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

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 2015 M7
(Not a general obligation of the City)

Dated: Expected Date of Delivery **Due:** As shown below

The School Revenue Anticipation Notes, Series 2015 M7 (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
December 30, 2015	$50,000,000	0.40%	0.045%	AX1
June 30, 2016	80,000,000	2.00	0.190	AW3
June 30, 2016	50,000,000	1.50	0.190	AY9

The Notes are issued for the purpose of financing the Milwaukee Public School's general operating purposes 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 at maturity. (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 21, 2015 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 22, 2015 (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

(1) The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the City and is 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 1, 2015

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, its 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 2015 M7 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 2015 M7.

Dated Date: Expected Date of Delivery.

Sale Date and Time: Thursday, October 1, 2015, Until 10:00 A.M. C.T.

Principal Maturity Dates:

Amount	Maturity	Rate
$50,000,000	December 30, 2015	0.40%
$80,000,000	June 30, 2016	2.00%
$50,000,000	June 30, 2016	1.50%

Interest: Calculated on a 30/360 day basis and due on the applicable maturity date.

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 the original purchaser(s) of the Notes with an electronic copy and up to 10 printed copies (pro rata) 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: Public Financial Management Inc., Milwaukee, Wisconsin
Record Date:	December 24, 2015 for the December 30, 2015 maturity. June 24, 2016 for the June 30, 2016 maturities.
Delivery:	Delivery will be on or about October 22, 2015 (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 "*RULE 15c2-12*" and **APPENDIX C – Form of Continuing Disclosure Certificate** herein.)

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 on June 25, 2015 (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 July 21, 2015 (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 2016 and 2015"** 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, 2015, and in March, June, and July 2016. 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 $184 million will occur in November 2015 due to MPS receiving the majority of State Aid and property tax revenues between December 2015 and June 2016, 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 and October, 2015, a total of $70 million of commercial paper is anticipated to be issued for cash flow purposes $45 million of 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 2015-2016 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 2016 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 2016 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.

Maturities, Interest Rates and Redemption

The Notes are dated the Expected Date of Delivery and will mature on December 30, 2015 in the principal amount of $50,000,000 and on June 30, 2016 in the principal amount of $130,000,000, in each case 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 2015-2016 Fiscal Year.

Total Amount of Estimated School Operations Fund Revenues For the 2015-2016 Fiscal Year	$957,936,476
Statutory Borrowing Limit (60% of Estimated Revenues)	574,761,885
Borrowing-School Revenue Anticipation Notes, Series 2015 M7	180,000,000
Unused Amount Following this Issue	$394,761,885
Percentage of Borrowing Limit Used	31%
Percentage of Borrowing to Estimated Revenues	19%

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, 2015

Year Ending December 31	Principal (1)	Interest (2)	Total
2015	$ 925,000	$ 251,075	$ 1,176,075
2016	13,491,205	4,718,612	18,209,818
2017	11,567,044	5,050,129	16,617,173
2018	10,459,255	4,688,594	15,147,849
2019	10,163,344	5,200,757	15,364,101
2020	9,328,988	5,339,906	14,668,894
2021	5,969,814	5,084,810	11,054,624
2022	6,305,671	5,890,404	12,196,074
2023	6,125,427	5,692,739	11,818,166
2024	4,455,000	2,156,000	6,611,000
2025	4,205,000	2,116,450	6,321,450
2026	3,450,000	1,958,250	5,408,250
2027	4,450,000	979,125	5,429,125
	$90,895,747	$49,126,852	$140,022,600

(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, 2015

2015 Equalized Value of Taxable Property in the City		$26,138,108,100
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,306,905,405
General Obligation Debt Outstanding subject to 5% Limit as of 10/1/15	$880,080,000	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 10/1/15		$880,080,000
Total Debt Margin for City Borrowing (in Dollars)		$426,825,405
As a percentage		32.7%
including Extendable Municipal Commercial Paper *		29.3%

* Excludes EMCP to be refunded by this Issue, and EMCP issued for Cash Flow purposes

Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$522,762,162
General Obligation Debt Outstanding subject to 2% Limit as of 10/1/15	$12,141,179	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 10/1/15		$12,141,179
Total Debt Margin for School Purpose Borrowing (in Dollars)		$510,620,983
(As a percentage)		97.7%

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

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

BORROWING-REVENUE BONDS

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

Neighborhood Schools Initiative

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

Redevelopment Authority of the City of Milwaukee
Neighborhood School Initiative Revenue Bonds
Annual Debt Service Payments as of October 1, 2015

Year Ending June 30	Debt Service Payments
2016	$ 1,446,692
2017	8,783,185
2018	9,019,735
2019	9,268,485
2020	9,516,985
2021	9,794,153
2022	10,060,310
2023	10,650,500
2024	11,097,600
Total	$79,637,645

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.

On June 30, 2015, RACM issued $38,000,000 Federally Taxable Redevelopment Lease Revenue Bonds, Series 2015A (Milwaukee Public Schools Qualified School Construction Bonds – Direct Payment Subsidy) (the "*Series 2015A Bonds*") on behalf of MPS to pay certain costs in connection with capital improvements to school buildings and facilities. The schedule of lease payments for the Series 2015A Bonds is as follows:

Redevelopment Authority of the City of Milwaukee
Redevelopment Lease Revenue Bonds (QSCB)
Annual Debt Service Payments as of October 1, 2015

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

Totals may not foot due to rounding.

(1) MPS is entitled to receive $1,850,600 per year ($1,619,275 in 2016) of direct payment from the US Treasury for reimbursement of interest paid. The amount is subject to sequestration. Assuming the announced 2016 sequestration rate of 6.8%, MPS would receive $1,724,759 per year ($1,509,164 in 2016).

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's 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, 2015

Year Ending June 30	Loan Payments
2016	$ 3,670,342
2017	7,340,685
2018	7,340,685
2019	7,340,685
2020	7,340,685
2021	7,340,685
2022	7,340,685
2023	7,340,685
2024	13,590,685
2025	13,315,060
2026	14,420,228
2027	14,239,603
2028	15,298,978
2029	15,743,353
2030	15,707,728
2031	16,707,103
2032	16,766,478
2033	17,725,853
2034	17,890,228
2035	18,804,603
2036	19,353,978
2037	19,673,353
2038	20,530,533
2039	20,957,713
2040	21,784,893
2041	8,787,073
2042	7,239,253
2043	6,891,433
2044	6,296,806

Borrowing – Qualified Zone Academy Projects

In December, 2001, MPS entered into an $8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003, 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 QZAB Agreements with each investor, under which MPS made sufficient annual impoundment payments to date, so that no future payments are due from MPS. The QZAB maturities range from 2015 to 2022. MPS has fulfilled all of its financial obligations with respect to its QZAB Agreements.

Borrowing – Future Financing

The City has $4,487,364 of authorized, but unissued, general obligation borrowing authority for school purposes.

MPS has $34,933,000 of remaining Qualified School Construction allocation. MPS anticipates the issuance of the remaining allocation within the next five years.

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

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

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

Public Services and Facilities

In the 2014-15 school year, MPS had approximately 80,441 full-time students and 4,995 teachers, attending 157 school programs within approximately 140 school buildings. The average age of the MPS buildings is approximately 66 years, however, significant investment was made in upgrading many of these buildings in the 1970's and 1980's and by the Neighborhood Schools Initiative in 2002-2006.

