PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 14, 2018

NEW ISSUE	**RATINGS:**	**Fitch**	**S&P**
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 "alternative minimum taxable income." Interest on the Notes is not exempt from Wisconsin income taxes.

$180,000,000
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES
SERIES 2018 M10

(Not a general obligation of the City)

Dated: Expected Date of Delivery **Due:** September 30, 2019

The School Revenue Anticipation Notes, Series 2018 M10 (the "*Notes*") are issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in the principal amounts of $5,000 or any integral multiple thereof and will be in book-entry-only form. Purchasers will not receive certificates representing their beneficial ownership in the Notes. Interest shall be payable at maturity. The Notes are not a general obligation of the City, do not constitute an indebtedness for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or the interest thereon. The Notes are not subject to redemption prior to maturity.

MATURITY SCHEDULE

Maturity	Amount	Rate	Yield	CUSIP(1) Base 602424
September 30, 2019	$180,000,000			

The Notes are issued for the purpose of financing 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 14, 2018 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 11, 2018 (the "*Expected Date of Delivery*") in New York, New York.

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

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

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

ELECTRONIC BIDS FOR THE NOTES WILL BE RECEIVED
UNTIL 10:00 A.M. (CENTRAL TIME) ON TUESDAY, SEPTEMBER 25, 2018

September , 2018

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 2018 M10 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 2018 M10.
Dated Date:	Expected Date of Delivery.
Sale Date and Time:	Tuesday, September 25, 2018, Until 10:00 A.M. C.T.

Principal Amounts, Interest Rates and Yields:

Principal Amount	Interest Rate	Yield

Maturity Date:	September 30, 2019
Interest Payment Date:	September 30, 2019
Interest:	Calculated on a 30/360 day basis.
Denominations:	$5,000 or integral multiples thereof.
Purpose:	To finance MPS operations on an interim basis pending receipt of school State Aid payments.
Security:	MPS and the City have pledged and will irrevocably segregate upon receipt, school State Aid payments in an amount sufficient with interest thereon, to pay, when due, the principal of and interest on the Notes. MPS and the City have also pledged all other revenues of the School Operations Fund included in the budget for the current fiscal year that are due MPS, that have not been received as of the date of delivery of the Notes, and that are not otherwise pledged or assigned. The City has also pledged available surplus revenues of the City's Debt Service Fund to the payment of interest on the Notes. (See **"THE NOTES – Security and Purpose"** herein.) The Notes are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or interest thereon.

Authority for Issuance:	The City of Milwaukee Common Council and the Milwaukee Board of School Directors ("*MBSD*") have authorized the issuance and sale of the Notes in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes.	
Form of Issuance:	The Notes will be issued in fully registered "*Book-Entry-Only Form*" in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York which will act as security depository for the Notes. (See **"BOOK-ENTRY-ONLY SYSTEM"** herein.)	
Tax Exemption:	Under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing "alternative minimum taxable income." Interest on the Notes is not exempt from Wisconsin income taxes. (See **"TAX STATUS"** herein)	
Redemption Feature:	The Notes are not subject to redemption prior to maturity.	
Official Statement:	The City will provide each original purchaser of the Notes with an electronic copy of this Official Statement within seven business days following the award of the Notes.	
Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois Hurtado Zimmerman SC Wauwatosa, Wisconsin
	Financial Advisor:	PFM Financial Advisors LLC Milwaukee, Wisconsin
Record Date:	September 27, 2019	
Delivery:	Delivery will be on or about October 11, 2018 (the "*Expected Date of Delivery*") at the expense of the City, through the facilities of The Depository Trust Company ("*DTC*"), New York, New York.	
Reoffering:	The public reoffering price(s) and/or yield(s) of the Notes are detailed on the cover of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes, the City will provide an executed copy of its Continuing Disclosure Certificate. (See "*Continuing Disclosure*" and **APPENDIX C – Form of Continuing Disclosure Certificate** herein.)	

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

THE NOTES

Authority

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

Pursuant to a resolution adopted on June 28, 2018 (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 May 30, 2018 (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 2019 and 2018"** 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, 2018, and in March, June, and July 2019. 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 $240 million will occur in November of 2018 due to MPS receiving the majority of State Aid and property tax revenues between December 2018 and June 2019, which is not until the last seven months of the MPS fiscal year. In contrast to the timing of the State Aid and property tax revenues, MPS expenditures are relatively evenly distributed throughout the school year (See the summary presented under the caption **"MILWAUKEE PUBLIC SCHOOLS – School Operations Fund Monthly Cash Flow Summary"** herein). In September of 2018, a $50 million draw on the City's line of credit was made for cash flow purposes, which will be repaid from State Aid and property tax collections in December of 2018.

This Note issue of $180 million is the anticipated final interim borrowing for MPS during the 2018-2019 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 2019 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 2019 State Aid in the principal amount of the Notes. The City Treasurer has no discretion to otherwise apply such revenues.

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

Maturity, Interest Rates and Redemption

The Notes are dated the Expected Date of Delivery and will mature on September 30, 2019 in the principal amount of $180,000,000 without option of prior redemption. Interest is payable at maturity at the rates as shown on the cover of this Official Statement and is calculated on a 30/360 day basis.

