PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 29, 2016

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

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado Zimmerman SC, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Notes is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Notes is not exempt from Wisconsin income taxes.

$180,000,000
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2016 M8

(Not a general obligation of the City)

Dated: Expected Date of Delivery **Due:** October 1, 2017

The School Revenue Anticipation Notes, Series 2016 M8 (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 on April 1, 2017, and 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
October 1, 2017	$180,000,000			

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

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated September 29, 2016 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 20, 2016 (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 are included solely for the convenience of the holders of the Notes. The City is not responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Notes, or as indicated above. CUSIP numbers are subject to change after the issuance of the Notes.

ELECTRONIC BIDS FOR THE NOTES WILL BE RECEIVED UNTIL 10:00 A.M. (CENTRAL TIME) ON THURSDAY, OCTOBER 6, 2016

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

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

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APPENDICES

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 2016 M8 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 2016 M8.
Dated Date:	Expected Date of Delivery.
Sale Date and Time:	Thursday, October 6, 2016, Until 10:00 A.M. C.T.

Principal Amounts, Interest Rates and Yields:

Principal Amount	Interest Rate	Yield

Maturity Date:	October 1, 2017
Interest Payment Dates:	April 1, 2017 and October 1, 2017
Interest:	Calculated on a 30/360 day basis and due on each Interest Payment 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 Dates:	March 15, 2017 for the April 1, 2017 interest payment date. September 15, 2017 for the October 1, 2017 interest payment date.
Delivery:	Delivery will be on or about October 20, 2016 (the "*Expected Date of Delivery*") at the expense of the City, through the facilities of The Depository Trust Company ("*DTC*"), New York, New York.
Reoffering:	The public reoffering price(s) and/or yield(s) of the Notes are detailed on the cover of the Final Official Statement.
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes, the City will provide an executed copy of its Continuing Disclosure Certificate. (See "*Continuing Disclosure*" and **APPENDIX C – Form of Continuing Disclosure Certificate** herein.)

THE NOTES

Authority

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

Pursuant to a resolution adopted in June 30, 2016 (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 6, 2016 (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 2017 and 2016"** 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, 2016, and in March, June, and July 2017. 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 $154 million will occur in November 2016 due to MPS receiving the majority of State Aid and property tax revenues between December 2016 and June 2017, 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 October of 2016, $45 million of commercial paper is anticipated to be issued for cash flow purposes, which will be repaid with proceeds of the Notes.

This Note issue of $180 million is the anticipated final interim borrowing for MPS during the 2016-2017 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 2017 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 2017 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 October 1, 2017 in the principal amount of $180,000,000 without option of prior redemption. Interest is payable on April 1, 2017 and 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 2016-2017 Fiscal Year.

Total Amount of Estimated School Operations Fund Revenues For the 2016-2017 Fiscal Year	$981,708,265
Statutory Borrowing Limit (60% of Estimated Revenues)	589,024,959
Borrowing-School Revenue Anticipation Notes, Series 2016 M8 and commercial paper	180,000,000
Unused Amount Following this Issue	$409,024,959
Percentage of Borrowing Limit Used	31%
Percentage of Borrowing to Estimated Revenues	18%

MILWAUKEE PUBLIC SCHOOLS

General

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

Financial Information

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

Borrowing – General Obligation Debt

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

City of Milwaukee
Outstanding General Obligation Debt
for School Purposes (Other than RANs)
as of October 1, 2016

Year Ending December 31	Principal (1)	Interest (2)	Total
2016	$ 925,000	$ 198,710	$ 1,123,710
2017	11,567,044	5,050,129	16,617,173
2018	10,459,255	4,688,594	15,147,849
2019	10,163,344	5,200,757	15,364,101
2020	9,328,988	5,339,906	14,668,894
2021	5,969,814	5,084,810	11,054,624
2022	6,305,671	5,890,404	12,196,074
2023	6,125,427	5,692,739	11,818,166
2024	4,455,000	2,156,000	6,611,000
2025	4,205,000	2,116,450	6,321,450
2026	3,450,000	1,958,250	5,408,250
2027	4,450,000	979,125	5,429,125
	$77,404,542	$44,355,875	$121,760,417

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

Wisconsin Statutes establish a limit on the authority of the City to incur general obligation indebtedness in any form for City and school purposes of 7% of the full value of taxable property located within the City, as equalized by the Wisconsin Department of Revenue. Of the 7%, 2% is authorized for school purposes only. The City may issue bonded debt for school purposes pursuant to the provisions of Chapter 119 or Chapter 67. Bonded indebtedness issued by the City under Chapter 119 for school purposes is limited to 2% of the full value of taxable property in the City as equalized by the 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, 2016

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

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

Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$540,840,930
General Obligation Debt Outstanding subject to 2% Limit as of 10/1/16	$10,902,745	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 10/1/16		$10,902,745
Total Debt Margin for School Purpose Borrowing (in Dollars)		$529,938,185
(As a percentage)		98.0%

History of Equalized Valuation in the City of Milwaukee (2011-2016)

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

BORROWING-REVENUE BONDS

The following sections provide information on outstanding revenue obligations issued by the 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, 2016

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

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, 2016

Fiscal Year End (June 30)	Sinking Fund Deposits	Interest (1)	Total
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	$36,538,462	$49,048,500	$85,586,962

Totals may not foot due to rounding.

(1) MPS is entitled to receive $1,850,600 per year of direct payment from the US Treasury for reimbursement of interest paid. The amount is subject to sequestration. Assuming the announced 2017 sequestration rate of 6.9 %, MPS would receive $ 1,722,909 per year.

Pension Obligation Bonds

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

The 2003 Series D Pension Bonds were issued as variable rate securities. In 2005, the 2003 Series D Pension Bonds were converted to index linked at a fixed spread of 0.25% over 1-Month LIBOR for the life of the bonds. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the Pension Bonds. Under the Interest Rate Exchange Agreement, MPS receives a fixed spread of 0.20% over 1-Month LIBOR for the life of the bonds. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreements, is as follows:

Redevelopment Authority of the City of Milwaukee
Taxable Pension Funding Bonds
(Milwaukee Public Schools)
Annual Loan Payments as of October 1, 2016

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

Borrowing – Qualified Zone Academy Projects

In December, 2001, MPS entered into an $8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003, 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 $6,487,364 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.

MPS anticipates the issuance of $1.7 million of Qualified Zone Academy Bonds and $27 million of energy-saving project bonds during 2016. These financings are anticipated to be structured as lease revenue bonds. MPS also anticipates a forward or current refunding of the Redevelopment Authority of the City of Milwaukee, Refunding Revenue Bonds, Series 2007A that are callable on August 1, 2017.

Board of School Directors

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

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

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

Name	Title	Term Expiration
Martin Matson	Comptroller	2020
Grant F. Langley	Attorney	2020
Spencer Coggs	Treasurer	2020

Public Services and Facilities

In the 2015-16 school year, MPS had approximately 78,177 full-time students attending 158 school programs within approximately 170 school buildings. The average age of the MPS buildings is approximately 66 years, however, significant investment was made in upgrading many of these buildings in the 1970's and 1980's and by the Neighborhood Schools Initiative in 2002-2006.

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

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

Enrollment

School Year	Average School Daily Membership
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	80,437
2015-2016	78,177

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 2016-17 contract period, MPS is engaged in base wage negotiations with PAMPS, MTEA Teachers, MTEA Educational Assistants, MTEA Accountants/Bookkeepers and Local 420. For issues outside of base wages, MPS has created and implemented an employee handbook that covers all MPS employees.

Insurance

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

MPS provides health insurance benefits to employees and retirees through a self-insured PPO/Indemnity plan, self-insured exclusive provider organization ("*EPO*") plan, and a self-insured high deductible health plan (HDHP) with a health savings account (HSA) option. MPS purchases stop-loss insurance for all three of the above medical and corresponding prescription drug (Rx) plans. The Rx benefits are self-funded and offered in concert with the medical plan. Should an employee elect to forego health insurance, there is a $500 annual opt-out program.

Effective January 1, 2015, MPS approved providing post-Medicare benefits to eligible retirees through a fully-insured Medicare Advantage plan. This fully-insured Medicare Advantage plan provides comparable benefits to the current self-insured PPO and EPO plans; however 2016 premium rates are 67% lower than the monthly premium for the EPO and 65% less expensive than the monthly premium for the PPO.

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

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

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

MPS is fully self-insured for workers' compensation benefits and does not purchase stop-loss insurance.

MPS self-insures for health, dental and workers' compensation benefits and certain other general liability exposures. The accrued liability for estimated self-insured claims of $17,151,101 recorded in the School Operations Fund and $7,839,805 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2015.

Investment Policies

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including 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, 2016, the City had approximately 50% ($203,160,878) 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 2015-16, MPS's share of levy produced $272,968,295 of the total revenues to the School Operations Fund. MPS's 2016-17 School Operations Fund Revenues are budgeted at $981,708,265 of which City ad valorem property taxes are estimated at $262,915,322.

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

Levy Year	Collection Year	Taxes Levied
2010	2011	$293,500,000
2011	2012	297,786,794
2012	2013	300,605,082
2013	2014	299,450,235
2014	2015	302,278,544
2015	2016	300,634,166

In addition to taxes for operations levied under Section 119.46 of the Wisconsin Statutes, 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 2015, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was 96.79 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

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

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

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

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

In addition to the MPS tax levy, owners of property within MPS are obligated to pay taxes to other taxing entities in which their property is located. There are five other active taxing entities which have authority to levy ad valorem property taxes on property within MPS. These include the City, Milwaukee County, the State of Wisconsin, Vocational School District and Milwaukee Metropolitan Sewerage District. As a result, property owners within the MPS' boundaries are subject to a variety of different mill levies.

