployment Rates
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2016	5.8%	4.5%	4.1%	4.9%
2015	6.6	4.9	4.6	5.3
2014	8.0	5.9	5.4	6.2
2013	10.1	7.2	6.7	7.4
2012	10.3	7.4	7.0	8.1

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, 2017	5.0%	3.8%	3.3%	4.6%

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 2016 Estimated Equalized Valuations

Northwestern Mutual Life Ins.	$315,765,233
US Bank Corp.	248,360,999
Mandel Group	156,486,401
Juneau Village/Prospect Tower/Katz Properties	130,438,735
Forest County Potawatomi Community	115,368,847
Marcus Corp/Milw City Center/Pfister	106,973,437
Metropolitan Associates	102,939,661
411 E Wisconsin – FMC Investment Opportunities	91,099,838
Jackson Street Holdings	87,317,810
Gorman & Co.	83,501,052

Source: City of Milwaukee, Assessor's Office January 2017.

BOOK-ENTRY-ONLY SYSTEM

The information contained in the following paragraphs of this subsection "BOOK-ENTRY-ONLY SYSTEM" has been extracted from a document prepared by The Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the Notes. The Notes 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 fully-registered Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, 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 3.6 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 S&P Global Ratings rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("*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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the

identity of the Direct Participants to whose accounts such Notes 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. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes 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 City, on payable 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 Notes 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, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, 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 Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY

DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE NOTES; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE NOTES; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF NOTES.

LEGAL MATTERS

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 maintains 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 or its officers, officials or employees for acts performed in their official capacity to $50,000 in tort liability in non-automobile cases and, under Section 345.05(3) of the Wisconsin Statutes, $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 and which individually represent maximum potential loss exposure in excess of $1 million, existing on October 1, 2017.

Section 74.37 Litigation. Various lawsuits are pending against the City for property tax refunds under Section 74.37 of the Wisconsin Statutes. As the tax collector, the City would pay any refund owed, and recover approximately 1/3 of the payment from MPS. Litigation with the potential for an MPS share of more than $1,000,000 are:

- ***U.S. Bank N.A. v. City of Milwaukee.*** U.S. Bank alleges its 2014 and 2015 assessments are excessive and has requested a refund in the amount of $5.3 million. Discovery is nearly complete, and the case is anticipated to be set for trial in 2017. U.S. Bank has also filed a new lawsuit against the City in regard to its 2016 assessment and has requested a refund of $2.6 million.

- ***Marathon Petroleum Company LP et al v. City of Milwaukee.*** This action involves the 2008-2014 assessments of oil terminal property. The taxpayers have requested a tax refund of approximately $3,200,000 plus interest. The City was successful at trial, and the taxpayers appealed. The case is currently pending before the court of appeals.

LEGAL OPINION

The legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado Zimmerman SC, Wauwatosa, Wisconsin, Bond Counsel to the City, will be delivered to the purchasers of the Notes. A draft of the legal opinion for the Notes are included herein as **APPENDIX B**.

TAX STATUS

Summary of Bond Counsel Opinion

Bond Counsel are of the opinion that under existing law, interest on the Notes 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 (the "*Code*"), Bond Counsel are of the opinion the Notes are not "*private activity bonds*" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Notes 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 Notes is not exempt from Wisconsin income taxes.

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

Notes Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of the Notes are sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Notes is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Note, the difference between the two is known as "*bond premium*;" if the Offering Price is lower than the maturity value of a Note, the difference between the two is known as "*original issue discount*."

Bond premium and original issue discount are amortized over the term of a Note 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. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Note for federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Notes 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 Notes. In addition, owners of Notes should consult their tax advisors with respect to the state and local tax consequences of owning the Notes; under the applicable provisions of state or local income tax law, bond premium and original issue discount 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 Notes. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Note proceeds 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 Notes 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 Notes.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the "*gross proceeds*" of the Notes 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 Notes 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 Notes, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Notes.

Covenants to Comply

The City 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 Notes.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Notes may become includable in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue. In such event, the City's agreements with the owners of the Notes require neither acceleration of payment of principal of, or interest on, the Notes nor payment of any additional interest or penalties to the owners of the Notes.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Notes 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 Notes 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 NOTES.

Cost of Carry. Owners of the Notes 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 Notes. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Notes 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 Notes is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax. Interest on the Notes is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Individual Owners. Receipt of interest on the Notes 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 Notes 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 Notes 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 Notes.

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 Notes 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 Notes 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 Notes are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Notes.

State Tax Matters

Interest on the Notes is not exempt from State of Wisconsin income or franchise tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Notes as "*qualified tax-exempt obligations*" for purposes of Section 265 (b)(3) of the Code relating to the ability of certain financial institutions (within the meaning of Section 265(b)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "*Rule*") promulgated by the Securities and Exchange Commission (the "*Commission*"), pursuant to the Securities Exchange Act of 1934, the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "*Undertaking*") for the benefit of holders including beneficial holders of the Notes to provide certain financial information and operating data relating to the City 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 of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to 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 details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of certain enumerated events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time

the Notes are delivered. Such Certificate will be in substantially the form attached hereto as **APPENDIX C**. The City intends to fully comply with the Undertaking relating to the Notes.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Notes (although holders 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 Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

Prior to August of 2003 the City entered into continuing disclosure undertakings (the "*Pre-2003 Undertakings*") which contained a six-month filing requirement for Annual Financial Information. Due to the complexity and size of the City's operations, the City had difficulty meeting that timing requirement and subsequently modified its continuing disclosure undertakings (the "*Post-2003 Undertakings*") to use a nine-month filing requirement for Annual Filing Information. Except as discussed below, within the previous five years, the City has not failed to comply in any material respect with regards to the Post-2003 Undertakings. With regards to the Pre-2003 Undertakings the City has failed to strictly comply with the 6-month time period for filing its Annual Financial Information and updating certain information on the sewerage system that does not significantly change from year to year.

The City 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 the City of any such rating changes, no assurance can be provided that notices of all rating changes were reported.

RATINGS

The City has requested ratings on the Notes from Fitch Ratings ("*Fitch*"), and S&P Global Ratings ("*S&P*"). Fitch has assigned a rating of "F1+" on the Notes. S&P has assigned a rating of "SP-1+" on the Notes.

The ratings, when issued, reflect only the views of the respective ratings agencies, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Notes.

FINANCIAL ADVISOR

PFM Financial Advisors LLC has been retained as Financial Advisor to the City in connection with the issuance of the Notes.

UNDERWRITING

The Notes will be purchased at competitive bidding conducted on October 3, 2017. The award of the Notes was made to Bank of America Merrill Lynch, its co-managers and associates. The public reoffering yield on the Notes is detailed on the cover of the Final Official Statement.

LEGISLATION

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Notes, the financial condition of the City or the financial condition of MPS.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Notes by the original purchasers thereof, the City will furnish to the original purchasers the following closing documents, in form satisfactory to Bond Counsel:

(1) a signature and no litigation certificate;

(2) a tax certificate;

(3) a certificate of delivery and payment;

(4) the opinions as to the legality of the Notes under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado Zimmerman SC, Wauwatosa, Wisconsin, Bond Counsel to the City, in substantially the form as set forth in **APPENDIX B**;

(5) copies of this Official Statement issued in conjunction with the Notes within seven business days after the award of the Notes in accordance with SEC Rule 15c2-12(b)(3);

(6) a Continuing Disclosure Certificate; and

(7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

To the best of our knowledge, the information in this Official Statement does not include any untrue statement of a material fact, nor does the information omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Periodically, the City updates its investor relations websites (www.MPSBonds.com and www.MilwaukeeBonds.com) with information regarding prospective financings and financial information. Additional information may be obtained from the undersigned City Comptroller upon request.

MARTIN MATSON
City Comptroller and Secretary
City of Milwaukee
Public Debt Commission
City Hall - Room 404
200 East Wells Street
Milwaukee, Wisconsin 53202
414-286-3321
PDC@milwaukee.gov

/s/ Martin Matson

City Comptroller and Secretary
City of Milwaukee, Wisconsin

October 3, 2017

APPENDIX A

Audited Annual Financial Report of
the Milwaukee Public Schools
for the Year Ended June 30, 2016

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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The June 30, 2016 financial statements of Milwaukee Public Schools have been audited by Baker Tilly Virchow Krause, LLP and they have issued an unqualified opinion dated January 27, 2017.

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 Milwaukee Public Schools, Wisconsin, as of and for the year ended June 30, 2016, 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, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 27, 2017 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.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2016

(Unaudited)

INTRODUCTION

This discussion and analysis of the financial performance of Milwaukee Public Schools (MPS or the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. 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 decreased to ($79.4 million) at June 30, 2016, from ($70.6 million) at June 30, 2015, a decrease of approximately $8.8 million, or 12.5%. This decrease is primarily due to *GASB Statement No. 68, Accounting for Pensions* which accounted for $25 million of the decrease, an approximately $12 million increase in capital assets, and a $4.5 million decrease in unearned revenues.
- Total revenues increased to $1.179 billion in fiscal year 2016 (FY16), up from $1.176 billion in fiscal year 2015, an increase of approximately 0.3% or $3 million. The increase is primarily attributable to $3.9 million in equalization aid.
- Total expenses increased to $1.188 billion, up from $1.131 billion for the year ended June 30, 2015, an increase of 5.0% or $57 million. This increase primarily attributable to *GASB Statement No. 68, Accounting for Pensions* which accounted for $25 million of the increase and $17 million of the Regional Development Plan.

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

- Total fund balances of the District's governmental funds decreased $480,243 in fiscal year 2016. This decrease included a $.7 million increase in the General Fund, a $5.5 million decrease in the Construction Fund, a $4.3 million increase in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The $662,309 increase in the General Fund balance is the result of a prior bond sinking fund expense reclassified as a prepaid asset.
- The decrease in the Construction fund balance is the result of project construction costs.
- The $4.3 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, 2016 were $129.4 million. Of this amount, $12.0 million was nonspendable, $54.8 million was restricted for self-insurance, debt service, flex spending, school nutrition services, long term capital investment and capital projects, $21.0 million was committed for construction, $1.0 million was assigned, and $40.6 million remains unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

- Government-wide Financial Statements
  - Statement of Net 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, 2016. 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 deferred outflows and liabilities and deferred inflows 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 Statements	Fund 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 decreased from the prior year by $8.8 million. This decrease is primarily due to implementation of *GASB Statement No. 68, Accounting for Pensions* which accounted for $25 million of the decrease, an approximately $11 million increase in capital assets, and a decrease of $4.5 million of unearned revenues.

MPS ended its fiscal year with a net position of ($79.4) million, of which $500.0 million was net investment in capital assets, $14.4 million was restricted for debt service, and ($593.8) million was an unrestricted deficit. The unrestricted deficit is primarily the result of a $516.2 million OPEB 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, 2016 the balance of the outstanding pension debt grew to $188.8 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		
	2016	**2015**	**Difference**
Capital assets, net	$ 632,475	$ 620,524	$ 11,951
Noncapital assets and deferred outflows of resources	636,268	449,476	186,792
Intangible assets	15,812	16,153	(341)
Total assets and deferred outflows of resources	1,284,555	1,086,153	198,402
Current liabilities	125,208	123,946	1,262
Noncurrent liabilities and deferred inflows of resources	1,238,720	1,032,823	205,897
Total liabilities and deferred inflows of resources	1,363,928	1,156,769	207,159
Net position:			
Net investment in capital assets	500,042	489,612	10,430
Restricted	14,369	83,694	(69,325)
Unrestricted (deficit)	(593,784)	(643,922)	50,138
Total net position (deficit)	$ (79,373)	$ (70,616)	$ (8,757)

Capital Assets increased by $12.0 million. The increase is the net result of Construction in Progress increasing by $18.9 million, Buildings, and Furniture increasing by $15.6 million, and Accumulated Depreciation increasing by $22.5 million.

Notable changes in Noncapital Assets is the result of *GASB Statement No. 68, Accounting for Pensions* which accounted for $163.4 million of the increase and 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 noncurrent asset component of the increase in fair value is $24.2 million and the noncurrent asset component is $73.9 million.