Statutory Borrowing Limitations

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the Notes to sixty percent (60%) of the Estimated School Operation Fund Revenues for 2018-2019 Fiscal Year.

Total Amount of Estimated School Operations Fund Revenues For the 2018-2019 Fiscal Year	$989,267,124
Statutory Borrowing Limit (60% of Estimated Revenues)	593,560,274
Borrowing-School Revenue Anticipation Notes, Series 2018 M10 and Line of Credit	230,000,000
Unused Amount Following this Issue	$363,560,274
Percentage of Borrowing Limit Used	39%
Percentage of Borrowing to Estimated Revenues	23%

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 September 1, 2018

Year Ending December 31	Principal (1)	Interest (2)	Total
2018	$ 925,000	$ 349,206	$ 1,274,206
2019	10,147,218	5,204,779	15,351,996
2020	9,312,862	5,342,468	14,655,330
2021	5,953,688	5,086,194	11,039,883
2022	6,289,545	5,891,036	12,180,581
2023	6,109,301	5,692,902	11,802,204
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
	$55,297,613	$34,776,410	$90,074,023

(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 September 15, 2018

Equalized Value of Taxable Property in the City		$28,340,400,600
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,417,020,030
General Obligation Debt Outstanding subject to 5% Limit as of 9/15/18	$1,040,795,000	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 9/15/18		$1,040,795,000
Total Debt Margin for City Borrowing (in Dollars)		$376,225,030
As a percentage		26.6%
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$566,808,012
General Obligation Debt Outstanding subject to 2% Limit as of 9/15/18	$7,928,962	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 9/15/18		$7,928,962
Total Debt Margin for School Purpose Borrowing (in Dollars)		$558,879,050
(As a percentage)		98.6%

History of Equalized Valuation in the City of Milwaukee
(2014-2018)

Levy Year	Collection Year	Equalized Valuation	Percent Increase/Decrease
2014	2015	$26,138,108,100	0.19%
2015	2016	25,980,469,600	-0.60
2016	2017	27,042,046,500	4.09
2017	2018	26,903,884,900	-0.51
2018	2019	28,340,400,600	5.34

BORROWING-REVENUE BONDS

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

Neighborhood Schools Initiative

Beginning in 2002, RACM issued bonds to partially finance and refinance the initial cost of providing approximately 750,000 square-feet of additional classroom capacity for MPS, in order to implement the Neighborhood Schools Initiative and for related activities of MPS (the "*NSI Revenue Bonds*"). No additional new money bonds may be issued under the authorizing statute. The NSI Revenue Bonds have a pledge of certain transportation aid from the State. The NSI Revenue Bonds do not constitute general obligations of MPS or the City and shall not constitute or give rise to a charge against the City's taxing powers. The schedule of remaining debt service payments on the NSI Revenue Bonds is as follows:

Redevelopment Authority of the City of Milwaukee
Neighborhood School Initiative Revenue Bonds
Annual Debt Service Payments as of September 1, 2018

Year Ending June 30	Debt Service Payments
2019	$ 936,650
2020	9,419,800
2021	9,702,800
2022	9,079,750
2023	9,668,400
2024	10,113,300
Total	$48,920,700

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' obligation under the lease may be terminated on an annual basis by MPS if MPS fails to budget and appropriate for lease payments.

Redevelopment Lease Revenue Bonds. Since 2015, RACM has issued five series of Redevelopment Lease Revenue Bonds in the aggregate principal amount of $129,118,000 and loaned the proceeds to MPS to fund certain remodeling, renovation and equipping projects at MPS schools. The following table sets forth the required rental payments (subject to certain credits) under each MPS lease in respect of the required remaining principal and interest on these Redevelopment Lease Revenue Bonds:

Lease Revenue Bonds
as of September 1, 2018

Year Ending	Principal (1)		Interest	Sinking Fund		Total	Direct Payment Entitlement (5)
6/30/2019	$ 1,415,000		$ 4,537,126	$ 1,461,538		$ 7,413,664	$2,132,975
6/30/2020	1,995,000		4,475,538	1,661,538		8,132,077	2,132,975
6/30/2021	2,060,000		4,409,163	1,721,538		8,190,702	2,132,975
6/30/2022	2,130,000		4,334,988	1,741,538		8,206,527	2,132,975
6/30/2023	2,215,000		4,241,888	1,741,538		8,198,427	2,132,975
6/30/2024	3,800,000	(1)	4,128,263	1,741,538		9,669,802	2,132,975
6/30/2025	12,445,000	(2)	4,008,888	1,361,538	(4)	17,815,427	2,132,975
6/30/2026	2,570,000		3,883,513	1,661,538		8,115,052	2,132,975
6/30/2027	2,695,000		3,751,888	1,661,538		8,108,427	2,132,975
6/30/2028	8,268,000	(3)	3,611,165	(138,462)	(4)	11,740,703	2,132,975
6/30/2029	6,875,000	(3)	3,460,636	1,461,538		11,797,175	2,132,975
6/30/2030	7,025,000	(3)	3,303,846	1,461,538		11,790,385	2,132,975
6/30/2031	7,185,000	(3)	3,139,306	1,461,538		11,785,845	2,132,975
6/30/2032	7,355,000		2,966,516	1,461,538		11,783,055	2,132,975
6/30/2033	7,530,000		2,785,101	1,461,538		11,776,640	2,132,975
6/30/2034	3,510,000		2,607,095	1,461,538		7,578,633	2,100,125
6/30/2035	3,685,000		2,433,379	1,461,538		7,579,917	2,032,850
6/30/2036	3,865,000		2,251,087	1,461,538		7,577,626	1,962,313
6/30/2037	4,055,000		2,059,854	1,461,538		7,576,393	1,888,400
6/30/2038	0		1,961,940	1,461,538		3,423,478	1,850,600
6/30/2039	0		1,961,940	1,461,538		3,423,478	1,850,600
6/30/2040	0		1,961,940	1,461,538		3,423,478	1,850,600
6/30/2041	38,000,000		1,961,940	(36,538,462)	(4)	3,423,478	1,850,600
	$128,678,000		$74,237,004	$(4,384,615)		$198,530,388	