The 2015 levies (collected in 2016) were as follows (amounts in millions):

Milwaukee Public Schools	$300.6
City of Milwaukee	256.7
Milwaukee County/State Forestry	132.1
MATC	31.3
Metropolitan Sewerage District	43.4

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

Property Tax Collections – Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 will be collected in 2017. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 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 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		
	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15
Revenue per Pupil	$12,512	$12,705	$13,031	$14,333	$14,147	$14,599
Federal share (%)	7.8	7.8	7.5	17.6	16.4	16.4
State share (%)	44.9	45.3	45.7	53.6	55.2	55.2
Local share (%)	47.3	46.9	46.8	28.8	28.4	28.4

Integration Aid

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

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

For interdistrict transfers, the State provides a financial incentive for both the sending and receiving districts. The receiving district is paid an amount equal to its average cost per pupil for each student it receives. The sending district is allowed to continue to count the transferred students for equalization aid purposes at 0.75 full-time equivalent (FTE), thereby removing 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 2015-16 were $5,029,760 or $31.78 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. In the 2015-16 school year, the Milwaukee Parental Choice Program (MPCP) was funded 28.8% from a reduction in state general aid to MPS.

In September 2015 there were 117 private schools participating in the MPCP, with a total enrollment of 27,619 students or 26,766.9 full-time equivalent in the program.

Federal School Aids

In addition to State Aid, MPS receives federal aids for specific school programs. For the 2014-15 school year, total federal aids to MPS, including food services revenues of $47,908,559, was $193,461,866. A portion of this amount was received after the end of the 2015 fiscal year.

MPS has applied for and received federal aid for numerous other programs. In general, these federal aids are known as categorical aids and require MPS to incur the expenditure first, with federal reimbursement to follow. The federal programs administered by the Wisconsin Department of Public Instruction from which MPS received program reimbursement include the following: Title I – Disadvantaged and Low Income Children; Special Education – Grants to States; Special Education-Preschool Grants; Carl D. Perkins Vocational Education; School Improvement Grants; Title II; Title III and Improving Teacher Quality State Grants. MPS received aid directly from the Federal Government in the case of several federal programs including the Drug Free Schools program, Gear Up and Head Start.

General Fund Trends

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

Total expenditures decreased $3,703,260 in 2014-15 over the previous year. Expenditures for instructional services were 60.69% of total expenditures. MPS remains under a revenue cap limitation first imposed in 1993-1994. Despite this restriction, MPS expects to provide all necessary instructional and operating services without major disruptions.

Milwaukee Public Schools
General Fund
Four Year Summary

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

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

Milwaukee Public Schools
School Operations Fund Budget
Fiscal Years 2017 and 2016

	2016-2017 Budget (1)	2015-2016 Budget (2)
Revenues (3)		
Locally Generated:		
Property Tax Levy	$262,915,322	$272,968,295
Nutrition	700,000	1,002,986
Other Local Sources	13,945,295	17,635,122
Subtotal	277,560,617	291,606,403
State Aid:		
Equalization Aid	515,352,284	509,173,092
Special Education	49,630,000	49,983,000
Integration	31,579,230	31,692,817
Nutrition	950,000	950,000
Other	41,850,939	33,532,920
Subtotal	639,362,453	625.331.829
Federal Aid:		
School Nutrition Commodities & Federal Indirect	48,922,000	46,657,432
Other	15,863,195	15,871,134
Subtotal	64,785,195	62,528,566
Total Revenues	981,708,265	979,466,801
Plus Use of Surplus	–	–
Total Sources of Funds	$981,708,265	$979,466,801
Expenditures (3)		
Instructional Services	$579,956,066	$552,623,489
Support Services	401,752,199	426,843,312
Total Expenditures	$981,708,265	$979,466,801
Summary		
Total Revenues and Use of Surplus	$981,708,265	$979,466,801
Total Expenditures	981,708,265	979,466,801
Difference	$ –	$ –

(1) Initial Fiscal Year 2017 School Operations Fund Budget approved May 2016.
(2) Final Fiscal Year 2016 School Operations Fund Budget approved October 2015.
(3) Revenue and Expenditure categories include allocations based on estimates and may differ from actual experience.

The management of MPS has prepared the projected financial information set forth below to present the cash flow needs of MPS for the fiscal year 2016-2017. It is the belief of MPS management that these projections are reasonable and reflect the best current estimates and judgments regarding future cash flows. MPS independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information set forth below, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information.

Milwaukee Public Schools
School Operations Fund Monthly Cash Flow Summary
2015-16 Actual Results (Unaudited)
2016-17 Projected
(Millions of Dollars)

2015-16 Actual Results

	Beginning	Receipts	Disbursements	Ending
July, 2015	62.109	28.744	95.055	(4.202)
Aug	(4.202)	18.991	69.878	(55.089)
Sept	(55.089)	142.648 (1)	82.436	5.123
Oct	5.123	216.329 (2)	135.060 (3)	86.392
Nov	86.392	44.258	83.036	47.614
Dec	47.614	141.981	205.920 (3)	(16.325)
Jan, 2016	(16.325)	180.284	88.166	75.793
Feb	75.793	80.376	90.742	65.427
Mar	65.427	163.702	108.154	120.975
Apr	120.975	48.833	89.087	80.721
May	80.721	34.768	100.194	15.295
Jun	15.295	320.662	301.650 (4)	34.307

(1) Includes $45,000,000 of Commercial Paper proceeds.
(2) Includes $25,000,000 of Commercial Paper proceeds and $180,000,000 of 2015 RANs.
(3) Includes repayment of Commercial Paper.
(4) Includes repayment of 2015 RANs.

2016-2017 Projected

	Beginning	Receipts	Disbursements	Ending
July, 2016	34.307	57.885	104.381	(12.189)
Aug	(12.189)	20.719	49.378	(40.848)
Sept	(40.848)	87.771	75.436	(28.513)
Oct	(28.513)	251.584 (1)	147.113 (2)	75.958
Nov	75.985	36.667	86.778	25.847
Dec	25.847	156.250	133.139	48.958
Jan, 2017	48.958	173.249	82.483	139.724
Feb	139.724	76.483	94.433	121.774
Mar	121.774	194.315	99.411	216.678
Apr	216.678	39.708	87.920	168.466
May	168.466	34.665	102.943	100.188
Jun	100.188	327.366	379.928 (3)	47.626

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

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

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	34.307	(12.189)	(40.848)	(28.513)	75.958	25.847	48.958	139.724	121.774	216.678	168.466	100.188	
RECEIPTS													
Property Taxes							136.716	36.808	7.887	10.517	8.676	62.311	262.915
Integration Aid												31.579	31.579
Computer Aid	6.596												6.596
State Aid													
Equalization Aid	8.960		75.052			127.541			126.528			177.271	515.352
Other	12.005				7.445	7.495	11.357	7.445	27.160	4.656	-	12.930	90.493
Categorical Aid	14.512	15.940	6.667	2.656	18.804	9.495	10.122	20.558	16.024	12.789	13.528	25.668	166.763
Nutrition	7.014	1.125	0.579	0.496	1.866	2.909	7.625	3.406	9.477	4.448	4.277	7.350	50.572
Local Revenues	0.170	0.852	3.183	1.523	0.908	1.115	0.647	0.572	0.457	0.516	0.539	3.468	13.950
Other Local Receipts	5.000	2.068	2.068	2.068	2.068	2.068	2.068	2.068	2.068	2.068	2.068	2.075	27.755
Reimbursed QSCB Interest					0.862	0.913		0.912			0.863		3.550
GASB 45	3.628	0.734	0.222	19.841	4.714	4.714	4.714	4.714	4.714	4.714	4.714	4.714	62.137
CP Proceeds				45.000									45.000
Note Proceeds				180.000									180.000
Total Receipts	57.885	20.719	87.771	251.584	36.667	156.250	173.249	76.483	194.315	39.708	34.665	327.366	1,456.662
DISBURSEMENTS													
Salaries and Benefits	25.997	22.762	63.971	67.644	67.558	101.134	66.054	68.240	68.613	68.110	77.393	71.887	769.363
Services & Supplies	62.175	24.538	9.397	13.354	11.500	20.941	9.687	18.819	24.059	13.071	15.730	112.413	335.684
Other Local Expenses	5.000	2.068	2.068	2.068	2.068	2.068	2.068	2.068	2.068	2.068	2.068	2.075	27.755
GASB 45	11.209			19.047	4.671	4.671	4.671	5.304	4.671	4.671	5.304	4.533	68.752
Debt Service		0.010			0.981	4.325	0.003	0.002			2.448	9.020	16.789
CP Repayment				45.000									45.000
Note Repayment												180.000	180.000
Total Disbursements	104.381	49.378	75.436	147.113	86.778	133.139	82.483	94.433	99.411	87.920	102.943	379.928	1,443.343
Balance	(12.189)	(40.848)	(28.513)	75.958	25.847	48.958	139.724	121.774	216.678	168.466	100.188	47.626	

Milwaukee Public Schools
School Operations Fund Cash Flow Actual
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)	(55.089)	5.123	86.392	47.614	(16.325)	75.793	65.427	120.975	80.721	15.295	
RECEIPTS													
Property Taxes						-	142.399	39.934	7.532	11.618	8.931	63.357	273.771
Integration Aid	-	-	-	-	-	-	-	-	-	-	-	31.693	31.693
Computer Aid	5.964	-											5.964
State Aid													
Equalization Aid	8.867		74.559			125.535			125.059		-	175.083	509.103
Other	-	-	-	-	7.419	7.522	9.313	7.471	12.793	6.748	0.047	13.974	65.287
Categorical Aid	4.435	14.798	6.361	2.602	23.832	1.044	9.516	21.905	5.709	17.731	12.655	16.554	137.142
Nutrition	0.436	2.044	0.127	0.991	5.771	0.358	9.403	3.642	4.583	6.027	4.080	5.557	43.019
Local Revenues	0.277	0.342	6.099	0.686	0.878	0.093	0.248	0.217	0.121	0.082	0.077	0.410	9.530
Other Local Receipts	2.998	1.614	1.302	2.033	1.503	1.532	2.000	0.934	1.372	0.741	2.788	8.900	27.717
Reimbursed QSCB Interest						0.908		0.913			1.509	-	3.330
GASB 45	5.767	0.193	9.200	5.017	4.855	4.989	7.405	5.360	6.533	5.886	4.681	5.134	65.020
CP Proceeds			45.000	25.000		-							70.000
Note Proceeds				180.000									180.000
Total Receipts	28.744	18.991	142.648	216.329	44.258	141.981	180.284	80.376	163.702	48.833	34.768	320.662	1,421.576
DISBURSEMENTS													
Salaries and Benefits	27.100	20.087	61.908	65.462	65.379	97.872	63.924	66.039	66.400	65.913	74.897	69.569	744.550
Services & Supplies	37.035	48.175	19.226	8.694	12.267	24.056	17.960	20.760	34.150	18.723	16.353	66.280	323.679
Other Local Expenses	2.998	1.614	1.302	2.033	1.503	1.532	2.000	0.934	1.372	0.741	2.788	8.899	27.716
GASB 45	27.922			13.871	3.151	2.850	4.280	3.007	6.232	3.710	3.714	3.834	72.571
Debt Service	-	0.002			0.736	4.610	0.002	0.002			2.442	23.068	30.862
CP Repayment				45.000		25.000	-					-	70.000
Note Repayment						50.000	-					130.000	180.000
Total Disbursements	95.055	69.878	82.436	135.060	83.036	205.920	88.166	90.742	108.154	89.087	100.194	301.650	1,449.378
Balance	(4.202)	(55.089)	5.123	86.392	47.614	(16.325)	75.793	65.427	120.975	80.721	15.295	34.307	