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

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

Enrollment

School Year	Average School Daily Membership
2005-2006	94,923
2006-2007	92,224
2007-2008	89,110
2008-2009	87,137
2009-2010	85,239
2010-2011	84,422
2011-2012	82,982
2012-2013	81,754
2013-2014	81,744
2014-2015	80,441

Employee Relations

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

The Collective Bargaining Agreements ("*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 Act 10, negotiations may only be conducted with certified collective bargaining units and are limited to the issue of base wages. With regard to the 2015-16 contract period, MPS is engaged in base wage negotiations with PAMPS, MTEA Teachers, MTEA Educational Assistants, MTEA Substitute

Teachers, and MTEA Accountants/Bookkeepers. For issues outside of base wages, MPS has created and implemented an employee handbook that covers all MPS employees.

Insurance

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

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

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

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

Investment Policies

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

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

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

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "*money market*" account. When other investment options provide more favorable returns, such options are utilized. As of August 31, 2014, the City had approximately 10.2% ($17,010,158) of its and MPS' 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 2014-15, MPS's share of levy produced $275,612,673 of the total revenues to the School Operations Fund. MPS's 2015-16 School Operations Fund Revenues are budgeted at $957,936,476 of which City ad valorem property taxes are estimated at $276,975,005.

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

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

In addition to taxes for operations levied under Section 119.46 of the Wisconsin Statutes, the 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 criteria in any year, the district's assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2013, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was 95.95 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

For each assessment year the City assessors must complete their assessments for review by the 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 MPS's 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 2014 levies (collected in 2015) were as follows (amounts in millions):

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

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

<u>*Property Tax Collections*</u> – Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2015 will be collected in 2016. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 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 Aids

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

Aid to High Poverty Districts

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

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

State Aid-General Aids

Equalization Aid

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

The State guarantees a minimum tax base to support the education of each public school child. The ratio of MPS' 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		
	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Revenue per Pupil	$12,591	$12,512	$12,705	$14,271	$14,333	$14,147
Federal share (%)	8.7	7.8	7.8	18.8	17.6	16.4
State share (%)	44.1	44.9	45.3	53.2	53.6	55.2
Local share (%)	47.2	47.3	46.9	28.0	28.8	28.4

Integration Aid

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

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

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

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.

State Aid-Categorical Aids

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

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

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

a) children in children's homes;

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

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

School library aid paid from the common school fund under Article 10, sections 4 and 5 of the Wisconsin Constitution and Section 43.70 of the Wisconsin Statutes, is distributed on the basis of the number of children between age 4 and 20 residing in the district as of June 30 of the year before payments are made. School library aid payments to MPS for 2014-15 were $4,655,565 or $29.06 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, 119.72 and 119.74 of the Wisconsin Statutes for five-year old kindergarten and early childhood education.

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

Milwaukee Parental Choice Program

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City which meets all public school health and safety laws and codes, complies with federal nondiscrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement (the "*Parental Choice Program*"). 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 Parental Choice Program 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.

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

Federal School Aids

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

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

General Fund Trends

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

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

Milwaukee Public Schools
General Fund
Four Year Summary

	2014 Year End	2013 Year End	2012 Year End	2011 Year End
Revenues				
Property tax levy	$287,372,653	$286,559,250	$287,184,152	$273,079,212
Other local sources	15,950,922	13,741,738	10,995,975	11,029,241
Microsoft Settlement Refunds	1,557,605	4,492,796	278,642	6,706,515
State aid:				
Equalization aid	500,659,964	494,557,826	496,690,640	544,914,729
Special classes	53,565,720	51,792,301	54,013,275	49,429,225
Integration	33,522,834	34,178,357	35,235,721	39,158,028
Other state aid	51,928,558	50,161,524	47,442,724	71,938,535
Federal aid:				
Education Consolidation Improvement Act	89,387,237	96,038,429	106,765,706	121,910,586
Erate Refunds	–	52,666	2,753,269	3,346,923
Other federal aid	48,292,464	49,635,541	54,382,871	61,104,594
Intergovernmental Aid from City of Milwaukee				–
Miscellaneous	506,273	3,190,257	3,196,721	4,533,161
Interest and investment earnings	2,433,869	183,416	224,006	185,426
Total Revenues	1,085,178,099	1,084,584,101	1,099,163,702	1,187,336,175
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	350,611,296	364,488,175	379,231,430	408,281,267
Regular and other curriculum	140,829,291	147,099,479	129,989,610	153,723,073
Special curriculum	162,317,985	165,369,430	151,900,661	157,796,084
Total instructional services	653,758,572	676,957,084	661,121,701	719,800,424
Community services	26,962,332	29,146,352	24,841,805	23,467,701
Pupil and staff services	110,843,729	111,575,339	112,712,746	129,016,403
General and school building administration	99,204,832	101,012,616	111,351,669	118,430,195
Business services	160,757,139	155,818,995	153,073,711	170,709,794
Debt Service:				
Principal	575,000	550,000	1,534,454	4,505,249
Interest	208,662	436,028	485,865	532,831
Bond Issuance Cost	–	1,000	1,000	4,999
Capital outlay	9,345,079	5,252,233	8,328,319	1,131,777
Total Expenditures	1,061,655,345	1,080,749,647	1,073,451,270	1,167,599,373
Excess of revenues over (under) expenditures	23,522,754	3,834,454	25,712,432	19,736,802
Other Financing Sources (Uses)				
Proceeds from sale of assets	4,140	63,500		18,128
Transfers in (out)	(23,694,603)	(21,287,465)	(20,963,406)	(20,168,630)
Total Other Financing Sources(uses)	(23,690,463)	(21,223,965)	(20,963,406)	(20,150,502)
Net Change in Fund Balances	(167,709)	(17,389,511)	4,749,026	(413,700)
Fund balance - beginning of year	78,960,389	96,349,900	91,600,874	92,014,574
Fund balance - end of year	78,792,680	$78,960,389	96,349,900	$91,600,874

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

Milwaukee Public Schools
School Operations Fund Budget
Fiscal Years 2016 and 2015

	2015-2016 Budget (1)	2014-2015 Budget (2)
Revenues		
Locally Generated:		
Property Tax Levy	$276,975,005	$275,612,673
Nutrition	1,051,827	3,062,500
Other Local Sources	11,216,545	6,912,100
Subtotal	289,243,377	285,587,273
State Aid:		
Equalization Aid	507,928,799	505,364,501
Special Education	52,691,850	52,691,850
Integration	31,602,211	32,247,348
Nutrition	1,002,986	1,006,400
Other	14,438,782	31,430,808
Subtotal	607,664,628	622,740,907
Federal Aid:		
School Nutrition Commodities & Federal Indirect	46,657,432	44,812,100
Other	14,371,039	15,516,271
Subtotal	61,028,471	60,328,371
Total Revenues	957,936,476	968,656,551
Plus Use of Surplus	–	–
Total Sources of Funds	$957,936,476	$968,656,551
Expenditures (3)		
Instructional Services	$579,860,757	$588,490,613
Support Services	378,075,719	380,165,938
Total Expenditures	$957,936,476	$968,656,551
Summary		
Total Revenues and Use of Surplus	$957,936,476	$968,656,551
Total Expenditures	957,936,476	968,656,551
Difference	$ –	$ –

(1) Initial Fiscal Year 2016 School Operations Fund Budget approved May 2015.
(2) Final Fiscal Year 2015 School Operations Fund Budget approved October 2014.
(3) 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 2015-2016. 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's 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
2014-15 Actual Results (Unaudited)
2015-2016 Projected
(Millions of Dollars)

2014-2015 Actual Results

	Beginning	Receipts	Disbursements	Ending
July, 2014	59.644	28.950	85.260	3.334
Aug	3.334	28.297	74.903	(43.272)
Sept	(43.272)	119.876 (1)	64.207	12.397
Oct	12.397	176.247 (2)	127.400	61.244
Nov	61.244	44.804	90.727	15.321
Dec	15.321	160.304	197.681 (3)	(22.056)
Jan, 2015	(22.056)	185.781	102.424	61.301
Feb	61.301	74.450	92.468	43.283
Mar	43.283	185.572	101.543	127.312
Apr	127.312	39.757	93.263	73.806
May	73.806	36.298	86.858	23.246
Jun	23.246	352.073	313.210 (4)	62.109

(1) Includes $35,000,000 of Commercial Paper proceeds.
(2) Includes $35,000,000 of Commercial Paper proceeds and $125,000,000 of 2014 RANs.
(3) Includes repayment of Commercial Paper.
(4) Includes repayment of 2014 RANs.