Current liabilities increased $1.3 million in the current year. This is primarily due to $1.1 million of pension bond payments.

A notable change in Noncurrent liabilities is the result of $24.2 million increase in derivative instruments and *GASB Statement No. 68, Accounting for Pensions* which accounted for $188.6 million of the increase.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2016 with a decrease in net position of $8.8 million, compared to an increase of $45.4 million in fiscal year 2015.

Table 3

Schedule of Revenues and Expenses

(in thousands)

	Governmental Activities		
	2016	**2015**	**Difference**
Program revenues:			
Charges for services	$ 19,548	$ 17,160	$ 2,388
Operating grants and contributions	265,979	286,680	(20,701)
Capital grants and contributions	16,348	849	15,499
Total program revenues	301,875	304,689	(2,814)
General revenues:			
Property taxes	300,634	302,279	(1,645)
Other taxes	810	1,837	(1,027)
Federal and state aid	570,219	563,629	6,590
Interest and investment earnings	4,349	2,913	1,436
Gain on sale of capital assets	333	-	333
Miscellaneous	1,020	933	87
Total general revenues	877,365	871,591	5,774
Total revenues	1,179,240	1,176,280	2,960
Expenses:			
Instruction	681,195	647,365	33,830
Community services	27,789	29,312	(1,523)
Pupil and staff services	128,939	131,799	(2,860)
General administration	112,899	98,125	14,774
Business services	169,413	160,678	8,735
School nutrition	50,101	47,234	2,867
Interest on long-term debt	17,652	16,332	1,320
Bond issuance cost	9	-	9
Total expenses	1,187,997	1,130,845	57,152
Increase (decrease) in net position	(8,757)	45,435	(54,192)
Net Position-Beginning of Year	(70,616)	(116,051)	45,435
Net Position-End of Year	$ (79,373)	(70,616)	(8,757)

Total revenues increased $3.0 million or 0.3% over the prior year. The greatest changes came in the area of General-Federal and State Aid. Federal and State Aid increased by $3.9 million due to increase in equalization aid.

Total expenses increased by $57 million, or 5.0%. This increase in instruction expense is primarily attributable to *GASB Statement No. 68, Accounting for Pensions* which accounted for $25 million of the increase and $17 million of the Regional Development Plan.

Capital Assets

Table 4 shows that at June 30, 2016, MPS had $1.255 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of $38.1 million from the previous year. The primary driver of this increase is the Construction In Progress, Buildings and Software, which rose $18.9 million, $15.2 million and $3.6 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	$ 31,106	$ —	$ —	$ 31,106
Construction in progress	14,293	34,078	15,218	33,153
Buildings	1,050,173	15,218	—	1,065,391
Leasehold improvements	12,219	—	—	12,219
Furniture and equipment	51,893	1,144	695	52,342
Software	57,475	6,612	3,017	61,070
Total capital and intangible assets	1,217,159	57,052	18,930	1,255,281
Accumulated depreciation and amortization	(580,483)	(27,194)	(683)	(606,994)
Total Capital and intangible assets, net	$ 636,676	$ 29,858	$ 18,247	$ 648,287

Long-term Debt

Long-term debt at June 30, 2016 was $359.3 million with debt retirements totaling $7.8 million.

Table 5

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

	July 1, 2015	Issuances	Retirements	June 30, 2016
Governmental activities:				
Americans with Disabilities Act loans	$ 3,482	$ —	$ 870	$ 2,612
Neighborhood School Initiative bonds	76,172	—	6,113	70,059
Qualified School Construction Bonds	49,018		(28)	49,046
Qualified Zone Academy bonds	1,418	—	505	913
Pension refinancing debt	187,706	—	(1,086)	188,792
Capital leases	38,000	—	—	38,000
Other intergovernmental debt	11,354	—	1,434	9,920
Total debt	$ 367,150	$ —	$ 7,808	$ 359,342

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 $6.1 million of NSI debt was retired in fiscal year 2016.

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 $505,293 in fiscal year 2016.

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 2016 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.

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 $662,309 over the prior year-end. The increase in the General fund balance is the result of a prior bond sinking fund expense reclassified as a prepaid asset.
- The decrease in the Construction fund balance is the result of project construction costs.
- The $4,338,214 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 2015, the MPS Board of School Directors (the Board) adopted the District's fiscal 2016 budget (July 1, 2015 – June 30, 2016). The adopted budget by necessity used a *projection* of the fiscal 2016 student enrollment. In October 2015, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2015, 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 adjustment 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 2015, the Board approved a revised fiscal year 2016 (FY16) General Fund expenditure budget in the amount of $1,121,986,436. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY16 were over 95% of the FY16 revised General Fund budget.

Current Economic Facts and Next Year's Budget

In October 2016, the MPS Board approved a revised FY17 General Fund budget of $1,142,661,444. The FY17 budget includes prior year encumbrances and carryover appropriation authority and is up 0.7% from the FY16 General Fund Budget.

The District's revenue limit for FY17 is $822,405,065, a $3.3 million or 0.4% decrease below FY16. The FY17 revenue limit is based on prior year revenues, three-year enrollment trends and other factors determined by the biennial state budget process.

State general aids, primarily equalization aid, increased 1.7% to $549,888,607. 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) in FY17 is $48.6 million.

The MPS District-Wide FY17 Amended Adopted Budget totals $1,196,354,446. This is 2.4% more than the FY16 Amended Adopted Budget of $1,168,690,105. The increase is the result of planned borrowing of $27 million in the construction fund.

Approximately 90 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. Six cents of every dollar budgeted has been allocated for non-school-based staff and services. The remaining four 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 2016 counts, is 83,654. This is up 0.4% from FY16. Enrollment in the District's Traditional, Charter, and Non-Instrumentality Charter Schools enrollment is up 1.7% from FY16 to FY17.

The 2016-17 Budget reflects the district's ongoing commitment to fiscal responsibility and an emphasis on student achievement. Resources have been allocated to allow for an increase of support positions in schools, some for the direct support of students and others for the ongoing development of teachers. The district is expanding summer school as well as city-wide programs to serve youth in non-school hours.

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, 2016

		Governmental Activities
Assets and Deferred Outflows of Resources		
Currents:		
Assets:		
Cash and investments (note 2)	$	86,618,975
Accounts receivable, net (note 3)		9,157,832
Due from other governments (note 3)		78,356,134
Inventory and other assets (note 1(g))		1,643,145
Prepaid items (note 1(g))		9,453,791
Total current assets		185,229,877
Noncurrent assets:		
Restricted cash and investments (note 1(d))		39,133,052
Deposits for self-insurance (note 1(l))		8,069,749
Capital assets not being depreciated (note 5)		64,258,068
Capital assets being depreciated, net (note 5)		568,217,332
Intangible assets, net (note 5A)		15,811,812
Restricted Assets (note 10)		
Bond Sinking Fund (note 7)		11,561,538
Total noncurrent assets		707,051,551
Deferred outflows of resources:		
Deferred loss on refunding		618,206
Deferred cash flow hedges - unrealized loss on derivatives (note 7)		73,890,990
Related to pension - WRS		232,979,797
Related to pension - ERS		66,693,849
Related to pension - ASC & Teachers Supplementals		18,091,047
Total assets and deferred outflows of resources		1,284,555,317
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and other current liabilities		92,671,770
Accrued interest payable on long-term liabilities		3,841,646
Current portion of long-term obligations (note 7)		28,694,202
Total current liabilities		125,207,618
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		862,772,539
Net Pension Liability - WRS		43,792,878
Net Pension Liability - ERS		53,735,000
Net Pension Liability - ASC & Teachers Supplementals		98,198,863
Total noncurrent liabilities		1,058,499,280
Deferred inflows of resources:		
Deferred gain on refunding		88,545
Unearned revenue		7,118,832
Derivative instruments liability (note 7)		73,890,990
Related to pension - WRS		92,161,365
Related to pension - ERS		4,019,000
Related to pension - ASC & Teachers Supplementals		2,942,914
Total liabilities and deferred inflows of resources		1,363,928,544
Net Position		
Net investment in capital assets		500,041,665
Restricted for debt service		14,368,921
Unrestricted (Deficit)		(593,783,813)
Total net position (deficit)	$	(79,373,227)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2016

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	$ 681,195,330	8,619,364	184,229,896	16,348,227	(471,997,843)
Support services:					
Community services	27,789,456	4,365,200	5,559,121	—	(17,865,135)
Pupil and staff services	128,939,561	—	18,367,601	—	(110,571,960)
General, administration, and central services	112,898,587	—	—	—	(112,898,587)
Business services	169,413,167	5,398,788	5,580,111	—	(158,434,268)
School nutrition services	50,101,295	1,164,444	52,242,705	—	3,305,854
Interest on long-term debt	17,651,925	—	—	—	(17,651,925)
Bond issuance costs	8,762	—	—	—	(8,762)
Total support services	506,802,753	10,928,432	81,749,538	—	(414,124,783)
Total school district	$ 1,187,998,083	19,547,796	265,979,434	16,348,227	(886,122,626)

General revenues:	
Taxes:	
Property taxes levied for general purposes	268,759,174
Property taxes levied for construction	10,600,000
Property taxes levied for debt service	4,209,121
Property taxes levied for community services	17,065,872
Other taxes	810,337
Federal and state aid not restricted to a specific purpose:	
General (equalization aid)	509,173,092
Other	61,046,450
Miscellaneous	1,019,580
Interest and investment earnings	4,349,251
Gain on sale of capital assets	332,510
Total general revenues	877,365,387
Change in net position	(8,757,239)
Net position—Beginning of Year (deficit)	(70,615,988)
Net position—Ending of Year (deficit)	$ (79,373,227)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

As of June 30, 2016

Assets		General	Capital Projects Construction	Special Revenue School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	$	62,547,125	24,071,850	—	—	86,618,975
Receivables, net:						
Accounts (note 3)		6,751,905	2,405,927	—	—	9,157,832
Due from other governmental units (note 3)		67,438,621	—	7,326,315	3,591,198	78,356,134
Due from other funds (note 4)		—	5,111,130	—	—	5,111,130
Total receivables		74,190,526	7,517,057	7,326,315	3,591,198	92,625,096
Restricted cash and investments (note 1(d))		18,438,783	20,694,269	—	—	39,133,052
Inventories and other assets (note 1(g))		1,643,145	—	—	—	1,643,145
Prepaid items (note 1(g))		9,453,791	—	—	—	9,453,791
Deposits for self-insurance (note 1(l))		8,069,749	—	—	—	8,069,749
Total assets	$	174,343,119	52,283,176	7,326,315	3,591,198	237,543,808
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	$	47,224,534	5,308,399	1,961,394	42,494	54,536,821
Accrued salaries and wages		11,083,482	—	—	—	11,083,482
Accrued claims for self-insurance (note 9)		22,748,521	—	—	—	22,748,521
Accrued pension payable (note 10)		4,287,016	—	—	—	4,287,016
Other accrued expenditures		15,930	—	—	—	15,930
Due to other funds (note 4)		1,076,535	—	485,891	3,548,704	5,111,130
Total liabilities		86,436,018	5,308,399	2,447,285	3,591,198	97,782,900
Deferred inflow of resources (note 1(o))						
Unearned revenue		7,607,958	2,770,000	1,387	—	10,379,345
Fund balances:						
Non-Spendable						
Noncurrent Receivable		923,445	—	—	—	923,445
Inventories and other assets		1,643,145	—	—	—	1,643,145
Prepaid items		9,453,791	—	—	—	9,453,791
Noncurrent Advances		—	—	—	—	—
Restricted:						
Self-insurance deposits		8,069,749	—	—	—	8,069,749
Debt service		18,438,783	—	—	—	18,438,783
Restricted for capital projects		—	20,444,142	—	—	20,444,142
School Nutrition Services		—		4,877,643	—	4,877,643
Flex Spending		228,216	—	—	—	228,216
Long Term Capital Investment Fund		—	2,750,127	—	—	2,750,127
Committed:						
Construction		—	21,010,508	—	—	21,010,508
Assigned for 2017 budget appropriation		975,383	—	—	—	975,383
Unassigned		40,566,631	—	—	—	40,566,631
Total fund balances		80,299,143	44,204,777	4,877,643	—	129,381,563
Total liabilities, deferred inflows and fund balances	$	174,343,119	52,283,176	7,326,315	3,591,198	237,543,808