THE CITY OF MILWAUKEE

General

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 595,787 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("*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
2015	595,787		Not Available
2014	596,993		$37,340
2013	596,500		37,300
2012	595,425		35,770
2011	595,525		34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
2008	590,870		33,160
2007	590,190		33,240
2000	605,572	596,974	32,370

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

Building Permits

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

General Total

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

Residential Building

	Single Family		Multi-Family		Total		
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Permits Issued
2015	$4,240,620	26	$78,356,702	657	$82,597,322	682	46
2014	4,423,531	31	16,096,831	300	20,520,362	331	39
2013	5,429,015	43	46,923,592	430	52,352,607	473	53
2012	4,408,472	44	30,455,000	281	34,863,472	325	60
2011	17,892,282	139	42,327,598	364	60,219,880	503	222

Commercial Building

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

Public Building

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

Alterations and Additions

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

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

Leading Business and Industrial Firms
Located Within Milwaukee County

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

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

EMPLOYMENT AND INDUSTRY

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

Annual Unemployment Rates
(Not Seasonally Adjusted)

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

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

Recent Monthly Unemployment Rates
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
July, 2016	6.5%	4.7%	4.1%	5.1%

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

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. In Milwaukee County, service sector (healthcare, service, finance, insurance, real estate and retail trade) employs over 74% of the workforce. Construction and manufacturing firms employ 15% of the workforce. Federal, State, and local governments employ 11% of the workforce. The area is not dominated by any large employers.

Ten Largest Taxpayers With 2015 Estimated Equalized Valuations

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

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

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, 2016, 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. 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 that would impact any of its outstanding debt due to bond insurer downgrades. However, since the Nationally Recognized Statistical Rating Organizations (NRSRO) and bond insurers do not notify the City of any such rating changes, no assurance can be provided that notices of all rating changes were reported.

RATINGS

The City has requested ratings on the Notes from Fitch Ratings ("*Fitch*"), and Standard & Poor's Global Ratings ("*Standard & Poor's*"). Fitch has assigned a rating of "F1+" 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 will be purchased at competitive bidding conducted on October 6, 2016.

The award of $_____,000,000 of the Notes was made to _________, _________, __________, its co-managers and associates.

The public reoffering yields on the Notes will be 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

_______________, 2016

APPENDIX A

Audited Annual Financial Report of
the Milwaukee Public Schools
for the Year Ended June 30, 2015

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report
is available from EMMA and is hereby incorporated by reference.

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

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Table of Contents

II. Financial Section

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The June 30, 2015 financial statements of Milwaukee Public Schools have been audited by Baker Tilly Virchow Krause, LLP and they have issued an unqualified opinion dated December 21, 2015.

The complete Comprehensive Annual Financial Report is available from EMMA and is hereby incorporated by reference.

<Form of the Independent Auditor’s Report>

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools, Wisconsin, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Milwaukee Public Schools's basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements.

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milwaukee Public Schools, Wisconsin, as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note I, Milwaukee Public Schools adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* effective July 1, 2014. Our opinions are not modified with respect to this matter.

As discussed in Note I, Milwaukee Public Schools adopted the provisions of GASB Statement No. 71, *Pension – Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68,* effective July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2015 on our consideration of Milwaukee Public Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milwaukee Public Schools's internal control over financial reporting and compliance.

INTRODUCTION

This discussion and analysis of the financial performance of Milwaukee Public Schools (MPS or the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. The intent of the management discussion and analysis is to look at the financial performance of MPS as a whole. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

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

3. Required Supplementary Information (RSI)

- Budget-to-Actual Comparison
- Employee Pension Plan Liabilities, Current and Past Service
- OPEB Schedule of Funding Programs and Employer Contributions
- Schedule of Proportionate Share of Net Pension Asset/Liability

Management's Discussion and Analysis section discusses the financial performance of MPS during the year ending June 30, 2015. It includes an overview of the financial statements of the District and a report on the budgetary highlights.

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

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

Table 1

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

	Government-Wide 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.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

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

MPS ended its fiscal year with a net position of ($70.6 million), of which $489.6 million was net investment in capital assets, $16.6 million was restricted for debt service, $67.1 million restricted for pensions, and ($643.9) million was an unrestricted deficit. The unrestricted deficit is the result of a $507.7 OPEB liability as well as the District’s pension liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability, which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of $168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2015 the balance of the outstanding pension debt grew to $187.7 million due to the pension financing including capital appreciation securities which accrete over time.

Table 2

Condensed Statement of Net Position (Deficit)

(in thousands)

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

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

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

Deferred Cash Flow Hedges-Unrealized Loss on Derivatives is reported as the District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, a decrease in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position. For the reporting period, all the District's derivatives met the effectiveness test. The current asset component of the decrease in fair value is $7.1 million and the noncurrent asset component is $49.7 million.

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

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

Statement of Activities

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

Table 3

Schedule of Revenues and Expenses
(in thousands)

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

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

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

Capital Assets

Table 4 shows that at June 30, 2015, MPS had $1.217 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of $34.2 million from the previous year. The primary driver of this increase is the Construction In Progress, Buildings and Software, which rose $9.0 million, $21.5 million and $4.1 million respectively.

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

Table 4

Change in Capital and Intangible Assets
(in thousands)

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital and intangible assets:				
Land	$ 31,495	$ —	$ 389	$ 31,106
Construction in progress	5,339	33,461	24,507	14,293
Buildings	1,028,703	24,498	3,028	1,050,173
Leasehold improvements	12,219	—	—	12,219
Furniture and equipment	51,849	829	785	51,893
Software	53,386	12,326	8,237	57,475
Total capital and intangible assets	1,182,991	71,114	36,946	1,217,159
Accumulated depreciation and amortization	(556,504)	(27,199)	(3,220)	(580,483)
Total Capital and intangible assets, net	$ 626,487	$ 43,915	$ 33,726	$ 636,676

Long-term Debt

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

Table 5

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

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

The Neighborhood School Initiative (NSI) debt is part of a state of Wisconsin-sponsored program intended to increase the capacity and improve the quality of Milwaukee's neighborhood schools. The outstanding debt is in the form of revenue bonds issued by the Redevelopment Authority of the City of Milwaukee on behalf of MPS, and is secured through bond insurance and a moral obligation pledge by the state of Wisconsin. A total of $112,040,000 of NSI debt was issued, with the first tranche issued in February 2002 (Series 2002A) in the amount of $33,300,000, and the second tranche sold on November 5, 2003 (Series 2003A) in the amount of $78,740,000. On February 1, 2007 MPS completed an advance refunding of $29,260,000 of the second tranche (Series 2003A) and also retired $5.1 million of bonds from that same tranche. On May 6, 2013, the District, through RACM, issued $45,570,000 of Refunding Revenue Bonds for a current refunding of Series 2002 and Series 2003 bonds callable on August 1, 2013. This resulted in a $6.4 million gain for the district over the life of the refunded debt. Approximately $5.7 million of NSI debt was retired in fiscal year 2015.

The Qualified Zone Academy Bond (QZAB) debt is in the form of lease-purchase agreements collateralized by the assets purchased with the proceeds. The QZAB program is sponsored by the Internal Revenue Service (IRS) and provides interest-free capital for the purpose of promoting academic programs in partnership with the business community. QZAB debt has been used to support the purchase of furniture and equipment, and to make building improvements at several MPS schools. Interest on the debt is paid by the IRS via tax credits to the lender. QZAB debt decreased by $636,588 in fiscal year 2015.

In December 2003, the city of Milwaukee, in connection with an intergovernmental cooperation agreement, issued $168,051,136 in bonds on behalf of the District to refund pension-related debt for the Wisconsin Retirement System totaling $165,505,293. In June 2006, MPS spent $5.9 million to retire $8.5 million of face value pension-related capital appreciation notes. The fiscal year 2015 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

MPS had outstanding capital leases that funded major modifications to three school facilities. The three include the Congress School, Craig Montessori School, and Fratney Street School. The financing vehicle for the capital leases was lease revenue bonds Series 2005A issued through the Redevelopment Authority of the City of Milwaukee (RACM) with a maturity in 2026. On May 15, 2013, the District, through the city of Milwaukee, issued $4,095,000 of GO Series 2013 N2 B3 bonds for a current refunding of a portion of the RACM Series 2005A bonds. This resulted in a gain to the District of $563,076 net present value over the life of the refunded debt. On May 28, 2015, the District, through the city of Milwaukee, issued $3,372,791 of GO Series 2015 N2 notes for a current refunding of the remaining portion of the RACM Series 2005A bonds. This resulted in a gain to the District of $493,383 over the life of the refunded debt. The amount outstanding at year end 2015 was $0.0 million, down $4,375,000 from the previous year.