2015-2016 Projected

	Beginning	Receipts	Disbursements	Ending
July, 2015	62.109	28.744	95.055	(4.202)
Aug	(4.202)	41.701	57.250	(19.751)
Sept	(19.751)	166.687 (1)	90.723	56.213
Oct	56.213	191.581 (2)	135.005 (3)	112.789
Nov	112.789	29.742	92.025	50.506
Dec	50.506	154.024	183.238 (4)	21.292
Jan, 2016	21.292	175.524	112.159 (3)	84.657
Feb	84.657	68.923	95.948	57.632
Mar	57.632	178.833	98.386	138.079
Apr	138.079	42.852	88.335	92.596
May	92.596	35.681	92.355	35.922
Jun	35.922	337.593	322.583 (5)	50.932

(1) Includes $70,000,000 of Commercial Paper proceeds.
(2) Includes $180,000,000 of 2015 RANs.
(3) Includes repayment of Commercial Paper.
(4) Includes repayment of $50,000,000 of 2015 RANs.
(5) Includes repayment of $130,000,000 of 2015 RANs.

Milwaukee Public Schools
School Operations Fund- Cash Flow Actual
July 1, 2014 – June 30, 2015
(Millions of Dollars)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	59.644	3.334	(43.272)	12.397	61.244	15.321	(22.056)	61.301	43.283	127.312	73.806	23.246	
RECEIPTS													
Property Taxes						0.005	141.484	33.970	7.141	15.610	7.570	71.709	277.489
Integration Aid												32.013	32.013
Computer Aid	5.648												5.648
State Aid													
Equalization Aid	8.976		73.354			125.243			124.123			173.732	505.428
Other		0.055	0.013		7.635	7.635	10.703	9.644	24.861	4.655		14.458	79.659
Categorical Aid	2.986	24.988	4.681	1.233	18.634	17.042	9.354	19.659	14.622	10.544	12.840	37.272	173.855
Nutrition	0.264	1.857	0.967	0.192	0.038	0.568	14.757	3.337	4.873	4.217	5.211	8.652	44.933
Local Revenues	0.639	0.170	0.811	0.091	0.098	0.511	0.810	0.103	0.283	0.093	0.148	0.213	3.970
Other Local Receipts	1.416	0.523	4.368	0.819	7.188	0.995	0.912	0.983	1.132	0.808	3.054	6.497	28.695
Reimbursed QSCB Interest						0.909		0.908					1.817
GASB 45	9.021	0.704	0.682	13.912	11.211	7.396	7.761	5.846	8.537	3.830	4.300	7.189	80.389
CP Proceeds			35.000	35.000							3.175	0.338	73.513
Note Proceeds				125.000									125.000
Total Receipts	28.950	28.297	119.876	176.247	44.804	160.304	185.781	74.450	185.572	39.757	36.298	352.073	1,432.409
DISBURSEMENTS													
Salaries and Benefits	20.121	28.251	68.450	69.733	73.062	70.660	102.224	70.356	70.112	69.490	70.727	76.912	790.098
Services & Supplies	30.424	42.459	(8.611)	32.723	5.211	37.383	(10.658)	16.474	25.389	17.377	7.428	89.108	284.707
Other Local Expenses	1.416	0.523	4.368	0.819	7.188	0.995	0.912	0.983	1.132	0.808	3.054	6.497	28.695
GASB 45	33.200			24.125	5.266	4.875	6.178	4.655	4.910	5.588	5.649	7.371	101.817
Debt Service	0.099	3.670				13.768	3.768					8.322	29.627
CP Repayment						70.000							70.000
Note Repayment												125.000	125.000
Total Disbursements	85.260	74.903	64.207	127.400	90.727	197.681	102.424	92.468	101.543	93.263	86.858	313.210	1,429.944
Balance	3.334	(43.272)	12.397	61.244	15.321	(22.056)	61.301	43.283	127.312	73.806	23.246	62.109	

Milwaukee Public Schools
School Operations Fund – Cash Flow Projection
July 1, 2015 – June 30, 2016
(Millions of Dollars)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	62.109	(4.202)	(19.751)	56.213	112.789	50.506	21.292	84.657	57.632	138.079	92.596	35.922	
RECEIPTS													
Property Taxes							141.257	33.791	7.201	15.511	7.478	71.737	276.975
Integration Aid												31.602	31.602
Computer Aid	5.964												5.964
State Aid													
Equalization Aid	8.867		74.487			125.128			124.760			174.686	507.928
Other					7.904	7.954	12.316	7.904	7.904	4.656		13.697	62.335
Categorical Aid	4.435	28.290	8.547	2.728	12.938	8.420	7.013	15.266	22.821	10.010	15.218	27.801	163.487
Nutrition	0.436	9.433	0.612	0.366	0.252	4.019	6.950	3.114	8.265	4.725	4.131	6.409	48.712
Local Revenues	0.277	0.791	0.784	0.916	0.434	0.932	0.417	0.369	0.311	0.379	0.426	4.090	10.126
Other Local Receipts	2.998	1.784	2.391	2.391	2.391	2.391	2.391	2.391	2.391	2.391	2.391	2.391	28.692
Reimbursed QSCB		0.908			0.643			0.908			0.857		3.316
Interest													
GASB 45	5.767	0.495	9.866	5.180	5.180	5.180	5.180	5.180	5.180	5.180	5.180	5.180	62.748
CP Proceeds			70.000										70.000
Note Proceeds				180.000									180.000
Total Receipts	28.744	41.701	166.687	191.581	29.742	154.024	175.524	68.923	178.833	42.852	35.681	337.593	1,451.885
DISBURSEMENTS													
Salaries and Benefits	28.089	19.641	67.541	68.807	72.091	100.866	69.721	69.421	69.181	68.567	69.787	75.890	779.602
Services & Supplies	36.046	35.825	9.709	13.807	11.807	20.373	10.042	19.136	21.814	12.377	14.196	99.052	304.184
Other Local Expenses	2.998	1.784	2.391	2.391	2.391	2.391	2.391	2.391	2.391	2.391	2.391	2.391	28.692
GASB 45	27.922		11.082	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	84.004
Debt Service					0.736	4.608	0.005				0.981	10.250	16.580
CP Repayment				45.000			25.000						70.000
Note Principal to Trustee						50.000						130.000	180.000
Total Disbursements	95.055	57.250	90.723	135.005	92.025	183.238	112.159	95.948	98.386	88.335	92.355	322.583	1,463.062
Balance	(4.202)	(19.751)	56.213	112.789	50.506	21.292	84.657	57.632	138.079	92.596	35.922	50.932	

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 596,993 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
2014	596,993		Not Available
2013	596,500		$37,300
2012	595,425		35,770
2011	595,525		34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
2008	590,870		33,160
2007	590,190		33,240
2000	605,572	596,974	32,370

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

Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity for the years 2010-2014.