See accompanying notes to basic financial statements

MILWAUKEE PUBLIC SCHOOLS

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position (Deficit)

As of June 30, 2016

Total fund balances—governmental funds			$ 129,381,563
Amounts reported for governmental activities in the statement of net position are different because:			
Refunding of Debt (gains)/loss 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			529,661
Bond sinking cost reported as an asset at the government-wide level and reported as an expenditure for government funds			11,561,538
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	$	1,194,211,487	
Accumulated depreciation		(561,736,087)	
Net capital assets			632,475,400
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	$	61,069,606	
Accumulated depreciation		(45,257,794)	
Net capital assets			15,811,812
Deferred outflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds			317,764,693
Net Pension Liabilities used in the governmental activities are not financial uses and, therefore, are not reported as liabilities in the governmental funds			(195,726,741)
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			3,260,513
Deferred inflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds			(99,123,279)
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		(399,125,383)	
Bonds premium and discounts		(4,824,714)	
Discount on capital appreciation bonds		82,607,983	
Capital leases payable		(38,000,000)	
Accrued interest payable		(3,841,646)	
Compensated absences payable (vacation and sick leave)		(8,709,351)	
OPEB liability		(516,178,187)	
Workers' compensation claims payable		(4,666,907)	
Self-insurance claims payable		(325,672)	
Life insurance benefits and other long-term liabilities		(2,244,510)	
Total long-term debt liabilities			(895,308,387)
Total net position—government activities (deficit)			$ (79,373,227)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2016

		General	Capital Projects Construction	Special Revenue School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:						
Property tax levy	$	285,825,045	10,600,000	—	4,209,121	300,634,166
Other taxes		810,337	—	—	—	810,337
Lunchroom sales		—	—	1,164,437	—	1,164,437
Other local sources		23,386,121	927,528	394,365	—	24,708,014
Microsoft Settlement Refunds		5,918,672	—	—	—	5,918,672
State aid:						
Equalization aid		509,173,092	—	—	—	509,173,092
Special classes		50,423,437	—	—	—	50,423,437
Integration		31,692,817	—	—	—	31,692,817
Other state aid		58,271,730	5,135	957,983	—	59,234,848
Federal aid:						
Education Consolidation Improvement Act		68,908,095	—	—	—	68,908,095
School nutrition services		—	—	49,598,103	—	49,598,103
Erate refunds		9,682,625	—	—	—	9,682,625
Other federal aid		42,859,924	—	1,292,252	17,217,042	61,369,218
Intergovernmental aid from the City of Milwaukee		—	—	—	—	—
Miscellaneous		1,100,712	69,020	114,350	—	1,284,082
Interest and investment earnings		4,309,635	39,616	—	—	4,349,251
Total revenues		1,092,362,242	11,641,299	53,521,490	21,426,163	1,178,951,194
Expenditures:						
Current:						
Instructional services:						
Undifferentiated curriculum		339,332,220	—	—	—	339,332,220
Regular and other curriculum		136,707,351	—	—	—	136,707,351
Special curriculum		147,768,628	—	—	4,709,472	152,478,100
Total instructional services		623,808,199	—	—	4,709,472	628,517,671
Community services		27,347,401	—	—	—	27,347,401
Pupil and staff services		114,359,927	—	—	12,507,570	126,867,497
General and school building administration		111,159,224	—	—	—	111,159,224
Business services		163,928,809	5,198,205	—	—	169,127,014
School nutrition services		—	—	48,841,829	—	48,841,829
Capital Outlay		26,055,298	12,063,456	341,447	—	38,460,201
Debt Service:						
Principal		—	—	—	14,648,669	14,648,669
Interest		—	—	—	14,797,376	14,797,376
Bond administrative fees		—	—	—	8,762	8,762
Total expenditures		1,066,658,858	17,261,661	49,183,276	46,671,849	1,179,775,644
Excess of revenues over (under) expenditures		25,703,384	(5,620,362)	4,338,214	(25,245,686)	(824,450)
Other financing sources (uses):						
Transfers In (Out)		(25,245,686)	—	—	25,245,686	—
Insurance Proceeds		173,962	50,000	—	—	223,962
Proceeds from the sale of capital assets		30,649	89,596	—	—	120,245
Total other financing sources (uses), net		(25,041,075)	139,596	—	25,245,686	344,207
Net change in fund balances		662,309	(5,480,766)	4,338,214	—	(480,243)
Fund balances:						
Beginning of year		79,636,834	49,685,543	539,429	—	129,861,806
End of year	$	80,299,143	44,204,777	4,877,643	—	129,381,563

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, 2016

Net change in fund balances—total governmental funds		$	(480,243)
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	$ 38,460,201		
Depreciation and amortization expense reported in the statement of activities	(27,194,377)		
Amount by which capital outlays are more than depreciation and amortization in the current period			11,265,824
The net effect of miscellaneous transactions involving capital assets donated to the District that increases net position			400,267
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position			(11,696)
Bond sinking cost reported as asset at the government-wide level and reported	4,836,538		
as an expenditure for government funds	(925,000)		3,911,538
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			(399,061)
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			(67,124,130)
Net pension liabilities			(89,488,014)
Deferred outflows of resources related to pensions			230,547,910
Deferred inflows of resources related to pensions			(99,123,279)
Gain on refunding			(88,545)
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.			
Bonds and notes			10,737,131
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	73,975		
Accretion of interest on capital appreciation bonds	(3,595,895)		
Amortization of bond premium, discount and refunding deferred	667,371		
Net increase in compensated absences payable (vacation and sick pay)	110,059		
Net decrease in workers' compensation claims payable	2,789,018		
Net increase in OPEB liability	(9,215,201)		
Net decrease in general insurance claims payable	58,208		
Net decrease in life insurance benefits payable	207,524		
Net adjustment			(8,904,941)
Change in net position of governmental activities		$	(8,757,239)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2016

Assets		Pension and Other Post Employment Benefits trusts	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	$	—	—	5,477,368
Investments (note 2)		—	1,670,873	—
Money market accounts		79,849,182	—	—
Treasury and agency securities		17,300,088	—	—
Mortgage-backed securities		69	—	—
Nongovernment obligations		31,902,276	—	—
Municipal bonds		1,447,259	—	—
Investment in the State of Wisconsin		175,141,159	—	—
Receivables-interest and contributions		11,352,978	—	—
Total assets		316,993,011	1,670,873	5,477,368
Liabilities				
Accounts payable and accrued expenses		5,245,218	—	—
Due to student organizations		—	—	5,477,368
Total liabilities		5,245,218	—	5,477,368
Net Position				
Net Position restricted for:				
Pensions		311,747,793	—	—
Endowments		—	1,670,873	—
Total net position	$	311,747,793	1,670,873	—

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016

		Pension and Other Post Employment Benefits trusts	Private purpose trust
Additions:			
Employer contributions	$	56,995,835	—
Participants contributions		9,100,339	—
Private donations		—	211,829
Interest income		—	889
Investment income:			
Net investment from the State of Wisconsin:			
Core Retirement Investment Trust Fund		1,415,843	—
Variable Retirement Trust Fund		(327,851)	—
Net investment income from other investments		1,744,808	—
Total investment income:		2,832,800	—
Investment expenses		(19,565)	—
Net investment income		2,813,235	—
Total additions		68,909,409	212,718
Deductions:			
Benefits paid to participant's or beneficiaries	$	79,078,601	—
Non-trust expenses		—	1,062,403
Distribution of participant contribution accounts		19,399	—
Administrative expenses		319,279	—
Scholarships and awards		—	268,479
Total deductions		79,417,279	1,330,882
Changes in net position		(10,507,870)	(1,118,164)
Net position—beginning of year		322,255,663	2,789,037
Net position—end of year		311,747,793	1,670,873

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.

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

(c) Measurement Focus and Basis of Accounting

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

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

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

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

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

(d) Restricted 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.

(e) Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible accounts is reported at year-end for $894,150.

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, Other Assets 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 expenditures in school nutrition services at the fair value when originally donated by the USDA.

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.

(1) Insurance Deposits

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a restriction of fund balance aggregating $8,069,749 at June 30, 2016 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/fund balance 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 –primarily unavailable grant revenues of $2.8 million and available grants of $4.3 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 February 2015, The GASB issued Statement No. 72 *–Fair Value Measurement and Application.* This Standard establishes financial reporting standards for fair value measurement. This District made the decision to implement this standard, effective July 1, 2015.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	$ 82,060,434	$ 85,536,366
Demand deposits	8,934,998	15,683,220
Repurchase Agreement	3,000,000	-
Money market funds	114,162,303	114,249,396
Non-Government Obligations	22,191,128	22,191,128
U.S. Treasury Notes and Agencies	17,300,088	17,300,088
State and Municipal Notes	1,447,259	1,447,259
Total Cash and Investments	$ 249,096,210	$ 256,407,457

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 86,618,975
Restricted cash and investments	39,133,052
Per statement of net position – Fiduciary Funds	
Private purpose trust	1,670,873
Other post employment benefits trust	116,195,942
Agency	5,477,368
Total Cash and Investments	$ 249,096,210

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 and Chapter 881 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 or school district in Wisconsin, local exposition district, local professional baseball park district, local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, local cultural arts district, or 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 investing in bonds and securities issued by or guaranteed by the federal government or a commission, board or other instrumentality of the federal government.

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 U.S. Treasury Notes and Agencies of $17,300,088 are AA+ rated (Standard & Poor's) and AAA rated (Fitch). State and Municipal of $1,447,259 are rated AA+ to A+ (Standard and Poor's). The non-government obligations of $22,191,128 range from AAA 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, 2016 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**
U.S. Treasury Notes and Agencies	$ 17,300,088	$ -	$ 11,893,192	$ 2,673,848	$ 2,733,048
State and Municipal	1,447,259	-	1,276,810	170,449	-
Non-Government obligations	22,191,128	-	14,541,131	7,648,674	1,323
	$ 40,938,475	$ -	$ 27,711,133	$ 10,492,971	$ 2,734,371

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 $15,683,220. Of the $15,683,220 bank balance, $2,085,475 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $13,597,745 was uninsured. Certain deposits are collateralized through a deposit security agreement or have posted securities at 102% of the value of repurchase agreements. However, the collateral and posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized. Therefore, $4,247,629 is uninsured and uncollateralized and $9,350,116 is uninsured and collateralized by securities held by a third party not in the District's name.

The money market funds total $114,249,396 of which $113,999,269 is uninsured and uncollateralized and $250,127 is uninsured and collateralized by securities held by a third party not in the District's name.

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, 2016.

Fair Value Measurements. The Milwaukee Public School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Inputs other than quoted prices that are observable for securities, either directly or indirectly.

	June 30, 2016			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate Bonds	$ -	$ 17,496,870	$ -	$ 17,496,870
Foreign Bonds	-	4,694,258		4,694,258
Municipal Bonds	-	1,447,259	-	1,447,259
Treasury/Federal Agencies	-	17,300,088	-	17,300,088
	$ -	$ 40,938,475	$ -	$ 40,938,475

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, 2016, the SWIB Core Fund strategic targets were 25% to U.S. Stocks, 39% to Fixed Income, 23% to International Stocks,

7% to Real Estate, and 10% to Alternative Investments. On June 15, 2016, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments.

Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2016 and the fair value at SWIB as of June 30, 2016.