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

BUDGETARY HIGHLIGHTS

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

In May 2014, the MPS Board of School Directors (the Board) adopted the District's fiscal 2015 budget (July 1, 2014 – June 30, 2015). The adopted budget by necessity used a *projection* of the fiscal 2015 student enrollment. In October 2014, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2014, as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state general aids and property taxes, are predicated on actual MPS enrollment.

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

In October 2014, the Board approved a revised fiscal year 2015 (FY15) General Fund expenditure budget in the amount of $1,096,791,821. This amount included prior year encumbrances and carryover authority.

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

Current Economic Facts and Next Year's Budget

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

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

State general aids, primarily equalization aid, increased .6% to $540,865,909. Equalization aid is based on the following: (1) expenditures and enrollment of the prior year, (2) District property values, which the State considers to be a measure of community wealth. The MPS aid required for Milwaukee Parental Choice Program (MPCP).

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

Approximately 87 cents of every dollar budgeted in the School Operations Fund has been allocated for educating the City of Milwaukee children. Education is provided through MPS traditional and charter schools, open enrollment or with MPS contracted schools. Seven cents of every dollar budgeted has been allocated for non-school-based staff and services. The remaining six cents of every dollar are for costs that are necessary to run schools such as utilities, insurance, technology licenses and debt repayment.

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

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

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

As of June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2015

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

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

As of June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

As of June 30, 2015

Total fund balances—governmental funds			$	129,861,806
Amounts reported for governmental activities in the statement of net position are different because:				
Refunding of Debt costs are capitalized at the government-wide level and amortized over the shorter of the remaining life of the old debt or life of the new debt				574,139
Bond sinking cost reported as an asset at the government-wide level and reported as an expenditure for government funds				7,650,000
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:				
Cost of capital assets	$	1,159,684,692		
Accumulated depreciation		(539,160,860)		
Net capital assets				620,523,832
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:				
Cost of intangible assets	$	57,474,877		
Accumulated depreciation		(41,321,825)		
Net capital assets				16,153,052
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds				67,124,130
Deferred outflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds				87,216,783
Net Pension Liabilities used in the governmental activities are not financial uses and, therefore, are not reported as liabilities in the governmental funds				(106,238,727)
Grant and other receivables that are not collected within 90 days after year-end are not considered to be available to pay for the current period's expenditures and, therefore, are unearned in the funds				3,659,574
Long-term liabilities (including bonds payable) are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:				
Bonds and notes payable		(406,129,723)		
Bonds premium and discounts		(9,224,876)		
Discount on capital appreciation bonds		86,203,878		
Capital leases payable		(38,000,000)		
Accrued bond interest payable		(3,915,621)		
Compensated absences payable (vacation and sick leave)		(8,819,410)		
OPEB liability		(506,962,986)		
Workers' compensation claims payable		(7,455,925)		
Self-insurance claims payable		(383,880)		
Life insurance benefits and other long-term liabilities		(2,452,034)		
Total long-term debt liabilities				(897,140,577)
Total net position—government activities (deficit)			$	(70,615,988)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2015

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

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

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

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

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

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

(b) Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

(c) Measurement Focus and Basis of Accounting

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

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

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

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

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

(d) Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. The excess of restricted assets over current liabilities payable from restricted assets will be used to finance project costs or the retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position. Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

(e) Receivables

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

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

(f) Investments

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

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

(g) Inventories and Prepaid Items

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

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

(h) Capital Assets and Intangible Assets

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

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

(i) Property Taxes

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

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

(j) Deferred Outflows of Resources

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

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

Gain/Loss on Refundings of Debt

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

(k) Compensated Absences

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

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

(l) Insurance Deposits

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a restriction of fund balance aggregating $7,243,936 at June 30, 2015 to provide for payment of future claims.

(m) Bond Premiums and Discounts

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

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

(n) Claims and Judgments

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

(o) Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. The deferred balances consist of General Fund – Microsoft settlement of $5.8 million and unavailable grant revenues of $6.5 million plus long term receivable of $2.8 million in the Construction Fund.

(p) Net Position

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

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

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

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

(q) Fund Balance

Governmental fund balances are displayed as follows:

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

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

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

(r) Use of Estimates

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

(s) Pension

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

(t) New Accounting Pronouncements

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68.* The objective of this statement is to address an issue regarding the application of the transition provisions of Statement No. 68. The issue relates to contributions to a defined benefit plan after the measurement date of the government's beginning net pension liability. This Statement will eliminate the source of a potential significant understatement of restated net position and expense in the first year on implementation of Statement 68. The District has implemented this Statement simultaneously with Statement 68 beginning with the year ending June 30, 2015.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	$ 95,624,059	$ 95,624,081
Demand deposits	9,584,269	18,558,843
Repurchase Agreement	3,000,000	13,478,240
Money market funds	120,118,171	111,256,605
Non-Government Obligations	15,928,935	15,928,935
U.S. Treasury Notes and Agencies	2,308,079	2,308,079
State and Municipal Notes	23,273,939	23,273,939
Total Cash and Investments	$ 269,837,452	$ 280,428,722

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

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

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

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

The District has funds invested in overnight repurchase agreements, money market funds, non-government obligations, U.S. Treasury Notes and Agencies and State and Municipal notes. The overnight repurchase agreements have underlying securities of U.S. Treasury, Government or agency instruments with an implied AAA (Standard & Poor's) credit rating. The U.S. Treasury Notes and Agencies of $15,928,935 are AA+ rated (Standard & Poor's) and AAA rated (Fitch). State and Municipal of $2,308,709 are rated AA+ to A+ (Standard and Poor's). The non-government obligations of $23,273,939 range from triple-A rated to BBB.

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

As of June 30, 2015 the District had the following investments, shown with their maturities.

		Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**Less Than 5**	**5-10**	**Over 10**
Repurchase Agreement	$ 13,478,240	$ 13,478,240	-	-	-
U.S. Treasury Notes and Agencies	15,928,935	-	11,330,723	1,774,160	2,824,052
State and Municipal	2,308,079	-	2,108,921	199,158	-
Non-Government obligations	23,273,939	-	14,986,055	7,967,702	320,182
	$ 54,989,193	13,478,240	28,425,699	9,941,020	3,144,234

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

At year-end the District's demand deposit balance (exclusive of funds held and controlled by the treasurer of the City) was $32,140,296 of which $13,478,240 was invested in overnight repurchase agreements. Of the $32,140,296 bank balance, $12,613,629 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $19,527,016 was uninsured, with the bank posting securities at 102% of the value of the repurchase agreements. However, the posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized.

Therefore, $6,048,776 is uninsured and uncollateralized and $13,478,240 is uninsured and collateralized by securities held by a third party not in the District's name.

The money market funds in the amount of $111,256,605 are uninsured or uncollateralized.

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

Funds held and controlled by the treasurer of the City are insured by the FDIC and the Wisconsin Public Deposit Guarantee Fund. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (excluding interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of $650,000. Milwaukee Public Schools' deposits with the City Treasurer for investments are all insured or collateralized on June 30, 2015.

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

The Trustees of the Plan have adopted a Statement of Investment Policy (the "Policy"). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds ("SWIB funds"), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. On June 30, 2015, the SWIB Core Fund strategic targets were 26% to U.S. Stocks, 37% to Fixed Income, 24% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. On June 30, 2014, the SWIB Core Fund strategic targets were 24% to U.S. Stocks, 35% to Fixed Income, 25% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. The strategic target allocations total 107% and 103%, respectively, reflecting the possibility of introducing leverage into the portfolio. On June 15, 2015, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. On June 30, 2014, the SWIB Variable Fund asset-mix targets also were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments.

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

Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2015 and the fair value at SWIB as of June 30, 2015.

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

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

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

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

Note: On June 30, 2015, SWIB's Core Fund and Variable Fund had $89.5 billion and $7.3 billion in assets, respectively. As of June 30, 2015, the Plan's assets were invested 83% in the SWIB Core Fund, 11% in the SWIB Variable Fund, and 6% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds on December 31, 2014 and in the separate accounts managed by BMO on June 30, 2015. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2014	BMO 6/30/2015
P-1 or A-1	2%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	2%	49%
AA/Aa	41%	N/A
A	8%	N/A
BBB/Baa	9%	N/A
BB/Ba	2%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Commingled Trusts & Mutual Funds***	29%	51%
Not-Rated	3%	0%

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

**As of December 31, 2013 SWIB's holdings of UST and AGY are included in the "AA" category.

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

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

C. Custodial Credit Risk

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

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling $247.9 million on December 31, 2014. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $17.9 million on December 31, 2014, all of which were uncollateralized and uninsured. In total, these deposits represented 0.02% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2014.

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

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2014, $22.7 billion of the SWIB Core and Variable Funds' $96.4 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure. The risk definitions noted above are from the Governmental Accounting Standards Board. The data, risk descriptions, and guidelines for the SWIB Funds were provided by SWIB and the data and risk information for the other investment types were provided by BMO.

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Net Investment Position. At June 30, 2015, the Plan's interest in the plan net position of the Core Trust was approximately 0.046% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.73% . The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at December 31, 2014 (in thousands):

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The Trustees of the Plan have adopted a Statement of Investment Policy (the "Policy"). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds ("SWIB funds"), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. On June 30, 2015, the SWIB Core Fund strategic targets were 26% to U.S. Stocks, 37% to Fixed Income, 24% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. The strategic target allocations total 107% and105%, respectively, reflecting the possibility of introducing leverage into the portfolio. On June 30, 2015, the SWIB Variable Fund strategic targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2015 and at the fair value at SWIB as of June 30, 2015.