General Total

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

Residential Building

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

Commercial Building

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

Public Building

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

Alterations and Additions

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

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

Leading Business and Industrial Firms
Located Within Milwaukee County

The listing of large employers in the Milwaukee County area which follows reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list 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	Approximate Employment
Aurora Health Care Inc.	Health Care System	24,509
Wheaton Franciscan Healthcare	Health Care System	11,281
Froedtert Health	Health Care System	9,800
Roundy's Inc.	Retail Supermarkets	8,260
GE Healthcare	Medical Technologies	6,000
The Medical College of Wisconsin Inc.	Private Medical School	5,170
Northwestern Mutual	Insurance, Investment Products	5,100
ProHealth Care	Health Care System	4,729
Children's Hospital and Health System	Health Care System	4,530
Columbia St. Mary's Health System	Health Care System	4,500
Goodwill Industries of SE Wis. Inc.	Training Programs, Retail & Food Service	4,100
U.S. Bank NA	Banking Services	3,500
WEC Energy Group	Electric and Natural Gas Utilities	3,461
Johnson Controls Inc.	Control Systems, Batteries & Auto Interiors	3,400
BMO Harris Bank	Banking Services	3,300
The Marcus Corp.	Movie Theaters & Hotel Properties	3,159
Rockwell Automation Inc.	Industrial Automation Products	2,951
Potawatomi Hotel & Casino	Casino	2,834
Harley-Davidson Inc.	Motorcycles and Accessories	2,736
Marquette University	University	2,733
FIS	Banking & Payments Technology	2,600
Rexnord Corp.	Power Transmission Equipment	2,300
Bon-Ton Stores Inc.	Department Stores	2,260
Wells Fargo	Banking Services	2,220
Sendik's Food Markets	Family-owned Grocer	1,650
Briggs & Stratton Corp.	Small Gasoline Engines	1,500
MillerCoors LLC	Beer Brewery	1,400
Robert W. Baird & Co. Inc.	Asset Management & Capital Markets	1,400
JPMorgan Chase & Co.	Banking Services	1,355
Joy Global Inc.	Manufactures & Distributes Mining Equipment	1,319
Brady Corp.	Manufacturer of Identification Materials	1,147
Patrick Cudahy LLC	Manufacturer of Processed Meats	1,100
Caterpillar Global Mining LLC	Heavy Surface & Underground Mining Equip.	1,000

Source: The Business Journal of Greater Milwaukee, as of July 10, 2015.

EMPLOYMENT AND INDUSTRY

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

Annual Unemployment Rates
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2014	8.1%	6.0%	5.5%	6.2%
2013	10.0	7.3	6.7	7.4
2012	10.2	7.5	6.9	8.1
2011	10.9	8.0	7.5	8.9
2010	11.9	8.9	8.5	9.6

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

Recent Monthly Unemployment Rates
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
June 2015	7.4%	5.5%	4.9%	5.5%

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. The service sector (service, finance, insurance, real estate and retail trade) employs over 80% of the workforce. Manufacturing firms employ 14% of the workforce. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

Ten Largest Taxpayers With 2014 Estimated Equalized Valuations

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

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

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's 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 and www.dtc.org.

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, its officer, officials or employees for acts performed in their official capacity to $50,000 in tort liability of non-automobile cases and $250,000 in automobile cases.

The City Attorney's Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation. As of September 15, 2015, there are no pending or threatened litigation matters, claims or assessments which individually represent a maximum potential loss exposure in excess of $1 million.

LEGAL 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. A list of EMMA filings by and on behalf of the City for the past 5 years is included in **APPENDIX C**. While the City does not believe there have been any violations of securities law, the City has filed a questionnaire in response to the Commission's Municipalities Continuing Disclosure Cooperation Initiative. The City has not received any communication from the Commission in response to the filing.

The City has endeavored to report rating changes which 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*"), Moody's Investors Service, Inc. ("*Moody's*"), and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("*Standard & Poor's*"). Fitch has assigned a rating of "*F1+*" on the Notes. Moody's Investors Service, Inc. has assigned a rating of "*MIG 1*" on the Notes. Standard & Poor's 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

Public Financial Management, Inc. has been retained as Financial Advisor to the City in connection with the issuance of the Notes.

UNDERWRITING

The Notes were purchased at competitive bidding conducted on October 1, 2015.

The award of $100,000,000 of the Notes was made to TD Securities. The award of $80,000,000 of the Notes was made to J.P. Morgan Securities LLC.

The public reoffering yields on the Notes are 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

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

/s/ Martin Matson

City Comptroller and Secretary
City of Milwaukee, Wisconsin

October 1, 2015

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APPENDIX A

MILWAUKEE PUBLIC SCHOOLS

Basic Financial Statements
Year Ended June 30, 2014 and Independent Auditors' Report

Selected Sections

The complete Comprehensive Annual Financial Report
can be downloaded at the Milwaukee Public School's web page at:

www.milwaukee.k12.wi.us

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

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

<Form of the Independent Auditor’s Report>

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements.

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools as of June 30, 2014 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 23, 2015 on our consideration of the Milwaukee Public Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milwaukee Public Schools's internal control over financial reporting and compliance.

INTRODUCTION

This discussion and analysis of the financial performance of Milwaukee Public Schools (MPS or the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. The intent of the management discussion and analysis is to look at the financial performance of MPS as a whole. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

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

3. Required Supplementary Information (RSI)

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

The **Management's Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2014. It includes an overview of the financial statements of the District and a report on the budgetary highlights.

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

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

Table 1

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

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

MPS ended its fiscal year with a net position of ($149.1 million), of which $483.0 million was net investment in capital assets, $9.9 million was restricted for debt service, and ($642.0) million was an unrestricted deficit. The unrestricted deficit is the result of a $530.6 OPEB liability as well as the District's pension liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability, which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of $168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2014 the balance of the outstanding pension debt grew to $187.1 million due to the pension financing including capital appreciation securities which accrete over time.

Table 2

Condensed Statement of Net Position

(in thousands)

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

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

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

Deferred Cash Flow Hedges-Unrealized Loss on Derivatives is reported as the District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, a decrease in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position. For the reporting period, all the District's derivatives met the effectiveness test. The current asset component of the decrease in fair value is $1.9 million and the noncurrent asset component is $42.7 million.

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

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

Statement of Activities

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

Table 3

Schedule of Revenues and Expenses

(in thousands)

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

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

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

Capital Assets

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

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

Table 4

Change in Capital and Intangible Assets
(in thousands)

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

Long-term Debt

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

Table 5

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

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

The Neighborhood School Initiative (NSI) debt is part of a state of Wisconsin-sponsored program intended to increase the capacity and improve the quality of Milwaukee's neighborhood schools. The outstanding debt is in the form of revenue bonds issued by the Redevelopment Authority of the City of Milwaukee on behalf of MPS, and is secured through bond insurance and a moral obligation pledge by the state of Wisconsin. A total of $112,040,000 of NSI debt was issued, with the first tranche issued in February 2002 (Series 2002A) in the amount of $33,300,000, and the second tranche sold on November 5, 2003 (Series 2003A) in the amount of $78,740,000. On February 1, 2007 MPS completed an advance refunding of $29,260,000 of the second tranche (Series 2003A) and also retired $5.1 million of bonds from that same tranche. On May 6, 2013, the District, through RACM, issued $45,570,000 of Refunding Revenue Bonds for a current refunding of Series 2002 and Series 2003 bonds callable on August 1, 2013. This resulted in a $6.4 million gain for the district over the life of the refunded debt. Approximately $5.0 million of NSI debt was retired in fiscal year 2014.