Investment	Duration (Years)	Fair Value
SWIB Core and Variable Funds	Details on SWIB fixed income investments as of 12/31/15 are included below.	$ 42,606,775
Money market accounts (at BMO)	0.1	$ 1,388,538
Mutual Funds (at BMO)	3.7	$ 2,533,101
Mortgage Backed Securities	N/A	$ 69

SWIB information provided within the accompanying financial statement is as of December 31, 2015. There has been no significant change in SWIB's investment strategies, asset allocations and investment pricing methods from December 31, 2015 to June 30, 2016. Based on SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2015 is a fair representation for June 30, 2016.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2015.

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	1.8	$ 47 Million
Commercial Paper	<1	$ 323 Million
Corporate Bonds and Private Placements	5.7	$ 4,788 Million
Foreign Gov't/Agency Bonds	8.1	$ 3,524 Million
Municipal Bonds	9.7	$ 119 Million
Repurchase Agreements	1 day	$ 805 Million
US Government Agencies	3.8	$ 284 Million
US TIPS	7.7	$ 6,704 Million
U.S. Treasury Securities	5.0	$ 4,154 Million
Commingled Funds	0.2 to 6.3	$ 8,489 Million

Note: On June 30, 2016, SWIB's Core Fund and Variable Fund had $87.6 billion and $6.7 billion in assets, respectively. As of June 30, 2016, the Plan's assets were invested 81% in the SWIB Core Fund, 11% in the SWIB Variable Fund, and 7% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds on December 31, 2015 and in the separate accounts managed by BMO on June 30, 2016. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2015	BMO 6/30/2016
P-1 or A-1	0%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	2%	35%
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%	65%
Not-Rated	5%	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 $431.3 million on December 31, 2015. In addition, SWIB held certificate of deposit which were covered by depository insurance with a fair value of $39.2 on December 31, 2015, all of which were uncollateralized and uninsured. In total, these deposits represented 0.50% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2015.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. The repurchase agreements held by the fund were 9 agreements totaling $804.9 million as of December 31, 2015. 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 0.9% of the combined assets of the SWIB Core and Variable Funds on December 31, 2015.

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, 2015, $22.6 billion of the SWIB Funds' $86.8 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, 2016, the Plan's interest in the plan net position of the Core Trust was approximately 0.043% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.077%. 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, 2015 (in thousands):

	12/31/2015
Future contracts	$ 10,893,341
Foreign exchange forward and spot contracts – sold	2,264,028
Foreign exchange forward and spot contracts – purchased	(2,260,754)
OTC Derivative Investments subject to Counterparty Credit Risk-Receivable (Fair Value)	2,773,146
OTC Derivative Investments subject to Counterparty Credit Risk-Payable (Fair Value)	(2,760,197)
Options – puts	(338,835)
Options - calls	(42,911)

Fair Value Measurements. The Milwaukee Public School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Inputs other than quoted prices that are observable for securities, either directly or indirectly.

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended June 30, 2016.

Money market accounts: Valued at the quoted net asset value (NAV) of shares held by the Plan at year end.

Mutual funds: Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

	June 30, 2016			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market accounts	$ -	$ 1,388,538	$ -	$ 1,388,538
Mortgage-back securities	-	69	-	69
Mutual Funds:				
Short-Term Investment Grade Bond Funds	661,236	-	-	661,236
Intermediate-Term Investment Grade Bond Fund	1,871,865	-	-	1,871,865
	$ 2,533,101	1,388,607	-	$ 3,921,708

Short-Term Investment Grade Bond Funds include funds with a duration of less than three years and Intermediate-Term Investment Grade Bond Funds include fund with a duration greater than three years.

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, 2016, the SWIB Core Fund strategic targets were 25% to U.S. Stocks, 39% to Fixed Income, 23% to International Stocks, 7% to Real Estate, and 10% to Alternative Investments. The strategic target allocations total 107%, reflecting the possibility of introducing leverage into the portfolio. On June 30, 2016, 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, 2016 and at the fair value at SWIB as of June 30, 2016.

Investment	Duration (Years)	Fair Value
SWIB Core and Variable Funds	Details on the SWIB fixed income investments are as of 12-31-15 are included below.	$ 132,534,384
Money market accounts (at BMO)	0.1	$ 3,203,177
Mutual Funds (at BMO)	3.7	$ 7,178,047

SWIB information provided within the accompanying financial statement is as of December 31, 2015. There has been no significant change in SWIB's Investment strategies, asset allocations and Investment pricing methods from December 31, 2015 to June 30, 2016. Based on the SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2015 is a fair representation for June 30, 2016.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2015.

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	1.8	$ 47 Million
Commercial Paper	<1	$ 323 Million
Corporate Bonds and Private Placements	5.7	$ 4,788 Million
Foreign Gov't/Agency Bonds		$ 3,524 Million
Municipal Bonds	9.7	$ 119 Million
Repurchase Agreements	1 day	$ 805 Million
US Government Agencies	3.8	$ 284 Million
U.S. TIPS	7.7	$ 6,704 Million
U.S. Treasury Securities	5.0	$ 4,154 Million
Commingled Funds	0.2 to 6.3	$ 8,489 Million

Note: On June 30, 2016, SWIB's Core Fund and Variable Fund had $87.6 billion and $6.7 billion in assets, respectively. As of June 30, 2016, 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 as of December 31, 2015 and in the separate accounts managed by BMO on June 30, 2016. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2015	BMO 6/30/2016
P-1 or A-1	0%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	2%	31%
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	N/A	N/A
C	N/A	N/A
D	N/A	N/A
Commingled Funds & Mutual Funds***	29%	69%
Not-Rated	5%	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 $431.3 million on December 31, 2015. In addition, SWIB held certificate of deposit which were covered by depository insurance with a fair value of $39.2 million on December 31, 2015 all of which were uncollateralized and uninsured. In total, these deposits represented 0.50% of the combined assets of the SWIB Core and Variable Funds on December 31, 2015.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counter party to a transaction, SWIB 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 9 agreements totaling $804.9 million as of December 31, 2015. 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 0.9% of the combined assets of the SWIB Core and Variable Funds on December 31, 2015.

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, 2015, $22.6 billion of the SWIB Core and Variable Funds' $86.8 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, 2016, the Plan's interest in the plan net position of the Core Trust was approximately 0.134% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.225%. 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, 2015 (in thousands):

	12/31/2015
Future contracts	$ 10,893,341
Foreign exchange forward and spot contracts – sold	2,264,028
Foreign exchange forward and spot contracts – purchased	(2,260,754)
OTC Derivative Investment subject to Counterparty Credit Risk-Receivable (Fair Value)	2,773,146
OTC Derivative Investments subject to Counterparty Credit Risk-Payable (Fair Value)	(2,760,197)
Options – puts	(338,835)
Options - calls	(42,911)

Fair Value Measurements. The Milwaukee Public School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Inputs other than quoted prices that are observable for securities, either directly or indirectly.

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended June 30, 2016.

Money market accounts: Valued at the quoted net asset value (NAV) of shares held by the Plan at year end.

Mutual funds: Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

	June 30, 2016			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market accounts	$ -	$ 3,203,177	$ -	$ 3,203,177
Mutual Funds:				
Short-Term Investment Grade Bond Funds	1,878,718	-	-	1,878,718
Intermediate-Term Investment Grade Bond Fund	5,299,329	-	-	5,299,329
	$ 7,178,047	3,203,177	-	$ 10,381,224

Short-Term Investment Grade Bond Funds include funds with a duration of less than three years and Intermediate-Term Investment Grade Bond Funds include fund with a duration greater than three years.

(3) Receivables

Receivables as of June 30, 2016 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	$	7,646,055	2,405,927	—	—	10,051,982
Intergovernmental-federal		37,701,510	—	7,326,315	3,591,198	48,619,023
Intergovernmental-state		29,737,111	—	—	—	29,737,111
Intergovernmental-other		—	—	—	—	—
Gross receivables		75,084,676	2,405,927	7,326,315	3,591,198	88,408,116
Less allowance for uncollectibles		(894,150)	—	—	—	(894,150)
Total receivables, net	$	74,190,526	2,405,927	7,326,315	3,591,198	87,513,966

The District expects to collect all receivables within one year except for $923,445.

Accounts Receivable includes $2.4 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, 2016 are as follows:

Fiscal years:		Principal	Interest	Total
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		127,369	56,247	183,616
2022 - 2026		697,369	220,712	918,081
2027 - 2031		810,076	108,005	918,081
2032 - 2033		298,139	7,888	306,027
Totals	$	2,405,927	654,342	3,060,269

(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, 2016 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	$	—	1,076,535	—	1,076,535
Nutrition fund		—	485,891	—	485,891
Nonmajor funds		—	3,548,704	—	3,548,704
Total	$	—	5,111,130	—	5,111,130

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, 2016 represent transfer in/out balances among all funds:

Fund Transferred To	Fund Transferred From	Amount	Reason
Debt Service Fund	General Fund	$25,245,686	To fund current year debt service

(5) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 31,105,876	—	—	31,105,876
Construction in progress	14,292,671	34,077,589	15,218,068	33,152,192
Total capital assets, not being depreciated	45,398,547	34,077,589	15,218,068	64,258,068
Capital assets, being depreciated:				
Buildings	1,050,173,559	15,218,068	—	1,065,391,627
Leasehold improvements	12,219,204	—	—	12,219,204
Furniture and equipment	51,893,382	1,144,083	694,877	52,342,588
Total capital assets, being depreciated	1,114,286,145	16,362,151	694,877	1,129,953,419
Less accumulated depreciation for:				
Buildings	(486,579,826)	(21,282,240)	—	(507,862,066)
Leasehold improvements	(4,816,952)	(540,942)	—	(5,357,894)
Furniture and equipment	(47,764,082)	(1,435,226)	(683,181)	(48,516,127)
Total accumulated depreciation	(539,160,860)	(23,258,408)	(683,181)	(561,736,087)
Total capital assets, being depreciated	575,125,285	(6,896,257)	11,696	568,217,332
Capital assets, net	$ 620,523,832	27,181,332	15,229,764	632,475,400

Depreciation expense for governmental activities for the year ended June 30, 2016 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	13,769,847
Community services		539,419
Pupil and staff services		2,504,655
General, administration and central services		2,192,687
Business services		3,281,715
School nutrition		970,085
Total depreciation	$	23,258,408

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	$ 1,039,601	3,594,729	3,017,021	1,617,309
Total intangible assets, not being amortized	1,039,601	3,594,729	3,017,021	1,617,309
Intangible assets, being amortized:				
Software	$ 56,435,276	3,017,021	—	59,452,297
Total intangible assets, being amortized	56,435,276	3,017,021	—	59,452,297
Less accumulated amortization for:				
Software	(41,321,825)	(3,935,969)	—	(45,257,794)
Total accumulated amortized	(41,321,825)	(3,935,969)	—	(45,257,794)
Total intangible assets being amortized	15,113,451	(918,948)	—	14,194,503
Intangible assets, net	$ 16,153,052	2,675,781	3,017,021	15,811,812

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Amortization expense for governmental activities for the year ended June 30, 2016 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	2,330,241
Community services		91,285
Pupil and staff services		423,857
General, administration and central services		371,064
Business services		555,357
School nutrition		164,165
Total amortization	$	3,935,969