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

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

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

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

Note: On June 30, 2015, SWIB's Core Fund and Variable Fund had $89.5 billion and $7.3 billion in assets, respectively. As of June 30, 2015, the Plan's assets were invested 84% in the SWIB Core Fund, 10% in the SWIB Variable Fund, and 6% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds as of December 31, 2014 and in the separate accounts managed by BMO on June 30, 2015. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2014	BMO 6/30/2015
P-1 or A-1	2%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	2%	80%
AA/Aa	41%	N/A
A	8%	N/A
BBB/Baa	9%	N/A
BB/Ba	2%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Commingled Funds & Mutual Funds***	29%	20%
Not-Rated	3%	0%

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

**As of December 31, 2013 SWIB's holdings of UST and AGY are included in the "AA" category

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

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

C. Custodial Credit Risk

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

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

$247.9 million on December 31, 2014, that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $17.9 million on December 31, 2014, all of which were uncollateralized and uninsured. In total, these deposits represented 0.02% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2014.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counter party to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 13 tri-party repurchase agreements totaling $151.5 billion on December 31, 2014. These agreements represented 0.2% of the combined assets of the SWIB Core and Variable Funds on December 31, 2014.

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2014, $22.7 billion of the SWIB Core and Variable Funds' $94.0 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure.

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

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Net Investment Position. At June 30, 2015, the Plan's interest in the plan net position of the Core Trust was approximately 0.138% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.210%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at December 31, 2014 (in thousands):

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

(3) Receivables

Receivables as of June 30, 2015 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

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

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

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

Accounts Receivable includes $2.5 million from a Land Contract property sale. On February 1, 2013, the City of Milwaukee (for the benefit of MPS) entered into a Land Contract to sell the property located at 4601 N. 84th Street to Hmong American Peace Academy, Ltd. (HAPA), an MPS-Non-Instrumentality Charter School.

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

Remaining payments due as of June 30, 2015 are as follows:

		Principal	Interest	Total
Fiscal years:				
2016	$	109,648	73,968	183,616
2017		112,983	70,633	183,616
2018		116,420	67,196	183,616
2019		119,961	63,655	183,616
2020		123,610	60,006	183,616
2021 - 2025		676,784	241,297	918,081
2026 - 2030		786,164	131,917	918,081
2031 - 2033		470,005	19,638	489,643
Totals	$	2,515,575	728,310	3,243,885

(4) Interfund Transactions

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

The following balances as of June 30, 2015 represent due to/from balances among all funds:

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

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

The following balances as of June 30, 2015 represent transfer in/out balances among all funds:

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

(5) Capital Assets

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

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

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

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

(5A) Intangible Assets

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

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

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

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

(6) Short-term Borrowings

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

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2015 totaled $392,991,067. Of this total, $25,840,346 represents school bonds and notes that will be repaid by the City using the City's property tax levy. As the District does not have an obligation to repay these bonds and notes from its own property tax levy, the debt is not reflected in the District's long-term obligations. The remaining balance of $367,150,721 represents bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations. Additionally, for the year ended June 30, 2015, the District deposited $3,375,000 of principal payments into a Bond Sinking Fund to make Qualified School Construction Bond principal payments at maturity. Sinking fund principal payments on deposit as of June 30, 2015 total $7,650,000.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Life to Date Sinking Fund Contribution	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee:							
American with Disabilities Act loans:							
2002A Refund (Trust Loans & C5, O, R & T)	$ 5,395,000	885,362	—	339,558	545,804	—	339,558
4.0 – 5.0%, due in annual installments to February 2015	335,000	67,000	—	67,000	—	—	—
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,173,474	—	4,023,849	149,625	—	149,625
2.5 – 3.0%, due in annual installments to Februrary 2019	2,700,000	1,350,000	—	270,000	1,080,000	—	270,000
5.0%, due in installments to Februrary 2024	1,350,000	1,350,000	—	—	1,350,000	—	—
5.25%, due August 15th, 2014 to Februrary 2027	443,810	355,906	—	—	355,906	—	110,952
General Obligation Bonds:							—
5.0%, due in installments to May 2021	4,095,000	4,095,000	—	515,000	3,580,000	—	535,000
Plus: Premium on issuance	787,801	612,735	—	87,533	525,202	—	—
4.0%, due in installments to March 2025	3,175,000	—	3,175,000	—	3,175,000	—	—
Plus: Premium on Issuance	387,059	—	387,059	45,325	341,734		—
2.0 -4.0%, due in installments to to March 2020	3,732,791	—	3,732,791	—	3,732,791	—	766,711
Qualified School Construction Bonds:							
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	2,750,000	925,000
Less: Discount on issuance	(450,000)	(309,375)	—	(28,125)	(281,250)		—
5.25%, due August 15th, 2014 to Februrary 2027	37,300,000	37,300,000	—	—	37,300,000	4,900,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	76,395,000	—	5,130,000	71,265,000	—	5,550,000
Plus: Premium on issuance	1,357,121	118,607	—	37,668	80,939	—	—
Less: Discount on 2007A issuance	(338,503)	(167,524)	—	(21,393)	(146,131)	—	—
Plus: Premium on 2013A issuance	—	5,523,695	—	552,104	4,971,591	—	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	2,054,976	—	636,588	1,418,388	—	505,293
Pension debt refinancing:							
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	35,475,000	—	2,940,000	32,535,000	—	2,510,000
Less: Discount	(25,232,986)	(9,570,684)	—	(1,576,896)	(7,993,788)	—	—
Capital appreciation bonds, due in annual installments beginning April 1, 2026 through April 1, 2041	110,525,000	110,525,000	—	—	110,525,000	—	—
Less: Discount	(94,805,878)	(80,169,459)	—	(1,959,369)	(78,210,090)	—	—
Pension bonds, variable interest rate “index-linked”, interest due in semi-annual installment, principal due at maturity on October 1, 2043	130,850,000	130,850,000	—	—	130,850,000	—	—
Capital lease—CCF	12,415,000	4,375,000	—	4,375,000	—	—	—
Capital lease-RACM QSCB2015	38,000,000	—	38,000,000	—	38,000,000	—	1,461,538
Total intergovernmental cooperation agreement debt		$ 337,289,713	45,294,850	15,433,842	367,150,721	7,650,000	15,573,677

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

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

The District has recognized workers' compensation claims liability in the governmental funds of approximately $1,185,255 as of June 30, 2015. Accordingly, the total liability for workers' compensation claims was approximately $8.6 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt as of June 30, 2015 are as follows:

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

Interest on the $130,850,000 variable rate pension debt (index-linked bonds), included in the schedule of future payments above, is based upon the one-month LIBOR rate (the London Interbank Offered Rate) plus 25 basis points (.25%) and is adjusted monthly. The LIBOR interest rate was 0.18650% as of June 30, 2015.

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

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

The maximum allowable amount of City debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City (Wisconsin State Statute Chapter 67.03). Wisconsin State Statute Chapter 119.49 further authorizes referendum-approved bonding in an additional amount equivalent to 2% of the equalized taxable property for school capital purposes. The total equalized taxable property in the City for calendar year 2015 was $25,967,905,900 and the 5% debt limit was $1,298,395,295. No referendum-approved debt is outstanding at June 30, 2015.

The District has pledged future Intradistrict Aid revenues to repay $109,545,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2004 and June 30, 2024. The bonds are payable solely from pledged revenues and are payable through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 33.6% of net revenues at the point of the highest debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2015 is $86,745,338. Principal and interest paid for the year ended June 30, 2015 was $8,332,335 while the Intradistrict Aid revenues were $30,325,834.

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

Neighborhood Schools Initiative Bonds

Amounts Outstanding

	Principal	Interest	Total
Fiscal year ended:			
2016	$ 5,550,000	3,004,385	8,554,385
2017	6,010,000	2,773,185	8,783,185
2018	6,530,000	2,489,735	9,019,735
2019	7,120,000	2,148,485	9,268,485
2020	7,740,000	1,776,985	9,516,985
2021	8,390,000	1,404,153	9,794,153
2022	9,030,000	1,030,310	10,060,310
2023	10,015,000	635,500	10,650,500
2024	10,880,000	217,600	11,097,600
	$ 71,265,000	15,480,338	86,745,338

Current Refunding

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

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

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

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

Derivative Instruments - Interest Rate Swap Agreements

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

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

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2015 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2015 Change in Fair Value		Fair Value, End of 2015		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	$7,072	Derivative	($49,738)	$130,850

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the District's hedging derivative instruments outstanding at June 30, 2015, along with the credit rating of the associated counterparty (amounts in thousands).

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$21,255	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($8,075)	A/A2/A+
B	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$49,595	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($18,843)	AA-/Aa2/AA
C	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($22,820)	A-/A3/A
						Total Fair Value	($49,738)	

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

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

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

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

Risks of Derivative Instruments

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

As of June 30, 2015 the District was not exposed to credit risk because the swaps had negative fair value. There are three swap counterparties with whom the District has a total of three swap agreements. The credit ratings of the counterparties are provided in the prior table. To mitigate the potential for credit risk, if the credit quality is below Aa3 by Moody's Investor's Service, AA- by Standard & Poor's, and AA- by Fitch Ratings, the fair value of the swap will be fully collateralized by the counterparty. Collateral is posted with the trustee of the bonds.

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

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

Termination risk – Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default and mergers in which the successor entity does not meet credit criteria. The District or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. The swaps may be terminated by the District at any time. A swap may be terminated by a counterparty if the District's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" by Moody's Investors Service. If a swap is terminated, the variable-rate bonds will no longer carry a synthetic interest rate and the District would be subject to interest costs reflective of the variable interest rates. Also, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. At June 30, 2015 the swap's currently have a cumulative negative fair value of $49.74 million.

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

Swap payments and associated debt – Using rates as June 30, 2015, debt service requirements of the variable-rate index-linked bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (as rates vary, variable rate interest payments and net swap payments will vary):

	Variable-rate bonds		Interest rate	
	Principal	**Interest**	**swaps, net**	**Total**
Fiscal year ended June 30:				
2016	—	203,079	7,137,606	7,340,685
2017	—	203,079	7,137,606	7,340,685
2018	—	203,079	7,137,606	7,340,685
2019	—	203,079	7,137,606	7,340,685
2020	—	203,079	7,137,606	7,340,685
2021 – 2025	12,575,000	1,204,611	35,030,612	48,810,223
2026 – 2030	31,250,000	976,638	28,401,062	60,627,700
2031 – 2035	31,250,000	685,232	19,926,843	51,862,075
2036 – 2040	31,050,000	394,448	11,470,703	42,915,151
2041 – 2044	24,725,000	101,674	2,956,711	27,783,385
Totals	$ 130,850,000	4,377,998	133,473,961	268,701,959

(8) Fund Balance

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

The formula established by this action, and the application thereof as of June 30, 2015, is as follows:

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

(8A) Restatement of Net Position

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

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

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

(9) Risk Management

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

The District provides health insurance benefits to employees and retirees through a self-insured PPO/Indemnity plan and self-insured exclusive provider organization (EPO) plan and effective January 1, 2015, the District added a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Also effective January 1, 2015, all Medicare eligible retirees and their Medicare eligible spouses have been enrolled in the MPS Group Medicare Advantage Plan that includes a group Medicare Part D pharmacy benefit. The District purchases stop-loss insurance for its self-insured exclusive provider organization (EPO) plan.