The Qualified Zone Academy Bond (QZAB) debt is in the form of lease-purchase agreements collateralized by the assets purchased with the proceeds. The QZAB program is sponsored by the Internal Revenue Service (IRS) and provides interest-free capital for the purpose of promoting academic programs in partnership with the business community. QZAB debt has been used to support the purchase of furniture and equipment, and to make building improvements at several MPS schools. Interest on the debt is paid by the IRS via tax credits to the lender. QZAB debt decreased by $714,745 in fiscal year 2014.

In December 2003, the city of Milwaukee, in connection with an intergovernmental cooperation agreement, issued $168,051,136 in bonds on behalf of the District to refund pension-related debt for the Wisconsin Retirement System totaling $165,505,293. In June 2006, MPS spent $5.9 million to retire $8.5 million of face value pension-related capital appreciation notes. The fiscal year 2014 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

BUDGETARY HIGHLIGHTS

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

In June 2013, the MPS Board of School Directors (the Board) adopted the District's fiscal 2014 budget (July 1, 2013 – June 30, 2014). The adopted budget by necessity used a *projection* of the fiscal 2014 student enrollment. In October 2013, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2013, as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state general aids and property taxes, are predicated on actual MPS enrollment.

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

In October 2013, the Board approved a revised fiscal year 2014 (FY14) General Fund expenditure budget in the amount of $1,093,562,781. This amount included prior year encumbrances and carryover authority.

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

Current Economic Facts and Next Year's Budget

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

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

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

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

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

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

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

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

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

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

REQUESTS FOR INFORMATION

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

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

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BASIC FINANCIAL STATEMENTS

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

As of June 30, 2014

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2014

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

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

As of June 30, 2014

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

As of June 30, 2014

Total fund balances—governmental funds			$	97,716,057
Amounts reported for governmental activities in the statement of net position are different because:				
Refunding of Debt costs are capitalized at the government-wide level and amortized over the shorter of the remaining life of the old debt or life of the new debt				830,133
Bond sinking cost reported as an asset at the government-wide level and reported as an expenditure for government funds				4,275,000
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:				
Cost of capital assets	$	1,129,605,632		
Accumulated depreciation		(518,575,446)		
Net capital assets				611,030,186
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:				
Cost of intangible assets	$	53,385,717		
Accumulated depreciation		(37,928,652)		
Net capital assets				15,457,065
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds				12,715,210
Grant and other receivables that are not collected within 90 days after year-end are not considered to be available to pay for the current period's expenditures and, therefore, are unearned in the funds				878,963
Long-term liabilities (including bonds payable) are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:				
Bonds and notes payable		(416,876,718)		
Bonds premium and discounts		(5,778,138)		
Discount on capital appreciation bonds		89,740,143		
Capital leases payable		(4,375,000)		
Accrued bond interest payable		(4,138,660)		
Compensated absences payable (vacation and sick leave)		(9,575,680)		
OPEB liability		(530,646,534)		
Workers' compensation claims payable		(7,576,956)		
Self-insurance claims payable		(455,534)		
Life insurance benefits and other long-term liabilities		(2,277,413)		
Total long-term debt liabilities				(891,960,490)
Total net position—government activities (deficit)			$	(149,057,876)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2014

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2014

Net change in fund balances—total governmental funds			$	5,712,975
Amounts reported for governmental activities in the statement of activities are different because:				
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:				
Capital outlay reported in governmental fund statements	$	14,690,949		
Some items reported as capital outlay were not capitalized				
Depreciation and amortization expense reported in the statement of activities		(25,881,827)		
Amount by which capital outlays are less than depreciation and amortization in the current period				(11,190,878)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position				(11,175)
Bond issuance costs are recognized as an expense in the period incurred, per GASB 65				(2,788,658)
Bond sinking cost reported as asset at the government-wide level and reported as an expenditure for government funds				4,275,000
Some revenues will not be collected for several months after the District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds				(3,953,451)
Some expenses reported in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in the government funds.				(995,738)
Bond, note, and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.				
Repayments:				
Bonds and notes				8,680,845
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.				
Net increase in accrued interest payable		(382,217)		
Accretion of interest on capital appreciation bonds		(3,440,807)		
Amortization of bond premium, discount and refunding deferred		523,123		
Net increase in compensated absences payable (vacation and sick pay)		698,777		
Net increase in workers' compensation claims payable		79,262		
Net decrease in OPEB liability		8,557,163		
Net increase in general insurance claims payable		65,490		
Net decrease in life insurance benefits payable		172,690		
Net adjustment				6,273,481
Change in net position of governmental activities			$	6,002,401

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2014

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2014

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

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

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

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

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

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

(b) Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

(c) Measurement Focus and Basis of Accounting

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

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

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

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

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

(d) Restricted Cash and Investments

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

(e) Receivables

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

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

(f) Investments

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

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

(g) Inventories and Prepaid Items

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

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

(h) Capital Assets and Intangible Assets

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

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

(i) Property Taxes

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

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

(j) Deferred Outflows of Resources

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

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

Gain/Loss on Refundings of Debt

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

(k) Compensated Absences

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

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

(1) Insurance Deposits

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

(m) Bond Premiums and Discounts

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Discounts for capital appreciation bonds and notes (i.e., zero coupon debt) are netted against the face amount of the debt.

(n) Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expenses when the related liabilities are incurred.

(o) Deferred Inflows of Resources

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

(p) Net Position

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

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

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

Unrestricted—This consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

(q) Fund Balance

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

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

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

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

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

(r) Use of Estimates

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

(s) New Accounting Pronouncements

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

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

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

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

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

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

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

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

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

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

As of June 30, 2014 the District had the following investments, shown with their maturities.

		Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**Less Than 5**	**5-10**	**Over 10**
Repurchase Agreement	$ 13,451,452	$ 13,451,452	-	-	-
U.S. Treasury Notes and Agencies	17,246,119	-	14,350,271	1,040,733	1,855,115
State and Municipal	2,394,320	-	2,394,320	-	-
Non-Government obligations	20,438,599	-	12,965,036	7,016,374	457,189
	$ 53,530,490	13,451,452	29,709,627	8,057,107	2,312,304

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

At year-end the District's demand deposit balance (exclusive of funds held and controlled by the treasurer of the City) was $31,825,342 of which $13,451,452 was invested in overnight repurchase agreements. Of the $31,825,342 bank balance, $12,674,373 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $19,150,969 was uninsured, with the bank posting securities at 102% of the value of the repurchase agreements. However, the posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized.

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

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

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

Funds held and controlled by the treasurer of the City are insured by the FDIC and the Wisconsin Public Deposit Guarantee Fund. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (excluding interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of $650,000. Milwaukee Public Schools' deposits with the City Treasurer for investments are all insured or collateralized on June 30, 2014.