(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 $45,000,000 of commercial paper on September 24, 2015, $25,000,000 of commercial paper on October 1, 2015, and $180,000,000 of Revenue Anticipation Notes (RANs), Series 2015 M7, was issued on October 22, 2015. The commercial paper matured as follows: $45,000,000 on October 22, 2015 and $25,000,000 on December 3, 2015. The RANs matured as follows: $50,000,000 on December 30, 2015 and $130,000,000 on June 30, 2016. 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, 2016.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2016 totaled $376,470,900. Of this total, $17,128,786 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 $359,342,114 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, 2016, the District deposited $4,836,538 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, 2016 total $11,561,538.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	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	545,804	—	339,550	206,254	—	206,254
4.0 – 5.0%, due in annual installments to September 2015	4,582,676	149,625	—	149,625	—	—	—
2.5 – 3.0%, due in annual installments to February 2019	2,700,000	1,080,000	—	270,000	810,000	—	270,000
5.0%, due in installments to February 2024	1,350,000	1,350,000	—	—	1,350,000	—	—
5.25%, due August 15th, 2014 to February 2019	443,810	355,906	—	110,952	244,954	—	110,954
General Obligation Bonds:							—
5.0%, due in installments to May 2021	4,095,000	3,580,000	—	535,000	3,045,000	—	555,000
Plus: Premium on issuance	787,801	525,202	—	87,533	437,669		—
4.0%, due in installments to March 2025	3,175,000	3,175,000	—	—	3,175,000	—	—
Plus: Premium on Issuance	387,059	341,734	—	45,325	296,409		—
2.0 -4.0%, due in installments to to March 2020	3,732,791	3,732,791	—	766,711	2,966,080	—	820,648
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)	(281,250)	—	(28,125)	(253,125)		—
5.25%, due August 15th, 2014 to February 2027	37,300,000	37,300,000	—	—	37,300,000	7,350,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	71,265,000	—	5,550,000	65,715,000	—	6,010,000
Plus: Premium on issuance	1,357,121	80,939	—	31,231	49,708	—	—
Less: Discount on 2007A issuance	(338,503)	(146,131)	—	(21,360)	(124,771)	—	—
Plus: Premium on 2013A issuance	—	4,971,591	—	552,767	4,418,824	—	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	1,418,388	—	505,293	913,095	—	310,665
Pension debt refinancing:							
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	32,535,000	—	2,510,000	30,025,000	—	3,570,000
Less: Discount	(25,232,986)	(7,993,788)	—	(1,510,049)	(6,483,739)	—	—
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)	(78,210,090)	—	(2,085,846)	(76,124,244)	—	—
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-RACM QSCB2015	38,000,000	38,000,000	—	—	38,000,000	1,461,538	1,461,538
Total intergovernmental cooperation agreement debt		$ 367,150,721	—	7,808,607	359,342,114	11,561,538	16,690,059

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Life to Date Sinking Fund Contribution	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	$ 367,150,721	—	7,808,607	359,342,114	11,561,538	16,690,059
Accrued compensated absences	8,819,410	7,034,343	7,144,402	8,709,351	—	7,000,000
Accrued OPEB Obligation	506,962,986	62,287,640	53,072,439	516,178,187	—	—
Net Pension Liability	106,238,727	156,612,144	67,124,130	195,726,741	—	—
Workers' compensation claims	7,455,925	5,065,210	7,854,228	4,666,907	—	4,600,000
General insurance claims	383,880	247,766	305,974	325,672	—	4,500
Life insurance benefits	2,166,983	—	207,524	1,959,459	—	399,643
Liability for other long-term benefits	285,051	—	—	285,051	—	—
Total long-term obligations	$ 999,463,683	231,247,103	143,517,304	1,087,193,482	11,561,538	28,694,202

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 $3,985,628 as of June 30, 2016. Accordingly, the total liability for workers' compensation claims was approximately $8.7 million.

Aggregate scheduled debt service requirements for the retirement of the intergovernmental cooperation agreement debt (excluding capital lease obligations) as of June 30, 2016 are as follows:

	Principal	Interest	Total
Fiscal year ended June 30:			
2017	$ 15,228,521	12,722,142	27,950,663
2018	14,956,579	12,364,332	27,320,911
2019	16,540,099	11,949,349	28,489,448
2020	17,405,445	11,502,439	28,907,884
2021	16,962,520	11,056,238	28,018,758
2022 – 2026	82,467,222	48,255,089	130,722,311
2027 – 2031	54,230,001	29,582,825	83,812,826
2032 – 2036	71,390,000	18,858,950	90,248,950
2037 – 2041	81,320,001	10,123,713	91,443,714
2042 – 2044	18,525,000	1,729,283	20,254,283
Total	$ 389,025,388	168,144,360	557,169,748

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 0.46505% as of June 30, 2016.

The District leases, land and buildings with a historical cost and accumulated depreciation of $4,656,365 and $177,792, respectively. The District is also holding approximately $18 million of restricted cash and investments under capital lease arrangements.

Future maximum lease payments under these capital leases at June 30, 2016 are as follows:

Fiscal year ended June 30:		
2017	$	3,423,478
2018		3,423,478
2019		3,423,478
2020		3,423,478
2021		3,423,478
2022 – 2026		17,117,392
2027 – 2031		17,117,393
2032 – 2034		17,117,393
2035 – 2041		17,117,393
Total remaining maximum lease payments		85,586,961
Less amount representing interest		49,048,500
Present value of maximum lease payments	$	36,538,461

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 2016 was $25,980,469,600 and the 5% debt limit was $1,299,023,480. No referendum-approved debt is outstanding at June 30, 2016.

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, 2016 is $78,190,953. Principal and interest paid for the year ended June 30, 2016 was $8,554,385 while the Intradistrict Aid revenues were $29,913,303.

Revenue debt payable at June 30, 2016 consists of the following:

	Neighborhood Schools Initiative Bonds		
	Amounts Outstanding		
	Principal	Interest	Total
Fiscal year ended:			
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
	$ 65,715,000	12,475,953	78,190,953

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, 2016 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2016 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2016 Change in Fair Value		Fair Value, End of 2016		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	($24,153)	Derivative	($73,891)	$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, 2016, 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.	($11,995)	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.	($27,988)	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.	($33,908)	BBB+/A3/A
						Total Fair Value	($73,891)	

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, 2016 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, 2016 the swap's currently have a cumulative negative fair value of $73.89 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, 2016, 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:				
2017	—	608,518	6,732,167	7,340,685
2018	—	608,518	6,732,167	7,340,685
2019	—	608,518	6,732,167	7,340,685
2020	—	608,518	6,732,167	7,340,685
2021	—	608,518	6,732,167	7,340,685
2022 – 2026	18,825,000	2,940,453	32,530,876	54,296,329
2027 – 2031	31,250,000	2,289,984	25,334,591	58,874,575
2032 – 2036	31,250,000	1,563,343	17,295,607	50,108,950
2037 – 2041	31,000,000	839,221	9,284,491	41,123,712
2042 – 2044	18,525,000	143,352	1,585,931	20,254,283
Totals	$ 130,850,000	10,818,943	119,692,331	261,361,274

(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, 2016, is as follows:

General fund unassigned fund balance	$	40,566,631
Amount required to fund six months of the school operation's property tax levy:		
Subsequent year's school operations school levy ($260,069,165) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (76) to total calendar school year days (180)		109,806,981
General fund unassigned fund balance deficiency	$	(69,240,350)

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

The 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.

The District 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 (HSA) option. The District 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 a concert with the medical plan. Should an employee elect to forego health insurance, there is a $500 annual opt-out program.

Effective January1, 2015 The District approved providing post-Medicare benefits to eligible retirees through a fully-insured Medicare Advantage plan. This fully-insured Medicare Advantage plan provides comparable benefits to the current self-insured PPO and EPO plans, however 2016 premium rates are 67% lower than the monthly premium for the EPO and 65% less expensive than the monthly premium for the PPO.

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 benefits eligible employees will receive life insurance valued at one time annual base salary and long term disability paid by the District. Also, as of January 1, 2017, the District will provide voluntary (employee paid) supplemental life and short term disability insurance programs.

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

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

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

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	
	2016	**2015**
Beginning of year liability	$ 27,421,514	34,035,943
Current year claims and changes in estimate	149,298,712	159,439,692
Claim payments	(146,751,145)	(166,054,121)
End of year liability	$ 29,969,081	27,421,514

The District has recognized the liability for health and dental benefits, which totaled $18,746,365 and $15,948,420 as of June 30, 2016 and 2015, respectively, in the general fund. The District has also recognized a liability of $3,985,628 and $1,181,255 as of June 30, 2016 and 2015, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $16,528 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at http://etf.wi.gov/publications/cafr.htm.

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
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
2015	2.9	2

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 $26,030,474 in contributions from the district.

Contribution rates as of June 30, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

At June 30, 2016, the district reported a liability of $43,792,878 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actual valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the district's proportion was 2.69497853% which was a decrease of .03779237% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the district recognized pension expense of $53,745,612.

At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,512,404	$ 92,161,365
Changes in assumptions	30,639,404	-
Net differences between projected and actual earnings on pension plan investments	179,637,871	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,813,128	-
Employer contributions subsequent to the measurement date	13,376,990	-
Total	$ 232,979,797	$ 92,161,365

$13,376,990 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, 2017. 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 Outflows of Resources	Deferred Inflows of Resources
2017	$ 57,098,097	$ 22,303,220
2018	57,098,097	22,303,220
2019	57,098,097	22,303,220
2020	47,320,708	22,303,220
2021	987,808	2,948,485
Thereafter	-	-

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date	December 31, 2014
Measurement Date of Net Pension Liability(Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2%-5.6%
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, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
US Equities	27 %	23 %	7.6 %	4.7 %
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
Variable Fund Asset Class				
US Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5

New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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)	$ 307,164,084	$ 43,792,878	$ (161,904,729)

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, 2015, 2014, and 2013, were $7,645,538, $5,676,000, and $5,716,000, respectively, equal to the required contributions on behalf of the plan members for each year.

At June 30, 2016, the district reported a liability of $53,735,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015 the district's proportion was 12.7772411% which was an increase of 0.420653% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the district recognized pension expense of $7,098,984.

At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,924,000
Changes in assumptions	-	507,000
Net differences between projected and actual earnings on pension plan investments	61,283,250	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	534,000	588,000
Employer contributions subsequent to the measurement date	4,876,599	-
Total	$ 66,693,849	$ 4,019,000

$4,876,599 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, 2017. 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 Outflows of Resources	Deferred Inflows of Resources
2017	$ 16,474,375	$ 1,255,938
2018	16,474,375	1,255,938
2019	16,474,375	1,255,938
2020	12,394,125	251,186
2021	-	-
Thereafter	-	-

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2015, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2015, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement Date of Net Pension Liability	December 31, 2015
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, 2015 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, 2015, are summarized in the following table:

Asset Class	Policy	Actual	Long-term Expected Rate of Return
Domestic Equity	25.00%	28.70%	9.22%
International Equity	20.00%	21.40%	7.14%
Global Equity	10.00%	7.03%	8.00%
Fixed Income	24.00%	24.14%	1.41%
Cash	1.00%	0.84%	0.87%
Real Estate	7.00%	8.38%	6.91%
Real Assets	3.00%	0.00%	5.45%
Private Equity	5.00%	3.84%	12.40%
Absolute Return	5.00%	5.67%	4.68%
	100.00%	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 8.50 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 8.50 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/(asset) to changes in the discount rate - The following presents the district's proportionate share of the net pension liability/(asset) calculated using the discount rate of 8.50 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 (7.50 percent) or 1 - percentage-point higher (9.50 percent) than the current rate (in thousands):

	1% Decrease (7.50%)	Current Discount (8.50%)	1% Increase (9.50%)
District proportionate share of the net pension liability (asset)	$126,306,000	53,735,000	(7,454,000)

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 single-employer 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 post-retirement increases.

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

their election. Classified employees are not required to make member contributions under the plan.

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The plan is a single-employer 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, 2016, the district reported a net pension liability of $91,636,673 for the Plans. The net pension liability was measured as of June 30, 2016.

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

For the year ended June 30, 2016, the district recognized pension expense of $2,059,619.

At June 30, 2016, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ -
Changes in assumptions	-
Net differences between projected and actual earnings on pension plan investments	4,457,329
Total	$ 4,457,329

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 Outflows of Resources
2017	$ 1,266,903
2018	1,266,903
2019	1,266,904
2020	656,619
2021	-
Thereafter	-

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

For the year ended June 30, 2016, the district recognized pension expense of $3,921,518.

At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,942,914
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	13,633,718	-
Total	$ 13,633,718	$ 2,942,914

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 Outflows of Resources	Deferred Inflows of Resources
2017	$ 3,864,061	$ 1,446,808
2018	3,864,061	1,227,349
2019	3,864,061	268,757
2020	2,041,535	-
2021	-	-
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, 2015 and data rolled forward to June 30, 2016, above using the following actuarial methods and assumptions:

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	**Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**
Actuarial valuation date	July 1, 2015	July 1, 2015
Measurement date of Net Pension Liability	June 30, 2016	June 30, 2016
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. Classified Participants :4.0% to 5.0% per year.	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 for women and 90% of Wisconsin Projected Experience Table-2005 for men.	Wisconsin Projected Experience Table-2005 for women and 90% of Wisconsin Projected Experience Table-2005 for men.