Life insurance benefits are provided for active and retired employees through an insured life insurance program. Life insurance costs that exceed certain rates are funded by the District.

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

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

The reduction in abuse and molestation liability limits effective July 1, 2013 remain in place. The District's limits remain, $1 million primary coverage and no excess coverage due to insurance market conditions.

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

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

		Year ended June 30	
		2015	**2014**
Beginning of year liability	$	34,035,943	35,889,349
Current year claims and changes in estimate		159,439,692	179,949,335
Claim payments		(166,054,121)	(181,802,741)
End of year liability	$	27,421,514	34,035,943

The District has recognized the liability for health and dental benefits, which totaled $15,948,420 and $23,269,890 as of June 30, 2015 and 2014, respectively, in the general fund. The District has also recognized a liability of $1,181,255 and $1,031,150 as of June 30, 2015 and 2014, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $21,426 of other insurance related liabilities. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

(10) Retirement Plans

Wisconsin Retirement System

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

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

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

The WRS also provides death and disability benefits for employees.

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

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

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

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

Contribution rates as of June 30, 2015 are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employes' Retirement System of the City of Milwaukee

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

Funding Policy – For general employees participating prior to January 1, 2014, they are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5% of their annual pensionable income, and for general employee, participating on or after January 1, 2014, they are required to contribute 4% of their annual pensionable income. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The District's contributions to the System for the years ended December 31, 2014, 2013, and 2012, were $5,676,000, $5,716,000, and $5,878,000, respectively, equal to the required contributions on behalf of the plan members for each year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

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

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

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

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

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

- Transfer the benefit formula under the teachers plan to the plan for those individuals who have prior MPS teaching service after July 1, 1982 and are eligible to receive a benefit from the teachers plan. Such individuals will have the option of electing either the teacher or ASC benefit formula.
- Eliminate employee contributions to the plan.

- Close the plan to anyone who is not a covered employee as of June 30, 2003 and previous employees that are rehired after June 30, 2003.
- Eliminate the suspension of benefits provision in the plan and replace it with a new provision that suspends benefits paid from the plan if the retired annuitant is rehired as a covered employee and elects to participate as an active employee under the WRS.

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

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

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

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

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

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

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

The Plan does not provide for any postretirement increases.

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Milwaukee Board of School Directors Early Retirement Supplemental Early Retirement Plan for Teachers</u>

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

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

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

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

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

Actuarial Assumptions

In February 2012, the Plan actuary performed an experience study based on actuarial valuations for the period July 1, 2006 to July 1, 2011. Based on this study the following assumptions were implemented effective for the July 1, 2012 actuarial valuation. The total pension liability was determined by an actuarial valuation as of July 1, 2014 and data rolled forward to June 30, 2015, above using the following actuarial methods and assumptions:
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	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial valuation date	June 30, 2014l	June 30, 2014
Measurement date of Net Pension Liability	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal	Entry age normal
Asset Valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return and discount rate	7.5%	7.5%
Inflation	2.8%	0.0%
Salary increases	Certificated participants: In addition to price inflation, service based increases of up to 3.7% per year.	Is no longer needed as Plan was frozen effective July 1, 2013. Therefore salary increases after this date will not be considered pensionable under the Plan.
Morality rate	Wisconsin Projected Experience Table-2005.	Wisconsin Projected Experience Table-2005.

Long-Term Expected Rate of Return

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

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

Asset Class

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

Asset Class

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Asset Class

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

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

Single Discount Rate

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

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

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

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

(11) Post-Employment Life and Healthcare Insurance Benefits

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

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

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

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

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

Effective with dates of retirement on or after July 1, 2013, the Board subsidy was changed to the Board's share of the average of the active PPO/Indemnity Health Plan and the EPO Health Plan. Upon reaching Medicare eligibility, the Board subsidy will be adjusted (reduced) to reflect coordination with Medicare. As of January 1, 2015, all Medicare eligible retirees and their Medicare eligible spouses have been enrolled in the MPS Group Medicare Advantage Plan that includes a group Medicare Part D pharmacy benefit.

Effective August 1, 2011, all active employees pay premium contributions for health insurance based on either a percentage of the active premium rate or a percentage of salary in accordance with their collective bargaining agreement and Board Policy. This is as a result of settlement of all union contracts in late 2010 and early 2011. Prior to this, there was no employee premium contribution for most active employees. Certain non-represented employees paid 5 percent of their health plan premium. Board members pay any premium difference between the health plan they selected and the lowest cost health plan. Effective July 1, 2012 or July 1, 2013 upon expiration of labor contracts all employees will pay a percentage of premium for health insurance ranging from 5% to 14 percent based on their annual salary. Effective January 1, 2015, a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) was offered to all active employees with a lower employee premium share ranging from 2% to 9% based on their annual salary.

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

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

Effective July 1, 2010 the District established an IRC Section 115 trust for the purpose of holding assets and funding for the District's postemployment health and life insurance benefits. The trust is reported as a fiduciary fund in the District's financial statement. For fiscal year ending June 30, 2015, the District contributed $98,934,182 (including pre-funding contributions, and Medicare Part D contributions) to the Retiree Plan. For fiscal year ending June 30, 2015, total member contributions to the Retiree Plan were $8,295,133.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2015 and the two preceding years was as follows:

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

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

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

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

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include

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

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

The District's OPEB financial disclosure information for fiscal year ending, June 30, 2015 was based on the assumptions and methods in the January 1, 2015 interim actuarial valuation. The District made significant changes to the retiree healthcare plan provisions and eligibility conditions effective during 2012 and 2013 which reduced both the annual OPEB cost and growth of actuarial liabilities. The impact of these changes and the anticipated accelerated retirements during fiscal years 2012 and 2013 due to these changes were measured in the valuation as of July 1, 2011. The entry age normal actuarial cost method was used. The District established an IRC Section 115 trust to contribute 105 percent of actual retiree healthcare claims to the trust beginning July 1, 2010. The actuarial assumptions include a 4.55 percent investment rate of return that reflects the District's prefunding policy and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 7 years. Both rates include a 3 percent inflation assumption**.** The Retiree Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. In accordance with the GASB No. 45 standard, the unfunded actuarial liability is amortized over a 25 year period with an open amortization method. Financial statements of the Other Post Employment Benefits Trust are included on pages 102 and 103.

(12) Limitation on District Revenues

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

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

For the fiscal year ended June 30, 2015, the District was over its revenue limitation by $40,756.

(13) Excess Expenditures Over Appropriations

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

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

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

(14) Commitments and Contingencies

(a) Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of District management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

(b) Contractual Commitments

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

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

(c) Litigation

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

(d) FCC Channels

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

(15) Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2015

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY

Wisconsin Retirement System

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

Employes' Retirement System

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Wisconsin Retirement System

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

Employes' Retirement System

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

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

Schedule of Employer Contributions

Postemployment Health Care Plan

Fiscal Year Beginning	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
7/1/2014	$ 96,317,356	102.7%	$ 506,962,986
7/1/2013	109,858,625	92.9	530,646,534
7/1/2012	110,503,788	72.3	523,394,993
7/1/2011	109,216,666	84.7	520,600,193
7/1/2010	194,969,742	33.5	389,150,650
7/1/2009	186,702,017	32.7	261,946,200

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

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

(1) Budgeting

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

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

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

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

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

(2) Wisconsin Retirement System (WRS) Pension

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

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

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

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

(3) Employes' Retirement System (ERS)

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

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

Changes of assumptions. There were no changes in the assumptions

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

(4) Supplemental Retirement Plans

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

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

Changes of assumptions. There were no changes in the assumptions

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Special Revenue Funds

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

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

Debt Service Fund

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

MILWAUKEE PUBLIC SCHOOLS

Combining Balance Sheet—Nonmajor Governmental Funds

As of June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

For the Year Ended June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

For the Year Ended June 30, 2015

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

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Pension Trust Funds

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

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

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

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

Agency Fund

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

MILWAUKEE PUBLIC SCHOOLS

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

As of June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2015

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

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APPENDIX B

Draft Form of Legal Opinion

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October 20, 2016

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 2016 M8 (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 6, 2016.

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 20, 2016, mature (without option of prior redemption) on October 1, 2017 and bear interest from their date payable on April 1, 2017 and at maturity. $__________ principal amount of the Notes bear interest at the rate of ____ percent (___%) per annum and $__________ principal amount of the Notes bear interest at the rate of ____ percent (___%) per annum

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 2016-2017 fiscal year that are due and not yet paid to the City and which are not otherwise pledged or applied through June 30, 2017; and payment of the interest on the Notes is secured by a pledge of surplus revenues of the Debt Service Fund of the City. The Notes are not general obligations of the City and neither the full faith and credit nor the general taxing power of the City is pledged as security for the payment of the principal of or interest on the Notes. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

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

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

Respectfully submitted,

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APPENDIX C

Form of Continuing Disclosure Certificate

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MASTER CONTINUING DISCLOSURE CERTIFICATE

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

ARTICLE I - Definitions

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

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

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

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

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

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

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

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

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

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Offered Obligations, or other events affecting the tax-exempt status of the Offered Obligations;

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

(viii) bond calls, if material;

(ix) defeasances;

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

(xi) rating changes;

(xii) tender offers;

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

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

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

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

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

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

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

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

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

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this

Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

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

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

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

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

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

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

ARTICLE II - The Undertaking

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

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

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

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

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

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

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

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this

Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

ARTICLE III - Operating Rules

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

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

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

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

ARTICLE IV - Termination, Amendment and Enforcement

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

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

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

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the Security Holders, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate;

(2) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and (3) the City shall have delivered copies of such opinion and amendment to the Repository.