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

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

A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2014 and the fair value at SWIB as of June 30, 2014.

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

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

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

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

Note: On June 30, 2014, SWIB's Core Fund and Variable Fund had $90.8 billion and $7.3 billion in assets, respectively. As of June 30, 2014, the Plan's assets were invested 79% in the SWIB Core Fund, 14% in the SWIB Variable Fund, and 7% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

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

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

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

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

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

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

C. Custodial Credit Risk

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

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling $417.2 million on December 31, 2013, that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $50.9 million on December 31, 2013, all of which were uncollateralized and uninsured. In total, these deposits represented 0.5% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2013.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 27 tri-party repurchase agreements totaling $1.1 billion on December 31, 2013. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 1.2% of the combined assets of the SWIB Core and Variable Funds on December 31, 2013.

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

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

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Net Investment Position. At June 30, 2014, the Plan's interest in the plan net position of the Core Trust was approximately 0.097% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.046% . The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at December 31, 2013 (in thousands):

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2014 and at the fair value at SWIB as of June 30, 2014.

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

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

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

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

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

B. Credit Risk

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

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

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

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

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

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

C. Custodial Credit Risk

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

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

$417.2 million on December 31, 2013, that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $50.9 million on December 31, 2013, all of which were uncollateralized and uninsured. In total, these deposits represented 0.5% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2013.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counter party to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 27 tri-party repurchase agreements totaling $1.1 billion on December 31, 2013. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 1.2% of the combined assets of the SWIB Core and Variable Funds on December 31, 2013.

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

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

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

F. Derivative Investments

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

Statement of Net Investment Position. At June 30, 2014, the Plan's interest in the plan net position of the Core Trust was approximately 0.144% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.201%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at December 31, 2013 (in thousands):

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

(3) Receivables

Receivables as of June 30, 2014 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

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

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

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

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

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

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

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

(4) Interfund Transactions

Interfund borrowings are reflected as “due from/to other funds” on the accompanying financial statements.

The following balances as of June 30, 2014 represent due to/from balances among all funds:

		Due from other funds			
		General Fund	Nonmajor Fund	Total	Due In More Than One Year
Due to other funds:					
Construction fund	$	6,643,338	—	6,643,338	—
Nutrition fund		3,654,283	—	3,654,283	2,736,923
Nonmajor funds		5,564,397	—	5,564,397	—
Total	$	15,862,018	—	15,862,018	2,736,923

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

The following balances as of June 30, 2014 represent transfer in/out balances among all funds:

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

(5) Capital Assets

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

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

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

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

(5A) Intangible Assets

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

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

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

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

(6) Short-term Borrowings

To finance on an interim basis MPS' general operating costs pending receipt of state school aid payments, the City of Milwaukee issued $50,000,000 of commercial paper on September 12, 2013, maturing December 27, 2013 and $50,000,000 of commercial paper on October 10, 2013, maturing December 9, 2013. $130,000,000 of Revenue Anticipation Notes (RANs), Series 2013 M7, were issued October 24, 2013, maturing June 30, 2014. Interest was payable at maturity. The debt was repaid from the District's equalization aid allocations received from the state government prior to June 30, 2014.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2014 totaled $369,701,230. Of this total, $32,411,517 represents school bonds and notes that will be repaid by the City using the City's property tax levy. As the District does not have an obligation to repay these bonds and notes from its own property tax levy, the debt is not reflected in the District's long-term obligations. The remaining balance of $337,289,713 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations. Additionally, the District deposited a total of $4,275,000 of principal payments into a Bond Sinking Fund to make Qualified School Construction Bond principal payments at maturity.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Sinking Fund Contribution	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee:							
American with Disabilities Act loans:							
2002A Refund (Trust Loans & C5, O, R & T)	$ 5,395,000	1,038,666	—	153,304	885,362	—	339,558
4.0 – 5.0%, due in annual installments to February 2015	335,000	67,000	—	—	67,000	—	67,000
4.0 – 5.0%, due in annual installments to February 2014	670,000	67,000	—	67,000	—	—	—
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,410,318	—	236,844	4,173,474	—	63,743
2.5 – 3.0%, due in annual installments to Februrary 2019	2,700,000	1,620,000	—	270,000	1,350,000	—	270,000
5.0%, due in installments to Februrary 2024	1,350,000	1,350,000	—	—	1,350,000	—	—
5.25%, due August 15th, 2014 to Februrary 2027	443,810	399,858	—	43,952	355,906	—	—
General Obligation Bonds:							—
1.5 – 3.0%, due in May 2014	11,020,000	290,000	—	290,000	—	—	—
5.25%, due August 15th, 2014 to Februrary 2027	4,095,000	4,095,000	—	—	4,095,000	—	515,000
Plus: Premium on Issuance	787,801	700,268	—	87,533	612,735		—
Qualified School Construction Bonds:							
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	1,825,000	—
Less: Discount on issuance	(450,000)	(337,500)	—	(28,125)	(309,375)		—
5.25%, due August 15th, 2014 to Februrary 2027	37,300,000	37,300,000	—	—	37,300,000	2,450,000	—
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	80,825,000	—	4,430,000	76,395,000	—	5,130,000
Plus: Premium on issuance	1,357,121	157,408	—	38,801	118,607	—	—
Less: Discount on 2007A issuance	(338,503)	(188,884)	—	(21,360)	(167,524)	—	—
Plus: Premium on 2013A issuance	—	6,075,799	—	552,104	5,523,695	—	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	2,769,721	—	714,745	2,054,976	—	636,588
Pension debt refinancing:							
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	37,375,000	—	1,900,000	35,475,000	—	2,940,000
Less: Discount	(25,232,986)	(11,170,930)	—	(1,600,246)	(9,570,684)	—	—
Capital appreciation bonds, due in annual installments beginning April 1, 2026 through April 1, 2041	110,525,000	110,525,000	—	—	110,525,000	—	—
Less: Discount	(94,805,878)	(82,010,020)	—	(1,840,561)	(80,169,459)	—	—
Pension bonds, variable interest rate "index-linked", interest due in semi-annual installment, principal due at maturity on October 1, 2043	130,850,000	130,850,000	—	—	130,850,000	—	—
Capital lease—CCF	12,415,000	4,950,000	—	575,000	4,375,000	—	—
Total intergovernmental cooperation agreement debt		$ 343,158,704	—	5,868,991	337,289,713	4,275,000	9,961,889

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

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

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

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

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

Interest on the $130,850,000 variable rate pension debt (index-linked bonds), included in the schedule of future payments above, is based upon the one-month LIBOR rate (the London Interbank Offered Rate) plus 25 basis points (.25%) and is adjusted monthly. The LIBOR interest rate was 0.15520% as of June 30, 2014.

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

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

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

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

The District has pledged future Intradistrict Aid revenues to repay $109,545,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2004 and June 30, 2024. The bonds are payable solely from pledged revenues and are payable through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 33.6% of net revenues at the point of the highest debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2014 is $95,067,673. Principal and interest paid for the year ended June 30, 2014 was $8,105,067 while the Intradistrict Aid revenues were $31,282,469.

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

Neighborhood Schools Initiative Bonds

Amounts Outstanding

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

Derivative Instruments - Interest Rate Swap Agreements

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

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

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2014 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2014 Change in Fair Value		Fair Value, End of 2014		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	$1,902	Derivative	($42,666)	$130,850

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the District's hedging derivative instruments outstanding at June 30, 2014, along with the credit rating of the associated counterparty (amounts in thousands).