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, 2015 are as follows:

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

Asset Class SWIB Core Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	23.00%	4.70%
International Equity	22.00%	5.60%
Fixed Income	37.00%	1.60%
Inflation Sensitive Assets	20.00%	1.40%
Real Estate	7.00%	3.60%
Private Equity/Debt	7.00%	6.50%
Multi-Asset	4.00%	3.80%
Cash	(20.00)%	0.90%
Portfolio Target Allocation	79.00%	

Asset Class SWIB Variable Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	70.00%	4.70%
International Equity	30.00%	5.60%
Portfolio Target Allocation	14.00%	
BMO Fund		
Intermediate Fixed Income		1.00%
Portfolio Target Allocation	7.00%	
Long-Term Inflation Assumption		2.75%

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Asset Class

SWIB Core Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	23.00%	4.70%
International Equity	22.00%	5.60%
Fixed Income	37.00%	1.60%
Inflation Sensitive Assets	20.00%	1.40%
Real Estate	7.00%	3.60%
Private Equity/Debt	7.00%	6.50%
Multi-Asset	4.00%	3.80%
Cash	(20.00)%	0.90%
Portfolio Target Allocation	85.00%	

SWIB Variable Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	70.00%	4.70%
International Equity	30.00%	5.60%
Portfolio Target Allocation	10.00%	
BMO Fund		
Intermediate Fixed Income		1.00%
Portfolio Target Allocation	5.00%	
Long-Term Inflation Assumption		2.75%

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	$11,014,676	$6,562,190	$2,698,254

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	$114,508,963	$91,636,673	$72,187,664

(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 65th birthday. Coverage is not reduced below 25 percent of the original coverage in effect at time of retirement.

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

Effective July 1, 2010 the District established an IRC Section 115 trust for the purpose of holding assets and funding for the District's postemployment health and life insurance benefits. The trust is reported as a fiduciary fund in the District's financial statement. For fiscal year ending June 30, 2016, the District contributed $53,072,438 (including pre-funding contributions) to the Retiree Plan. For fiscal year ending June 30, 2016, total member contributions to the Retiree Plan were $2,654,446.

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, 2016, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$ 87,848,228
Interest on Net OPEB Obligation	23,066,818
Adjustment to annual required contribution	(48,627,406)
Annual OPEB cost	62,287,640
MPS Contributions made	(53,072,439)
Decrease in Net OPEB Liability	9,215,201
Net OPEB obligation, beginning of year	506,962,986
Net OPEB obligation, end of year	$516,178,187

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, 2016 and the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/16	$ 62,287,640	85.2%	$516,178,187
6/30/15	75,250,634	131.5%	506,962,986
6/30/14	93,541,008	109.1%	530,646,634

The funded status of the plan is based on the most recent actuarial valuation date of July 1, 2015 was as follows:

Actuarial accrued liability (AAL)	$ 997,489,628
Actuarial value of plan assets	128,837,270
Unfunded Actuarial Accrued Liability (UAAL)	$ 868,652,358
Funded ratio (actuarial value of plan assets/AAL)	12.9%
Covered payroll (active plan members)	$ 376,737,589
UAAL as a percentage of covered payroll	230.6 %

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, 2016 was based on the assumptions and methods in the October 21, 2016 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, 2016, the District was under its revenue limitation by $6,219.

(13) Excess Expenditures Over Appropriations

The following funds and departments had an excess of actual expenditures over appropriations for the year ended June 30, 2016:

Fund	Excess Expenditures
General Fund:	
Middle Schools	$ 4,510
Multilevel Schools	272,481
Supplemental School Support	338,707
Art, Music, Physical Education, Library	2,157,183
School Nurses	237,886
Substitute Teachers	6,050,378
School Office Staff, Support and School Safety	2,325,238
Central Guidance	862,368
Interscholastic Athletics & Academics	10,230
Itinerant Allied Health Services	582,499
Summer School	154,020
District Insurance & Judgements	1,191,058
Transportation Operations	1,437,973
Insurance and Utilities	31,525
CAMP	4,745,210
Debt Service Fund	12,844,472

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, 2016 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 $47.7 million of encumbrances outstanding as of June 30, 2016 of which $38.2 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals of 6/30/16	Contract Commitments at 6/30/16
Major Funds		
General Fund	$ 36,452,326	$ 27,439,360
Construction Fund	10,694,061	10,573,887
Nutrition Fund	474,115	189,733
Total Major Funds	$ 47,620,502	$ 38,202,980
Non-Major Funds	69,473	35,352
Total Encumbrances and Contract Commitments	$ 47,689,975	$ 38,238,332

(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 for a number of years held a license issued by the Federal Communications Commission (FCC) for Educational Broadband Service (ESB) station KHF80 on 4 channels in the Milwaukee area. The District must renew the FCC license every 10 years, with the next renewal scheduled to take place in 2018. The FCC permits excess capacity of these stations to be leased, and MPS entered into a long-term lease of the station in 2008. MPS received $4,200,000 upfront in March 2008, and $55,000 per month initially, with monthly payment 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 29, 2016, maturing October 25, 2016. $180,000,000 of Revenue Anticipation Notes (RANs), Series 2016 M8, was issued on October 20, 2016. The RANs mature on October 1, 2017. Interest is payable on April 1, 2017 and at maturity.

On December 1, 2016, $26,455,000 in Redevelopment Authority of the City of Milwaukee (RACM) Lease Revenue Bond proceeds with a premium of $2,292,963 was received. $27,277,963 will be used in fund Energy-Efficiency projects at three District schools and $1,470,000 in Qualified Zone Academy Bonds (QZAB) will be used to fund Culinary Academies at four District schools and Art Academies at four District schools.

(16) Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Statement No. 77, Tax Abatement Disclosures

Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

Statement No. 80, Certain External Investment Pools and Pool Participants

Statement No. 81, Irrevocable Split-Interest Agreements

Statement No. 82, Pension Issues - an amendment of GASB Statements 67, 68, 73

Statement No. 83, Certain Asset Retirement Obligations

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2016

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
REVENUES:				
Property Tax Levy	$ 288,037,815	$ 285,825,045	$ 285,825,045	$ -
Equalization & Integration Aids	550,329,868	552,750,297	552,785,243	34,946
Other State Aids	62,334,835	72,005,730	71,956,333	(49,397)
Federal Aids	14,371,039	12,554,768	16,196,591	3,641,823
Other Local Revenues	12,126,545	22,804,205	26,352,965	3,548,760
Applied Surplus	2,732,369	2,732,369	-	(2,732,369)
SCHOOL OPERATIONS & EXTENSION	929,932,471	948,672,414	953,116,177	4,443,763
CAMP	-	-	5,135,422	5,135,422
GRANTS	132,238,679	144,535,497	134,110,643	(10,424,854)
Total Revenues	1,062,171,150	1,093,207,911	1,092,362,242	(845,669)
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	60,176,595	59,993,519	58,989,431	1,004,088
Middle Schools	12,209,378	11,501,430	11,505,940	(4,510)
K-8 Schools	105,212,392	100,141,441	100,015,364	126,077
Multilevel Schools	20,162,236	19,180,974	19,453,455	(272,481)
Elementary Schools	61,166,606	57,272,177	56,673,102	599,075
Charter Schools	63,652,679	64,803,137	64,470,804	332,333
Supplemental School Support	2,151,152	4,867,339	5,206,046	(338,707)
Art, Music, Physical Education, Library	19,615,694	18,480,456	20,637,639	(2,157,183)
Grant Transitional	3,162,784	3,304,409	3,290,217	14,192
School Nurses	2,045,013	1,927,498	2,165,384	(237,886)
Substitute Teachers	6,473,373	6,083,344	12,133,722	(6,050,378)
School Office Staff, Support and School Safety	61,919,590	56,678,899	59,004,137	(2,325,238)
Central Guidance	7,802,737	7,313,877	8,176,245	(862,368)
Education Maintenance	2,309,718	4,210,290	4,114,410	95,880
Career and Technical Education	-	191,479	172,538	18,941
Credit Recovery	2,628,914	2,746,175	2,566,829	179,346
Advanced Studies	622,539	989,200	618,826	370,374
Interscholastic Athletics & Academics	4,456,208	4,624,123	4,634,353	(10,230)
Milwaukee County Collaborative	1,074,339	1,053,587	393,562	660,025
MPS Alternative Schools/Programs	9,184,048	8,914,010	8,314,041	599,969
Itinerant Allied Health Services	5,400,003	5,247,990	5,830,489	(582,499)
Special Education Services	171,758,354	161,608,751	159,870,580	1,738,171
Summer School	2,809,160	3,020,422	3,174,442	(154,020)
Partnership/Contracted Programs	12,296,194	13,747,113	9,474,687	4,272,426
School Special and Unallotted	70,963,305	73,319,476	50,770,896	22,548,580
TOTAL - PROGRAM ACCOUNTS	**$** 709,253,011	**$** 691,221,116	**$** 671,657,139	**$** 19,563,977

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Informatior

Budgetary Comparison Schedule for the General Func

For the Year Ended June 30, 2016

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
INDIRECT & SUPPORT SERVICES				
Board/Office of Board Governance	$ 2,957,532	3,739,700	2,502,170	1,237,530
Office of Accountability and Efficiency	1,246,768	1,412,334	901,640	510,694
Office of Superintendent	809,983	878,270	823,435	54,835
Office of School Administration	9,199,743	9,895,049	7,695,982	2,199,067
Office of Academic	12,591,770	12,386,508	10,872,906	1,513,602
Office of Finance	5,691,951	5,656,333	4,991,630	664,703
Office of Operations	26,743,052	34,237,166	31,360,402	2,876,764
Office of the Chief of Staff	2,968,306	3,135,297	2,510,904	624,393
Office of Human Capital Services	5,355,537	6,529,108	4,985,299	1,543,809
Office of Innovation	15,632,337	16,560,018	13,722,670	2,837,348
TOTAL - INDIRECT & SUPPORT	83,196,979	94,429,783	80,367,038	14,062,745
OTHER ACCOUNTS				
Building Operations Sites, Tenant Costs, Utilities	54,711,662	53,775,157	51,175,309	2,599,848
Debt Service	197,162	-	-	-
District Insurance & Judgements	9,154,555	9,783,303	10,974,361	(1,191,058)
Management Intern Program	492,301	459,566	236,138	223,428
Safe Schools Supplement	-	1,500	-	1,500
Special & Contingent Funds	1,835,000	4,024,380	2,520,015	1,504,365
Transportation Operations	61,715,490	61,715,691	63,153,664	(1,437,973)
Regional Development	-	27,591,024	17,307,852	10,283,172
Technology Licenses & Equipment	10,298,582	17,999,113	17,304,294	694,819
TOTAL - OTHER ACCOUNTS	138,404,752	175,349,734	162,671,633	12,678,101
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	10,630,576	11,871,911	9,728,112	2,143,799
Summer School Wrap-around	5,430,818	6,498,223	5,209,241	1,288,982
Educational Programs	945,536	1,323,433	735,187	588,246
Partnership for the Arts/Humanities	1,751,386	2,639,227	1,807,744	831,483
Facilities	2,491,435	2,519,899	1,229,350	1,290,549
Insurance and Utilities	542,073	542,073	573,598	(31,525)
Benefits Clearing Account	6,416	116,416	(507,131)	623,547
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	21,798,240	25,511,182	18,776,101	6,735,081
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES	(39,765,243)	(9,060,876)	(7,835,803)	(1,225,073)
SCHOOL OPERATIONS & EXT. FUND	912,887,739	977,450,939	925,636,108	51,814,831
CAMP	-	-	4,745,210	(4,745,210)
GRANTS	132,238,679	144,535,497	136,277,540	8,257,957
Total Expenditures	1,045,126,418	1,121,986,436	1,066,658,858	55,327,578
Excess of revenues over (under) expenditures	17,044,732	(28,778,525)	25,703,384	(54,481,909)
Transfer In (Out)	(17,044,732)	(12,401,214)	(25,245,686)	12,844,472
Insurance Proceeds	-	-	173,962	(173,962)
Proceeds from sale of capital assets	-	-	30,649	(30,649)
Change in Fund Balance	$ -	$ (41,179,739)	662,309	$ 41,842,048
Fund balance-beginning of year			79,636,834	
Fund balance-end of year			$ 80,299,143	