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

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

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

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

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

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

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

CITY OF MILWAUKEE, WISCONSIN

By: ______________________________
Comptroller

ADDENDUM DESCRIBING REPOSITORY AND SID

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

Repositories

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

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

SID (State Information Depository)

None.

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

CITY OF MILWAUKEE, WISCONSIN

By: ______________________________________
Comptroller

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

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

Obligor: The City of Milwaukee, Wisconsin

Content of Annual Financial Information for Issuer:

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

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

CITY OF MILWAUKEE, WISCONSIN

By: ______________________________
Comptroller

SUPPLEMENTAL CERTIFICATE

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

Name of Obligations:

$180,000,000 School Revenue Anticipation Notes, Series 2016 M8

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

Date of Issue:

October 20, 2016

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 20th day of October, 2016.

CITY OF MILWAUKEE, WISCONSIN

By: ____
Comptroller

MM:RL

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2011

			CAFR (1)	
Date	Submission ID	Description of Filing	City	MPS
10/__/2016		OS: Series 2016 M8 MPS RANs		
9/29/2016		POS: Series 2016 M8 MPS RANs		
9/23/2016	ES663847	Rating Change: Moody's on RACM Summerfest		
8/16/2016	ES652467	OS: Series 2016 S7 Sewers		
8/3/2016	EP744796	POS: Series 2016 S7 Sewers		
8/2/2016	ES652017	Pension Actuarial Valuation Report, 1/1/16		
8/2/2016	ES651988	Pension Actuarial Valuation Report, 1/1/15		
8/1/2016	ES650872	CAFR, City, 12/31/15, raw formatting	2015	
6/14/2016	ER764909	OS: Series 2016 B6		
6/14/2016	ER764907	OS: Series 2016 N5		
6/1/2016	ES640183	Annual Financial Information: POS Series 2016 N5, B6		
6/1/2016	ES640180	POS: Series 2016 N5, B6		
6/1/2016	EP741451	Failure to file CAFR, City by June 30		
5/12/2016	EP735406	OS: Series 2016 T4		
5/12/2016	EP735405	OS: Series 2016 N2, B3		
5/12/2016	EP735402	OS: Series 2016 R1		
5/2/2016	ER755640	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		
4/26/2016	EP735155	POS: Series 2016 T4		
4/26/2016	EP735154	POS: Series 2016 N2, B3		
4/26/2016	EP735152	POS: Series 2016 R1		
3/8/2016	ES622894	Rating Change: Moody's on RACM (MPS NSI) to "A1" and "A2"		
1/4/2016	ES611748	CAFR, MPS, 6/30/15		2015
1/4/2016	ES611742	Bond Call: 2006 B2		
11/19/2015	EP705011	Reoffering Circular, Series 2012 V10		
10/5/2015	ER730150	OS Series 2015 M7 MPS RANs		
9/22/2015	ES596432	POS: Series 2015 M7 MPS RANs		
9/10/2015	EA600555	CAFR, City, 12/31/14, previous file replaced with final formatting		
7/31/2015	EA600555	CAFR, City, 12/31/14, raw formatting (archived)	2014	
7/1/2015	ER718386	Bond Call: 2005 B10, 2019-2022 maturities		
7/1/2015	ER716342	Bond Call: 2005 B10, 2016-2018 maturities		
6/29/2015	ER713827	Bond Call: RACM 2005A (MPS Congress Craig Fratney)		
6/26/2015	ER712870	Official Statement RACM 2015A MPS QSCB		
6/4/2015	EP687877	Failure to file CAFR, City by June 30		
5/26/2015	EP685340	OS Series 2015 T4		
5/26/2015	EP685338	OS Series 2015 N2 B3		

(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, 2011

			CAFR (1)	
Date	Submission ID	Description of Filing	City	MPS
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	
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		

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2011

			CAFR (1)	
Date	Submission ID	Description of Filing	City	MPS
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		

(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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APPENDIX D

Official Notice of Sale and Bid Form

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OFFICIAL NOTICE OF SALE AND
OFFICIAL BID FORM

FOR

$180,000,000

CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2016 M8
(Not a general obligation of the City)

"Bids for Series 2016 M8 Notes"

Sale Data:

SALE DATE AND TIME:

Thursday, October 6, 2016
10:00 a.m. Central Time

PLACE OF ACCEPTANCE FOR SEALED BIDS:

City of Milwaukee
Office of the City Comptroller
City Hall, Room 404
200 E. Wells St.
Milwaukee, Wisconsin 53202
Bids will also be accepted electronically via PARITY

OFFICIAL NOTICE OF SALE

$180,000,000

CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2016 M8
(Not a general obligation of the City)

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed and electronic bids until 10:00 A.M., Central Time, on Thursday, the

6TH DAY OF OCTOBER, 2016

at the Office of the City Comptroller, in said City, for the purchase of One Hundred Eighty Million Dollars ($180,000,000) School Revenue Anticipation Notes, Series 2016 M8 (the "Notes"). Sealed bids should be delivered to City Hall, Room 404, 200 E. Wells St., Milwaukee, Wisconsin. Electronic bids must be submitted via PARITY through its competitive bidding application BidComp. Sealed bids will be opened, electronic bids will be retrieved, and all bids will be publicly announced in City Hall, Room 404, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event PARITY is not accessible during the 30 minutes prior to the time bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the City's Public Debt Commission scheduled for 4:00 P.M. Central Time on October 6, 2016. *Information regarding the Notes is furnished solely to provide limited summary information, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in the Preliminary Official Statement, including Appendices.*

Details of the Notes

The expected date of delivery is October 20, 2016 (the "Expected Date of Delivery"). The Notes will be dated as of the Expected Date of Delivery, will bear interest payable on April 1, 2017 and at maturity. The Notes will mature on October 1, 2017. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to redemption prior to maturity.

Bid Parameters

Partial Bids: Bidders may bid for all of the Notes or part of the Notes. No bid for less than $10,000,000 principal amount at a particular interest rate will be entertained, and all bids must be in multiples of $10,000,000. Coupons: Bidders are required to name the interest rate or rates the Notes are to bear. Such rates shall be no greater than 5.00%, and be in multiples of one-eighth of one percent or one-twentieth of one percent. **Minimum/Maximum Price:** No bid at less than par value, nor more than 105.0% of par value, plus accrued interest, if any, will be considered.

Good Faith Deposit

Bids must be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified check or a cashier's check drawn on a state or national bank or trust company in the amount of one-half of one percent of the par value of the maximum amount of Notes bid for, payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder(s) as liquidated damages should such bidder(s) fail to provide an Issue Price certificate and/or take up and pay for the Notes when ready. The deposit of the successful bidder(s) will be retained by the City and deducted from the purchase price at the time of closing.

The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid(s) to be accepted. In the event of an award of less than all of the Notes included in a bid, the City shall, promptly, issue to such successful bidder(s) a check representing the amount of good faith deposit in excess of one-half of one percent of the amount of the Notes awarded. All bids shall remain firm until 6:00 P.M. Central Time on the sale date. A meeting of the Public Debt Commission of the City is scheduled for 4:00 P.M. Central Time on the sale date at which time the official award of the Notes will be made or all bids rejected.

Good Faith Deposit Submitted After Bids Are Due – Terms and Conditions: Bidders may elect to provide a Deposit (one-half of one percent (0.50%) of the par value of the amount of Notes won) after the time Bids are due, subject to the following conditions:

1. Submission of a bid without providing a Deposit prior to the time bids are due, in consideration for the City considering the bid, the bidder shall be deemed to have consented to these additional terms for Good Faith Deposit Submitted After Bids Are Due.

2. The highest bidder(s) shall provide the City a Deposit by cashier's check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) payable to the City by 1:00 P.M., Central time ("Due Time") on the date bids are open.

3. Failure to provide a Deposit by the Due Time may (at the City's option) result in the bid being rejected, and the City will negotiate with the next highest bidder(s) for the completion of the transaction.

4. The bidder agrees that, in addition to the general terms for the Good Faith Deposit, the Deposit amount represents liquidated damages for the City in the event that the high bidder fails to provide the Deposit by the Due Time. The City shall be entitled to the liquidated damages even if the City rejects the bid due to failure to provide the Deposit by the Due Time, and regardless of whether, and upon what terms, the City is able to complete the transaction with another bidder. The bidder agrees to reimburse the City for costs to collect the liquidated damages, and to the jurisdiction of Wisconsin courts.

Award

The Notes will be awarded to the qualified bidder or combination of bidders offering the lowest true interest cost to the City. The City's computation of true interest cost of each bid will be controlling. True interest cost can be estimated as follows: the present value rate necessary to discount, to the Purchase Price (hereinafter defined), the future debt service payments from the payment dates to the Expected Date of Delivery, calculated on the basis of a 360-day year of twelve 30-day months, and with semi-annual compounding. The "Purchase Price" is principal, plus premium, plus accrued interest to the Expected Date of Delivery. The City reserves the right to reject any or all bids or to waive any irregularity in any bid.

In awarding the Notes, the City may accept a bid in a principal amount less than the principal amount bid. If only part of the Notes bid for are awarded to a bidder, the premium offered, if any, shall be prorated. If any two or more bids shall be equal, the City shall determine by lot, which bid to accept.

The winning bid or bids will be reported to PARITY, but the City assumes no responsibility or liability for auction results posted on such website.

Submission of Bids

Sealed proposals for the purchase of said Notes must be made using the Official Bid Form or, if submitted electronically via PARITY, in accordance with the requirements prescribed by this Official Notice of Sale. For bidders submitting their electronic bid via PARITY, please refer to your contract/agreement with PARITY regarding any requirements for participation. If more than one bid, either through the same method or through more than one method, shall be submitted by the same bidder for any part of the Notes, each such bid shall be considered a separate proposal for purchase of such part.