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

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

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

Interbank Offered rate (LIBOR) plus 20 basis points (.20%). Conversely, the District pays the bond's index linked coupon rate of LIBOR plus 25 basis points (0.25%).

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

Risks of Derivative Instruments

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

As of June 30, 2014 the District was not exposed to credit risk because the swaps had negative fair value. There are three swap counterparties with whom the District has a total of three swap agreements. The credit ratings of the counterparties are provided in the prior table. To mitigate the potential for credit risk, if the credit quality is below Aa3 by Moody's Investor's Service, AA- by Standard & Poor's, and AA- by Fitch Ratings, the fair value of the swap will be fully collateralized by the counterparty. Collateral is posted with the trustee of the bonds.

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

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

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

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

Swap payments and associated debt – Using rates as June 30, 2014, debt service requirements of the variable-rate index-linked bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (as rates vary, variable rate interest payments and net swap payments will vary):

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

(8) Fund Balance

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

The formula established by this action, and the application thereof as of June 30, 2014, is as follows:

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

(9) Risk Management

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

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

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

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

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

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

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

		Year ended June 30	
		2014	**2013**
Beginning of year liability	$	35,889,349	38,190,339
Current year claims and changes in estimate		179,949,335	211,172,812
Claim payments		(181,802,741)	(213,473,802)
End of year liability	$	34,035,943	35,889,349

The District has recognized the liability for health and dental benefits, which totaled $23,269,890 and $24,825,004 as of June 30, 2014 and 2013, respectively, in the general fund. The District has also recognized a liability of $1,031,150 and $437,000 as of June 30, 2014 and 2013, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $2.6 million of other insurance related liabilities. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

(10) Retirement Plans

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

Wisconsin Retirement System—All eligible District employees participate under the Teachers category in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 440 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 880 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

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

Employees' Retirement System of the City of Milwaukee

Plan Description – The District makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 789 North Water Street, Suite 300, Milwaukee, WI 53202.

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

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Plan does not provide for any postretirement increases.

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

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

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

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

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

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

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

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Annual Pension Costs and Actuarial Assumptions Used

The District's annual pension costs for the year ended June 30, 2014 and related actuarial assumptions used for the current year and related information for each plan is as follows:

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Contribution rates as a percentage of payroll:			
District		17.39%	3.87%
Plan participants		—	—
Annual required contribution	$	3,214,623	11,168,472
Interest on net pension obligation		6,602	11,570
Adjustment to annual required contribution		—	—
Annual pension cost		3,221,225	11,180,042
Contributions made		2,451,003	10,954,526
Increase (decrease) in net pension obligation		770,222	225,516
Net pension prepayment, beginning of year		(2,786,612)	(10,924,336)
Net pension prepayment, end of year	$	(2,016,390)	(10,698,820)

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

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial accrued liability(AAL)	$	55,656,223	237,826,671
Actuarial value of plans assets		42,836,677	120,720,162
Unfunded Actuarial Accrued Liability	$	12,819,546	117,106,509
Funded ratio (actuarial value of plan assets/AAL)		76.97%	50.76%
Covered payroll (active plan members)	$	14,585,097	288,512,864
UAAL as a percentage of covered payroll		87.89%	40.59%

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

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial valuation date	July 1, 2013	July 1, 2013
Actuarial cost method	Entry Age Normal	Entry age normal
Amortization method	5-year open period, level dollar	The loss at July 1, 2006, due to the valuation of deferred vested temporary benefits is amortized over a 15-year closed period commencing July 1, 2006, on a level dollar basis. Unfunded liabilities not attributable to the loss due to valuation of deferred vested temporary benefits are amortized using a 25-year closed period, level-dollar amortization commencing July 1, 2007. The resulting amortization period is 18.2 and is in accordance with GASB 25 and 27 requirements.
Actuarial Valuation Method	5-year smoothed market	5-year smoothed market
Investment rate of return	7.5%	7.5%

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Projected salary increases:		
Certificated participants	Wage inflation of 2.8% per year with additional service-based increases of up to 3.7% per year.	Wage inflation of 2.8% per year plus additional service-based increases of up to 4.20%
Classified participants	4.0% to 5% per year	N/A
Cost of Living Increases	0.0% per year*	0.0% per year**
Mortality Table	RP2000 table projected 30 years using scale AA	RP2000 table projected 30 years using scale AA

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

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

(c) Three-Year Trend Information

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

(11) Post-Employment Life and Healthcare Insurance Benefits

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

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

An employee who is age 55 or older with 15 or more years of eligible service and 70 percent or more of the maximum accumulated sick leave at the time of retirement, in accordance with collective bargaining agreements and Board policy, will receive a monthly Board subsidy at the Board's share of the PPO/Indemnity active single plan or family plan premium rate in effect as of the employee's date of retirement. (Certain bargaining units and certain non-represented employees who submit a retirement notice by either March 1 or April 1 will receive the greater of the June 30th or July 1st premium rate as their monthly Board subsidy in accordance with their collective bargaining agreement and Board policy.) A special one-time provision providing the higher PPO/Indemnity active single plan or family plan premium rate of March 31, 2011 or July 1, 2011 was extended to certain bargaining units and non-represented employees who gave their retirement notice by April 1, 2011 and retired by the end of their regular work year in June, 2011. Generally, the Board subsidy for health insurance remains fixed for the lifetime of the retiree while the retiree continues enrollment in an MPS health plan. MPS will reimburse the retiree for the retiree's Medicare Part B premium in an amount not to exceed the Board subsidy. Employees who meet all other eligibility retirements, but do not meet the 70 percent maximum accumulated eligibility requirement for the Board subsidy, may continue coverage in an MPS health plan as a retiree on a self-paid basis at the group premium rate. There are also disability retirement provisions that provide for lifetime health coverage for the disabled retiree and eligible dependents. The surviving spouse coverage provisions for death of an employee in active service or after retirement for certain collective bargaining units and non-represented employees provide lifetime health coverage for the surviving spouse and limited coverage for eligible dependents at the established Board subsidy rate.

Effective with dates of retirement on or after July 1, 2013, eligibility provisions for retiree health insurance were changed to whichever of the following occurs earlier: (a) age 60 or older and 20 years of eligible service; OR (b) age 55 or older with 30 or more years of eligible service until sunset on July 1, 2015. Eligibility for the Board subsidy was also changed to 90 percent or more of the maximum accumulated sick leave at time of retirement for employees who meet the age and service requirements for dates of retirement on or after July 1, 2013.

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

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

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

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

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

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

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2014 and the two preceding years was as follows:

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

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

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

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

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

The District's OPEB financial disclosure information for fiscal year ending, June 30, 2014 was based on the assumptions and methods in the July 1, 2013 actuarial valuation. The District made significant changes to the retiree healthcare plan provisions and eligibility conditions effective during 2012 and 2013 which reduced both the annual OPEB cost and growth of actuarial liabilities. The impact of these changes and the anticipated accelerated retirements during fiscal years 2012 and 2013 due to these changes were measured in the valuation as of July 1, 2011. The entry age normal actuarial cost method was used. The District established an IRC Section 115 trust to contribute 105 percent of actual retiree healthcare claims to the trust beginning July 1, 2010. The actuarial assumptions include a 4.55 percent investment rate of return that reflects the District's prefunding policy and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 7 years. Both rates include a 3 percent inflation assumption**.** The Retiree Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. In accordance with the GASB No. 45 standard, the unfunded actuarial liability is amortized over a 25 year period with an open amortization method. Financial statements of the Other Post Employment Benefits Trust are included on pages 94 and 95.