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, 2016

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
Revenues:				
Lunchroom sales	$ 1,002,986	$ 1,002,986	$ 1,164,437	$ 161,451
Other local sources	—	—	394,365	394,365
State aid:				
School nutrition aid	1,051,827	950,000	957,983	7,983
Federal aid:				
School nutrition aid	46,657,432	46,657,432	49,598,103	2,940,671
Other federal aid	1,521,306	1,345,932	1,292,252	(53,680)
Miscellaneous	—	—	114,350	114,350
Total revenues	50,233,551	49,956,350	53,521,490	3,565,140
Expenditures:				
Current operating:				
School Nutrition Services	49,333,551	50,002,420	48,841,829	1,160,591
Capital Outlay	900,000	1,002,912	341,447	661,465
Total expenditures	50,233,551	51,005,332	49,183,276	1,822,056
Excess of revenues over(under) expenditures	—	(1,048,982)	4,338,214	5,387,196
Net change in fund balances	$ —	(1,048,982)	4,338,214	5,387,196
Fund balance—beginning of year			539,429	
Fund balance—end of year			$ 4,877,643	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2016

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)

Wisconsin Retirement System

Fiscal Year end date	Proportion of the Net Pension Net Asset/(Liability)	Proportionate Share of the Pension Liability/(Asset)	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
6/30/2016	0.0269497853%	$ 43,792,878	$ 382,623,535	11.45%	98.20%
6/30/2015	0.0273277092	(67,124,330)	369,586,810	18.16	102.74

Employes' Retirement System

Fiscal Year end date	Proportion of the Net Pension Net Asset/(Liability)	Proportionate Share of the Pension Liability/(Asset)	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
6/30/2016	12.77710274 71%	$ 53,735,000	n/a	n/a	n/a
6/30/2015	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 Net Asset/(Liability)	Proportionate Share of the Pension Liability/(Asset)	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
6/30/2016	100%	$ 6,562,190	$ 15,674,128	41.87%	294.18%
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 Net Asset/(Liability)	Proportionate Share of the Pension Liability/(Asset)	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
6/30/2016	100%	$ 91,636,673	$ 250,768,000	36.54%	56.44%
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
6/30/2016	$ 26,030,471	$ 26,030,471	-	$ 382,623,535	6.80%
6/30/2015	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
6/30/2016	$ 9,574,716	$ 9,574,716	-	n/a	n/a
6/30/2015	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
6/30/2016	$ 1,618,641	$ 1,498,910	119,731	$ 15,674,128	9.56%
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
6/30/2016	$ 9,897,438	$ 9,888,196	9,242	$ 250,768,000	3.94%
6/30/2015	10,329,340	9,540,139	-	262,424,327	3.64

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information

MILWAUKEE PUBLIC SCHOOLS
Required Supplementary Information
For the Year Ended June 30, 2016

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
7/1/2015	$ 128,837,270	$ 997,489,628	$ 868,652,358	12.9 %	$ 376,737,589	230.6 %
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

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
7/1/2015	$ 87,848,228	60.4 %	$ 516,178,187
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 1.0% of the total revised school budget each year and appropriations for special projects or planned purchases may 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

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Special Revenue Funds

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

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

Debt Service Fund

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

MILWAUKEE PUBLIC SCHOOLS

Combining Balance Sheet—Nonmajor Governmental Funds

As of June 30, 2016

		Special Revenue		
Assets		**Categorically Aided Programs**	**Debt Service**	**Total**
Receivables due from other governmental units	$	3,591,198	—	3,591,198
Total assets	$	3,591,198	—	3,591,198
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$	42,494	—	42,494
Due to other funds		3,548,704	—	3,548,704
Total liabilities		3,591,198	—	3,591,198
Fund balances:				
Restricted		—	—	—
Total fund balances		—	—	—
Total liabilities and fund balances	$	3,591,198	—	3,591,198

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2016

	Special Revenue Categorically Aided Programs	Debt Service	Total
Revenues:			
Property taxes	$ —	4,209,121	4,209,121
Federal aid:			
Other federal aid	17,217,042	—	17,217,042
Total revenues	17,217,042	4,209,121	21,426,163
Expenditures:			
Instructional services—special curriculum	4,709,472	—	4,709,472
Pupil and staff services	12,507,570	—	12,507,570
Debt service:			
Principal	—	14,648,669	14,648,669
Interest	—	14,797,376	14,797,376
Bond administrative fees	—	8,762	8,762
Total expenditures	17,217,042	29,454,807	46,671,849
Excess of revenues over (under) expenditures	—	(25,245,686)	(25,245,686)
Other financing sources:			
Transfers In	—	25,245,686	25,245,686
Total other financing sources, net	—	25,245,686	25,245,686
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, 2016

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Federal aid:			
Other federal aid	$ 21,426,978	21,426,978	17,217,042
Total revenues	21,426,978	21,426,978	17,217,042
Expenditures:			
Current operating:			
Special curriculum	5,861,039	5,861,039	4,709,472
Pupil and staff services	15,565,939	15,565,939	12,507,570
Total expenditures	21,426,978	21,426,978	17,217,042
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, 2016

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Property taxes	$ —	4,209,121	4,209,121
Total revenues	—	4,209,121	4,209,121
Expenditures:			
Current operating:			
Debt service	17,044,732	16,610,335	29,454,807
Total expenditures	17,044,732	16,610,335	29,454,807
Excess of revenues over (under) expenditures	(17,044,732)	(12,401,214)	(25,245,686)
Other financing sources			
Transfers In	17,044,732	12,401,214	25,245,686
Total other financing sources, net	17,044,732	12,401,214	25,245,686
Net changes in fund balances	$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			$ —

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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, 2016

		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	$	1,388,538	3,203,177	75,257,467	79,849,182
U.S. treasury and agency securities		—	—	17,300,088	17,300,088
Mortgage-backed securities		69	—	—	69
Nongovernmental obligations		2,533,101	7,178,047	22,191,128	31,902,276
Municipal Bonds		—	—	1,447,259	1,447,259
Investment in the State of Wisconsin		42,606,775	132,534,384	—	175,141,159
Receivables-interest and contributions		4,079	10,297	11,338,602	11,352,978
Total assets		46,532,562	142,925,905	127,534,544	316,993,011
Liabilities					
Accounts payable and accrued expenses		421,796	1,397,096	3,426,326	5,245,218
Total liabilities		421,796	1,397,096	3,426,326	5,245,218
Net Position					
Net position restricted for pensions	$	46,110,766	141,528,809	124,108,218	311,747,793

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2016

		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	$	1,498,910	9,888,196	45,608,729	56,995,835
Participants contributions		—	—	9,100,339	9,100,339
Investment income:					
Net investment from the State of Wisconsin:					
Core Retirement Investment Trust Fund		365,044	1,050,799	—	1,415,843
Variable Retirement Trust Fund		(91,466)	(236,385)	—	(327,851)
Net investment income from other investments		77,507	163,404	1,503,897	1,744,808
Total investment income:		351,085	977,818	1,503,897	2,832,800
Investment expenses		(5,759)	(13,806)	—	(19,565)
Net investment income		345,326	964,012	1,503,897	2,813,235
Total additions		1,844,236	10,852,208	56,212,965	68,909,409
Deductions:					
Benefits paid to participant's or beneficiaries		5,145,099	16,607,340	57,326,162	79,078,601
Distribution of participant contribution accounts		19,399	—	—	19,399
Administrative expenses		62,511	174,658	82,110	319,279
Total deductions		5,227,009	16,781,998	57,408,272	79,417,279
Changes in net position		(3,382,773)	(5,929,790)	(1,195,307)	(10,507,870)
Net Position—Beginning of Year		49,493,539	147,458,599	125,303,525	322,255,663
Net Position—Ending of Year	$	46,110,766	141,528,809	124,108,218	311,747,793

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2016

Assets		**Balance July 1, 2015**	**Additions**	**Deductions**	**Balance June 30, 2016**
Cash and cash equivalents	$	5,191,789	6,453,414	(6,167,835)	5,477,368
Total assets	$	5,191,789	6,453,414	(6,167,835)	5,477,368
Liabilities					
Liabilities:					
Due to student organizations	$	5,191,789	6,453,414	(6,167,835)	5,477,368
Total liabilities	$	5,191,789	6,453,414	(6,167,835)	5,477,368

STATISTICAL SECTION

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APPENDIX B

Draft Form of Legal Opinion

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October 19, 2017

The City Comptroller and the Commissioners
of the Public Debt of the City of Milwaukee,
Wisconsin

We have examined a record of proceedings relating to the issuance of $180,000,000 aggregate principal amount of School Revenue Anticipation Notes, Series 2017 M11 (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on June 20, 2017.

The Notes constitute an issue of "revenue anticipation notes" under Section 67.12(1) of the Wisconsin Statutes and are issuable in fully registered form in the denominations of $5,000 or any integral multiple thereof. The Notes are dated October 19, 2017, mature (without option of prior redemption) on September 27, 2018 and bear interest from their date at the rate of five percent (5.00%) per annum, payable at maturity.

In our opinion, the Notes are valid and legally binding limited obligations of the City; payment of the principal of the Notes is secured by an irrevocable pledge of all School Operations Fund revenues for the 2017-2018 fiscal year that are due and not yet paid to the City and which are not otherwise pledged or applied through June 30, 2018; and payment of the interest on the Notes is secured by a pledge of surplus revenues of the Debt Service Fund of the City. The Notes are not general obligations of the City and neither the full faith and credit nor the general taxing power of the City is pledged as security for the payment of the principal of or interest on the Notes. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Notes 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 (the "Code"), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing 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 hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Notes. These requirements relate to the use and investment of the proceeds of the Notes, the payment of certain amounts to the United States, the security and source of payment of the Notes and the use of the property financed with the proceeds of the Notes. The City has covenanted to comply with these requirements.

Interest on the Notes is not exempt from Wisconsin income taxes.

Respectfully submitted,

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APPENDIX C

Form of Continuing Disclosure Certificate

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MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "Certificate") dated as of December 1, 2010 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the "City") and pursuant to resolution 100846 duly adopted by the Common Council of the City on November 23, 2010 (the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I - Definitions

Section 1.1. Definitions. The following capitalized terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data as described in an Addendum Describing Annual Report (Exhibit B); and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a new Addendum Describing Annual Report shall be executed describing the information to be provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the City may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification, other than modifications prescribed by GASB, shall be provided to the Repository, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) "Counsel" means a nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the City.

(4) "GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

(5) "GASB" means the Governmental Accounting Standards Board.

(6) "Material Event" means any of the following events with respect to the Offered Obligations, whether relating to the City or otherwise:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults, if material;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) 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 Offered Obligations, or other events affecting the tax-exempt status of the Offered Obligations;

(vii) modifications to rights of Security Holders, if material;

(viii) bond calls, if material;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Offered Obligations, if material;

(xi) rating changes;

(xii) tender offers;

(xiii) bankruptcy, insolvency, receivership or similar event of the Obligor (as specified in the Addendum Describing Annual Report).

The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligor 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 the Obligor, 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 of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligor.

(xiv) the consummation of a merger, consolidation, or acquisition involving the Obligor or the sale of substantially all of the assets of the Obligor, other than pursuant to its terms, if material; and

(xv) appointment of a success or additional trustee or the change of name of a trustee, if material.

(7) "Material Event Notice" means notice of a Material Event.