Any prospective bidder intending to submit an electronic bid must submit its electronic bid via PARITY through their competitive bidding application BidComp. By submitting an electronic bid, the bidder agrees:

1. The City may regard the electronic transmission of the bid via PARITY (including information about the purchase price for the Notes and interest rate or rates to be borne by the

Notes and any other information included in such transmission) as though the same information were submitted on the Official Bid Form and executed on behalf of the bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Official Bid Form, this Official Notice of Sale, and the information transmitted through PARITY shall form a contract, and the bidder shall be bound by the terms of such contract.

2. To comply with the rules of PARITY, in the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Official Bid Form and this Official Notice of Sale, the terms set forth in the Official Bid Form and this Official Notice of Sale shall control.

3. That the bidder is solely responsible for making necessary arrangements to access PARITY. The City shall not have any duty or obligation to provide or assume such access. PARITY is not an agent of the City. The City shall have no liability whatsoever based on the bidders use of PARITY, including, but not limited to any failure by PARITY to correctly or timely transmit information provided by the bidder.

The City assumes no responsibility or liability for bids submitted through PARITY. The City also assumes no responsibility for the accuracy of information on the City's Notes presented by, nor of calculations performed by, nor of restrictions on the entry of bids enforced by, PARITY. If any provisions in this Official Notice of Sale conflict with information provided by PARITY, this Official Notice of Sale shall control. The City's computation of true interest cost of each bid will be controlling.

An electronic bid shall be deemed an irrevocable offer to purchase the Notes on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facility being the sole risk of the prospective bidder.

For purposes of both the sealed bid process and the electronic bid process, the time as maintained by the City shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the City. All bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

Bids may be submitted electronically via PARITY pursuant to this Official Notice of Sale, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 404-8102. The fee for use of PARITY may be obtained from PARITY, and such fee shall be the responsibility of the bidder.

Payment and Delivery of the Notes

Payment for the Notes shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Notes will be delivered on or about Thursday, October 20, 2016, or as soon thereafter as the Notes may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

The Notes, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. A certificate for each interest rate for each maturity will be issued to DTC and immobilized in its custody. Individual purchases will be made in Book-Entry-Only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of $5,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their ownership of the Notes purchased. The successful bidder(s) shall be required to deposit the Notes with DTC as a condition to delivery of the Notes. The City will make payment of the principal and interest on the Notes to DTC or its nominee as registered owner of the Notes. Transfer of said payments to participants of DTC will be the responsibility of DTC; transfer of said payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by rules and procedures of DTC and the participants. No assurance can be given by the City that DTC, its participants and other nominees of beneficial owners will make prompt transfer of said payments. The City assumes no liability for failures of DTC, its participants or other nominees to promptly transfer said payments to beneficial owners of the Notes. Notices, if any, given by the City to DTC are redistributed in the same manner as are payments. The City assumes no liability for the failure of DTC, its participants or other nominees to promptly transfer said notices to the beneficial owners of the Notes. The City is not responsible for supervising the activities or reviewing the records of DTC, its participants or other persons acting through such participants. In the event that the securities depository relationship with DTC for the Notes is terminated and the City does not appoint a successor depository, the City will prepare, authenticate and deliver, at its expense, Notes in fully registered certificated notes in the denomination of $5,000 or any integral multiple thereof in the aggregate principal amount of Notes of the same maturity and interest rate then outstanding as directed by the registered owners of the Notes.

Issue Price Certificate

In order for the City to comply with certain conditions of the Internal Revenue Code relating to the exclusion of interest on the Notes from gross income for Federal tax purposes, the successful bidder will be required to complete, execute, and deliver to the City a certification regarding "Issue Price". Each bidder, by submitting its bids, agrees to complete, execute and deliver such certificate if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts, necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel. We anticipate the Issue Price Certificate to be similar to the following:

> We hereby certify that as of _____, the date on which the Notes were sold by the Issuer (the "Sale Date"), all of the $___,000,000 principal amount of Notes purchased by ______ the "Lot __ Notes" were offered and the first 10 percent or more of the Lot __ Notes were actually sold to the General Public for money in a bona fide public offering at the initial offering price of $_____ (the "Issue Price"), which does not exceed the fair market value of the Lot ___ Notes as of the Sale Date. On this basis, we have determined the Issue Price of the Lot ___ Notes to be $_____.
>
> For purposes of this certificate, "General Public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers.
>
> It is understood by the undersigned that the certifications contained in this certificate will be relied upon by the Issuer and Bond Counsel in determining that the Notes are tax-exempt under Section 103 of the Internal Revenue Code of 1986.

Authorization, Security, and Conditions of Delivery

The Notes have been approved by a resolution adopted by the Common Council of the City. 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 the interest thereon. The Notes are being issued pursuant to the provisions of Section 67.12(1), Wisconsin Statutes, for the purpose of financing the operating budget of the Milwaukee Public Schools (the "MPS") on an interim basis pending receipt of school state aid payments due in June, 2016. In accordance with the authorization contained in a resolution adopted by the School Board, MPS and the City have irrevocably pledged all revenues of the School Operations Fund included in the budget for the current fiscal year which are due MPS, which have not been received as of the date of delivery of the Notes, and which are not otherwise pledged or assigned, as security for repayment of the Notes. Such pledge is on parity with other obligations of MPS. In accordance with the authorization contained in said resolution adopted by the School Board, the City has authorized and directed the proper City officers to segregate within the School Operations Fund the school state aid payments received under Section 121.15, Wisconsin Statutes, in June, 2017 in the principal amount of the Notes. In addition, the City has pledged available surplus revenues in its Debt Service Fund to the payment of interest on the Notes.

The Notes are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado Zimmerman SC, Wauwatosa, Wisconsin, Bond Counsel, which opinions, together with the completed Notes, will be furnished to the successful bidder(s) at the expense of the City. The form of such opinion appears as Appendix B in the Official Statement.

The successful bidder(s) will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of said Notes. The Preliminary Official Statement is in a form which the City "deems final" as of September 29, 2016 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). Within seven days of the award of the Notes, each successful bidder will be provided with an electronic copy of the Final Official Statement in pdf format and up to 10 printed copies of the Final Official Statement without cost. It is anticipated that CUSIP identification numbers will be included on the Notes, but neither the failure to include such numbers on any Notes nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Note or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

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. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Notes, to provide in a timely manner notice of certain events with respect to the Notes. Notice of the occurrence of certain events with respect to the Notes will be provided to the Municipal Securities Rulemaking Board.

The successful bidder(s) may, at its option, refuse to accept the Notes if prior to their delivery, any income tax law of the United States of America shall provide that the interest on such Notes is includable or shall be includable at a future date in gross income for federal income tax purposes, and in such case the deposit made by them will be returned and they will be relieved of their contractual obligations arising from the acceptance of their proposal.

The City understands that, from time to time, it is advantageous to take bond insurance into account when submitting a bid. Bond insurance is at the sole discretion and risk of the bidder(s). The use of bond insurance will require insurance related certifications by the bidder in the Issue Price certificate. The City will assist in the reoffering of the Notes with insurance by including bidder provided bond insurance information in the Final Official Statement. However, the City does not have the authority to enter into agreements with the bond insurer. The successful bidder(s) do not have the option to refuse delivery of the Notes due to bond insurance related issues.

Additional information may be obtained from the undersigned City Comptroller upon request.

MARTIN MATSON
City Comptroller and Secretary
Public Debt Commission
City Hall, Room 404
200 E. Wells St.
Milwaukee, WI 53202

By order of the Commissioners of the
Public Debt of the City of Milwaukee
CRAIG KAMMHOLZ, Chairperson
BERNARD J. ALLEN, Member
PETER ARMBRUSTER, Member

COMMISSIONERS OF THE PUBLIC DEBT

September 29, 2016

OFFICIAL BID FORM
(Electronic Bids also accepted via PARITY – See the Official Notice of Sale)

CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2016 M8
(Not a general obligation of the City)
$180,000,000 maturing on October 1, 2017

October 6, 2016

Commissioners of the Public Debt
City Comptroller's Office
City Hall, Room 404
200 E. Wells St.
Milwaukee, Wisconsin 53202

Commissioners:

We offer to purchase the School Revenue Anticipation Notes, Series 2016 M8 (the "Notes") of the City of Milwaukee, Wisconsin, in the principal amount(s) set forth below, described in the Official Notice of Sale, dated September 29, 2016 of said Notes, which Official Notice of Sale is by reference incorporated herein, and made a part of the bid described herein.

The Notes shall bear interest at the following rate(s) per annum (on a 30/360 day basis), and we will pay you par value and accrued interest to the date of delivery (plus a premium, if any), as shown:

	Principal Amount ($10,000,000 minimum)*	Interest Rate**	Premium *** (if any)
Bid A:	$____________	_____._____%	$__________________
Bid B:	$____________	_____._____%	$__________________
Bid C	$____________	_____._____%	$__________________
Bid D:	$____________	_____._____%	$__________________
Bid E:	$____________	_____._____%	$__________________

* Bids in excess of $10,000,000 must be in multiples of $10,000,000.
** Interest rate must be no greater than 5.0%, and in multiples of 1/8 or 1/20 of one percent.
*** Not to exceed 5.0% (105.0% price) of the Principal Amount.

This bid is made for prompt acceptance and subject to the conditions of the Official Notice of Sale. As required by the Official Notice of Sale, enclosed herewith is a certified check or a cashier's check drawn on a state or national bank or trust company, or a Financial Surety Bond, for one-half of one percent of the maximum amount of the Notes bid for as a good faith deposit, payable to the City Treasurer of the City of Milwaukee, which deposit is to be promptly returned to us if our bid is not accepted, but otherwise to be applied in accordance with the Official Notice of Sale. We understand that in the event the Commission awards to us part of the Notes subject to the bids described herein, it will refund a pro rata share of the selected good faith deposit.

By: ____

Phone Number: ______________________________

____
Company Name

No addition, alteration or change is to be made to the form of this bid.

MILWAUKEE
PUBLIC SCHOOLS

Start. Stay. Succeed.
Comienza. Quédate. Triunfa.