(12) Limitation on District Revenues

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

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

For the fiscal year ended June 30, 2014, the District was under its revenue limitation by $215,323.

(13) School Nutrition Deficit

The School Nutrition Services Fund had a deficit of $2,736,923. The deficit is anticipated to be funded through future operations.

(14) Excess Expenditures Over Appropriations

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2014:

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

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

(15) Commitments and Contingencies

(a) Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. In the opinion of District management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

(b) Contractual Commitments

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

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

(c) Litigation

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

(d) FCC Channels

The District has had the 4 FCC channels for a number of years and has the right to sell and or lease these channels. The District must renew the FCC license every twelve years. MPS received $4,200,000 upfront in March 2008, and $55,000 per month initially, which increases 3% each March during the contract period.

(16) Subsequent Events

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, the City of Milwaukee issued $35,000,000 of commercial paper on September 9, 2014 and $35,000,000 of commercial paper on October 7, 2014. $125,000,000 of Revenue Anticipation Notes (RANs), Series 2014 M4, was issued on October 23, 2014. The commercial paper matures as follows: $59,000,000 on December 22, 2014 and $11,000,000 on December 29, 2014. The RANs mature on June 30, 2015. Interest is payable at maturity.

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2014

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2014

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

For the Year Ended June 30, 2014

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2014

Schedules of Funding Progress

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

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/2013	$ 42,836,677	$ 55,656,223	$ 12,819,546	76.97 %	$ 14,585,097	87.89 %
7/1/2012	42,403,148	56,005,138	13,601,990	75.71	18,745,343	72.56
7/1/2011	42,744,856	52,975,446	10,230,590	80.69	19,365,117	52.83

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/2013	$ 120,720,162	$ 237,826,671	$ 117,106,509	50.76 %	$ 288,512,864	40.59 %
7/1/2012	114,882,834	230,401,333	115,518,499	49.86	323,922,137	35.66
7/1/2011	110,184,768	236,343,774	126,159,006	46.62	333,480,915	37.83

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	$ 60,528,101	$1,403,017,033	$1,342,488,932	4.3%	$ 431,242,385	311.3%
7/1/2011	9,368,067	$1,393,486,064	$1,384,117,997	0.7%	$ 488,996,859	283.1%
7/1/2009	-	$2,398,129,645	$2,398,129,645	0%	$ 507,339,126	472.7%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Postemployment Health Care Plan

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

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

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

(1) Budgeting

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

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

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

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

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Special Revenue Funds

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

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

Debt Service Fund

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

MILWAUKEE PUBLIC SCHOOLS

Combining Balance Sheet—Nonmajor Governmental Funds

As of June 30, 2014

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

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2014

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

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

For the Year Ended June 30, 2014

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

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

For the Year Ended June 30, 2014

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Property taxes	$ 5,426,145	2,477,582	2,477,582
Total revenues	5,426,145	2,477,582	2,477,582
Expenditures:			
Current operating:			
Debt service	25,732,897	25,222,507	26,172,185
Total expenditures	25,732,897	25,222,507	26,172,185
Excess of revenues over (under) expenditures	(20,306,752)	(22,744,925)	(23,694,603)
Other financing sources (uses)			
Transfers In (Out)	20,306,752	22,744,925	23,694,603
Total other financing sources (uses), net	20,306,752	22,744,925	23,694,603
Net changes in fund balances	$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			$ —

Pension Trust Funds

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

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

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

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

Agency Fund

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

MILWAUKEE PUBLIC SCHOOLS

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

As of June 30, 2014

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

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2014

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

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2014

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

APPENDIX B

Draft Form of Legal Opinion

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October 22, 2015

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 2015 M7 (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 July 21, 2015.

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 22, 2015 and bear interest from their date payable at maturity. The Notes mature (without option of prior redemption) on the following dates, in the following principal amounts and bear interest at the rate of interest per annum set forth opposite such principal amount in the following table:

Maturity Date	Principal Amount	Interest Rate
December 30, 2015	$50,000,000	0.40%
June 30, 2016	80,000,000	2.00
June 30, 2016	50,000,000	1.50

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 2015-2016 fiscal year that are due and not yet paid to the City and which are not otherwise pledged or applied through June 30, 2016; 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,

APPENDIX C

Form of Continuing Disclosure Certificate
and list of EMMA filings for the past 5 years

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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

<u>Content of Annual Financial Information for Issuer</u>:

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 2015 M7

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

Date of Issue:

October 22, 2015

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 22nd day of October, 2015.

CITY OF MILWAUKEE, WISCONSIN

By: ____
Comptroller

MM:RL

City of Milwaukee, Wisconsin Continuing Disclosure Filings on the EMMA Since September 1, 2010			CAFR (1)	
Date	Submission ID	Description of Filing	City	MPS
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		
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	

(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, 2010

			CAFR (1)	
Date	Submission ID	Description of Filing	City	MPS
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"		
8/9/2012	EP557070	Bond Call: Series Y		
8/4/2012	EP555645	City Pension Actuarial Valuation Report, 1/1/12		
8/1/2012	ER517058	CAFR, City, 12/31/11 (black and white)	2011	
7/24/2012	ER513579	Bond Call: Series Y		
6/27/2012	ER506658	Failure to file CAFR, City by June 30		
5/4/2012	EP532107	Official Statement with updated financial information		
5/4/2012	EP532139	Defeasance: Series Y, 2003 B1, 2004 B1, 2005 B2, 2005 B10		
4/23/2012	ER498389	Bond Call: Series 2005 V8		
4/18/2012	ER496979	Bond Call: Sewer 2001		
4/16/2012	ER496146	Rating Change: Moody's on City to "Aa2"		
2/7/2012	ER488520	Bond Call: Series W		
2/1/2012	ER486957	Bond Call: Series W		
12/29/2011	ER471009	CAFR, MPS, 6/30/11		2011
12/9/2011	ER460717	Rating Change: S&P on Assured Guarantee to "AA-"		
10/3/2011	EP491777	Bond Call: Series 2005 V8		
8/29/2011	EP470073	CAFR, City, 12/31/10	2010	
7/18/2011	EP459500	Bond Call: Series T		
7/18/2011	EP459484	Bond Call: Series U		
7/7/2011	ER426014	Bond Call: Series T		
6/20/2011	ER418455	Modification of Rights: Sewer 2001, Sewer 2003 S4		
6/9/2011	ER414894	Failure to file CAFR, City by June 30		
6/9/2011	ER414892	Official Statement with updated financial information		
6/9/2011	ER414891	Official Statement with updated financial information		
6/9/2011	ER414890	Bond Call: Series U		

(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, 2010

Date	Submission ID	Description of Filing	CAFR (1)	
			City	MPS
6/9/2011	ER414889	Bond Call: Series T		
6/9/2011	ER414887	Defeasance: Sewer 2001, Sewer 2003 S4		
12/22/2010	ER389042	CAFR, MPS, 6/30/10		2010
11/9/2010	EP419899	Rating Change: S&P on Assured Guarantee/FSA to "AA+"		
11/4/2010	EP417832	Rating Change: Fitch on RACM 2003 C & D (MPS) to "AA-"		
9/29/2010	EA381222	Rating Change: Moody's on RACM (MPS) to "Aa3"		

(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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CITY OF MILWAUKEE
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