(8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

(9) "Offered Obligations" means an issue of municipal securities of the City in connection with which the City has executed and delivered a Supplemental Certificate (Exhibit C).

(10) "Official Statement" means the "final official statement" as defined in paragraph (f)(3) of the Rule.

(11) "Repository" means the SID and repository(ies), as designated from time to time by the SEC to receive continuing disclosure filings. The SID, repository(ies), and filing information are set forth in the Addendum Describing Repository and SID (Exhibit A) as may be revised from time to time.

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(13) "SEC" means the United States Securities and Exchange Commission.

(14) "Security Holders" means the holders from time to time of Offered Obligations.

(15) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

(16) "State" means the State of Wisconsin.

(17) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been unaudited.

(18) "Underwriters" means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II - The Undertaking

Section 2.1. Purpose. This Certificate shall apply to Offered Obligations, and shall constitute a written undertaking for the benefit of the Security Holders, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each fiscal year of the City, by no later than nine months after the end of the respective fiscal year, to the Repository.

(b) The City shall provide, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to the Repository.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to the Repository.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, a Material Event Notice to the Repository.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to the Repository, which notice shall state whether the Offered Obligations to be defeased have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

ARTICLE III - Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to the Repository existing at the time of such reference, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from the MSRB.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Offered Obligations.

Section 3.4. Transmission of Information and Notices. Transmission of information and notices shall be as prescribed by the SEC and the Repository. The transmission requirements are described in the Addendum Describing Repository.

ARTICLE IV - Termination, Amendment and Enforcement

Section 4.1. Termination. (a) The City's obligations under this Certificate with respect to an Offered Obligation shall terminate upon legal defeasance, prior redemption or payment in full of the Offered Obligation.

(b) This Certificate or any provision hereof, shall be null and void in the event that the City (1) delivers to the City an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require the provisions of this Certificate or any of such provisions, do not or no longer apply to the Offered Obligations, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the Repository.

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to the Repository.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the Security Holders, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate; (2) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and (3) the City shall have delivered copies of such opinion and amendment to the Repository.

(c) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, other than changes prescribed by GASB, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the City to the Repository.

Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the Security Holders. Beneficial owners of Offered Obligations shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subparagraph (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the Security Holders, including beneficial owners of Offered Obligations. The Security Holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Offered Obligations pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Security Holders for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING REPOSITORY AND SID

This Addendum Describing Repository (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the filing information as specified by the Securities and Exchange Commission.

Repositories

In December, 2008, the Securities and Exchange Commission modified Exchange Act Rule 15c2-12 to require that Continuing Disclosure shall be made to the Electronic Municipal Market Access system administered by the MSRB ("EMMA"). Pursuant to that modification, continuing disclosure filings will be provided to the Municipal Securities Rulemaking Board for disclosure on the EMMA system.

Information submitted to the MSRB for disclosure on the EMMA shall be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SID (State Information Depository)

None.

IN WITNESS WHEREOF, this Addendum is executed this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

This Addendum Describing Annual Report for Short-Term Obligations (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "City") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the content of Annual Financial Information prepared with respect to obligations maturing within 18 months of the date of issue. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Obligor: The City of Milwaukee, Wisconsin

Content of Annual Financial Information for Issuer:

None (Exception for securities with a stated maturity of 18 months or less).

IN WITNESS WHEREOF, this Addendum is executed this 1st day of October, 2012.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated December 1, 2010. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

$180,000,000 School Revenue Anticipation Notes, Series 2017 M11

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

Date of Issue:

October 19, 2017

No Previous Non-Compliance. The Issuer represents that for the period beginning 6 years prior to the date hereof, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

IN WITNESS WHEREOF, this Supplemental Certificate is executed this 19th day of October, 2017.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

MM:RL

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2012

			CAFR (1)	
Date	Submission ID	Description of Filing	City	MPS
		OS: Series 2017 M11 MPS RANs		
9/27/2017	ER848376	POS: Series 2017 M11 MPS RANs		
8/8/2017	EP798860	Rating Change: Moody's on MPS Pension and NSI Bonds		
8/2/2017	ER841452	CAFR, City, 12/31/16	2016	
6/26/2017	EP377478	OS: RACM MPS 2017 Refunding NSI - Supplement Rating Change		
6/14/2017	ER831649	Annual Financial Information: OS Series 2017 R3, N4, B5		
6/14/2017	ER831646	Failure to file CAFR, City by June 30		
6/13/2017	EP377479	OS: RACM MPS 2017 Lease		
6/13/2017	EP377478	OS: RACM MPS 2017 Refunding NSI		
6/1/2017	ES810072	POS: RACM MPS 2017 Lease		
6/1/2017	ES810070	POS: RACM MPS 2017 Refunding NSI		
5/9/2017	EP779249	OS: Series 2017 T6 and T7		
5/9/2017	EP779244	OS: Series 2017 N4 and B5		
5/9/2017	EP779240	OS: Series 2017 R3		
5/1/2017	ER825087	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		
4/24/2017	ER822910	POS: Series 2017 T6 and T7		
4/24/2017	ER822904	POS: Series 2017 N4 and B5		
4/24/2017	ER822885	POS: Series 2017 R3		
1/31/2017	ER806929	CAFR, MPS, 6/30/16		2016
1/9/2017	ER794709	Bond Call: 2007 B5		
1/9/2017	ER794708	Bond Call: 2006 B10		
12/7/2016	ES786074	Bank Loan: JP Morgan Chase Line		
12/7/2016	ES786061	OS: Series 2016 W10 Water		
11/29/2016	ES377098	OS: RACM MPS 2016A, 2016B QECB		
11/21/2016	ES781334	Bank Loan: US Bank Line		
11/21/2016	ES781270	POS: Series 2016 W10 Water		
11/18/2016	ES780313	Bond Call: 2012 F9 & V10		
10/12/2016	EP752983	OS: Series 2016 M8 MPS RANs		
9/29/2016	EP750542	POS: Series 2016 M8 MPS RANs		
9/23/2016	ES663847	Rating Change: Moody's on RACM Summerfest		
8/16/2016	ES652467	OS: Series 2016 S7 Sewers		
8/3/2016	EP744796	POS: Series 2016 S7 Sewers		
8/2/2016	ES652017	Pension Actuarial Valuation Report, 1/1/16		
8/2/2016	ES651988	Pension Actuarial Valuation Report, 1/1/15		
8/1/2016	ES650872	CAFR, City, 12/31/15, raw formatting	2015	
6/14/2016	ER764909	OS: Series 2016 B6		
6/14/2016	ER764907	OS: Series 2016 N5		
6/1/2016	ES640183	Annual Financial Information: POS Series 2016 N5, B6		
6/1/2016	ES640180	POS: Series 2016 N5, B6		

(1) The current requirement for the City's audit to be filed is by June 30th. In 2018, or when the 2001-A Bonds are defeased, the new requirement will be by September 30th. MPS's audit is required to be filed by March 31st.

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2012

			CAFR (1)	
Date	Submission ID	Description of Filing	City	MPS
6/1/2016	EP741451	Failure to file CAFR, City by June 30		
5/12/2016	EP735406	OS: Series 2016 T4		
5/12/2016	EP735405	OS: Series 2016 N2, B3		
5/12/2016	EP735402	OS: Series 2016 R1		
5/2/2016	ER755640	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		
4/26/2016	EP735155	POS: Series 2016 T4		
4/26/2016	EP735154	POS: Series 2016 N2, B3		
4/26/2016	EP735152	POS: Series 2016 R1		
3/8/2016	ES622894	Rating Change: Moody's on RACM (MPS NSI) to "A1" and "A2"		
1/4/2016	ES611748	CAFR, MPS, 6/30/15		2015
1/4/2016	ES611742	Bond Call: 2006 B2		
11/19/2015	EP705011	Reoffering Circular, Series 2012 V10		
10/5/2015	ER730150	OS Series 2015 M7 MPS RANs		
9/22/2015	ES596432	POS: Series 2015 M7 MPS RANs		
9/10/2015	EA600555	CAFR, City, 12/31/14, previous file replaced with final formatting		
7/31/2015	EA600555	CAFR, City, 12/31/14, raw formatting (archived)	2014	
7/1/2015	ER718386	Bond Call: 2005 B10, 2019-2022 maturities		
7/1/2015	ER716342	Bond Call: 2005 B10, 2016-2018 maturities		
6/29/2015	ER713827	Bond Call: RACM 2005A (MPS Congress Craig Fratney)		
6/26/2015	ER712870	Official Statement RACM 2015A MPS QSCB		
6/4/2015	EP687877	Failure to file CAFR, City by June 30		
5/26/2015	EP685340	OS Series 2015 T4		
5/26/2015	EP685338	OS Series 2015 N2 B3		
5/26/2015	EP685335	OS Series 2015 R1		
5/8/2015	ER699706	POS: Series 2015 R1, N2, B3, and T4		
5/1/2015	ER697247	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		
1/30/2015	EA572313	CAFR, MPS, 6/30/14		2014
1/23/2015	EA566970	Bond Call: 2005 B2, 2018-2022 maturities		
1/20/2015	EA564896	Bond Call: 2005 A5		
1/8/2015	ER670752	Bond Call: 2005 B2, 2018-2022 maturities		
12/31/2014	ER667442	Bond Call: 2005 B2		
10/23/2014	ER645647	Successor Trustee: 2009 M6, and 2010 M6 QSCB		
10/14/2014	EA543863	OS Series 2014 M4		
10/7/2014	EA472095	2012 CAFR, City updated to also be the AFI filing		
10/1/2014	EP666595	POS Series 2014 M4		
7/31/2014	ER639237	CAFR, City, 12/31/13	2013	
7/29/2014	ER637373	Pension Actuarial Valuation Report, 1/1/13		
7/29/2014	ER637379	Pension Actuarial Valuation Report, 1/1/14		
7/18/2014	ER635579	Successor Trustee, 2003 RACM Pension Bonds		

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2012

			CAFR (1)	
Date	Submission ID	Description of Filing	City	MPS
7/14/2014	EA521008	Bank Loan, Series 2013 T4, PNC Line		
6/3/2014	ER626851	Failure to file CAFR, City by June 30		
5/9/2014	EA508249	Official Statement with updated financial information		
5/9/2014	EA508254	Official Statement with updated financial information		
5/9/2014	EA508256	Official Statement with updated financial information		
4/11/2014	EP645783	Rating Change: Moody's on City to "Aa3"		
1/30/2014	ER606473	Bond Call: Series 2004 B1		
12/29/2013	ER598943	CAFR, MPS, 6/30/13		2013
10/18/2013	ER579753	Official Statement with updated financial information		
9/13/2013	ER570974	CAFR, City, 12/31/11 (color)		
9/13/2013	ER570972	Official Statement with updated financial information		
8/20/2013	EA472095	CAFR, City, 12/31/12	2012	
6/26/2013	EA461298	Failure to file CAFR, City by June 30		
6/26/2013	EA461481	Bond Call: RACM 2003A (MPS NSI)		
6/17/2013	EA457491	Bond Call: RACM 2005A (MPS Congress Craig Fratney)		
5/15/2013	EA454755	Bond Call: 2004 B1		
5/15/2013	EA454753	Bond Call: 2003 B6		
5/15/2013	EA454742	Refunding: 2003 B6, 2004 B1, RACM 2005A		
5/1/2013	EP614626	Bond Call: Sewer 2003		
4/11/2013	EP612596	Bond Call: RACM 2002A (MPS NSI)		
4/2/2013	EP608693	Bond Call: Sewer 2003 S4		
2/18/2013	EA438554	CAFR, MPS, 6/30/12 (Revised)		
2/6/2013	EA440349	Bond Call: 2003 B1		
12/28/2012	ER529554	CAFR, MPS, 6/30/12		2012
10/3/2012	EP573117	Rating Change: Fitch on City to "AA"		

(1) The current requirement for the City's audit to be filed is by June 30th. In 2018, or when the 2001-A Bonds are defeased, the new requirement will be by September 30th. MPS's audit is required to be filed by March 31st.

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