(1) Mandatory Tender date for $1,470,000 2016C QZAB. 11/15/51 final maturity.
(2) Mandatory Tender date for $10,000,000 2017B QSCB (Tax Credit). 11/15/50 final maturity.
(3) Mandatory Tender dates for $24,933,000 2017C QSCB (Tax Credit). 11/15/50 final maturity.
(4) Assumes use of accumulated sinking fund to meet Mandatory Tender and Maturity requirements.
(5) Amount MPS is entitled to receive of direct payment from the US Treasury for reimbursement of interest paid on its 2015 QSCB and 2016B QECB Bonds. The amount is subject to sequestration.

Pension Obligation Bonds

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

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

over 1-Month LIBOR for the life of the 2003 Series D Pension 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 September 1, 2018

Year Ending June 30	Loan Payments
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

The publication of LIBOR is scheduled to be discontinued for securities paid in U.S. Dollars by the end of 2021. The 2003 Series D Pension Bonds and the Interest Rate Exchange Agreements are all based upon LIBOR. The City and MPS are monitoring the situation and are waiting until a replacement index is widely in use before amending the related agreements.

Borrowing –Qualified Zone Academy Projects

In December, 2001, MPS entered into an $8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003, respectively, MPS entered into a $4,979,000 Lease and Deferred Payment Agreement (2002 QZAB Project), and a $2,650,000 Lease and Deferred Payment Agreement (2003 QZAB Project), respectively. In December 2005, MPS entered into a $2,021,000 Lease and Deferred Payment Agreement (2005 QZAB Project) and in December, 2006, entered into a $1,078,100 Lease and Deferred Payment Agreement (2006 QZAB Project) for the purpose of constructing certain improvements to, and purchasing and installing certain equipment for use at, various MPS schools.

MPS entered into the pre-2016 QZAB Agreements with each investor, under which MPS has made sufficient annual impoundment payments to date, so that no future payments are due from MPS. The QZAB maturities range from 2015 to 2022. MPS has fulfilled all of its financial obligations with respect to its pre-2016 QZAB Agreements.

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

Borrowing – Future Financing

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

Board of School Directors

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

Name	District	Term Expiration
Mark Sain (*President*)	District 1	2019
Larry Miller (*Vice President*)	District 5	2021
Wendell J. Harris, Sr.	District 2	2019
(Vacant)	District 3	2019
Annie Woodward	District 4	2021
Luis A. Báez, Ph.D.	District 6	2021
Paula Phillips	District 7	2021
Carol Voss	District 8	2019
Terrence Falk	At-Large	2019

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

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

Public Services and Facilities

In the 2017-18 school year, MPS had approximately 75,567 full-time students attending 160 school programs within approximately 142 school buildings. The average age of the MPS buildings is approximately 67 years, however, significant investment was made in upgrading many of these buildings in the 1970's and 1980's and by the Neighborhood Schools Initiative in 2002-2006.

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

MPS did not close any school buildings in the 2017-2018 fiscal year.

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

Enrollment

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

Average Student Membership*

School Year	MPS	MPCP	Charter Schools	Total
2016-2017	78,652	26,913	7,526	113,091
2015-2016	78,173	26,470	8,807	113,454
2014-2015	80,437	25,745	8,413	114,595
2013-2014	81,744	24,776	7,964	114,484
2012-2013	81,752	23,789	7,459	113,000
2011-2012	82,982	22,220	6,863	112,065
2010-2011	84,422	20,256	7,159	111,837
2009-2010	85,239	20,372	6,124	111,735
2008-2009	87,137	19,428	5,296	111,861
2007-2008	89,110	18,558	5,487	113,155
2006-2007	92,224	17,088	4,830	114,142
2005-2006	94,973	14,604	4,489	114,066
2004-2005	96,874	14,071	4,066	115,011
2003-2004	98,338	12,882	3,601	114,821
2002-2003	98,987	11,304	3,360	113,651
2001-2002	99,054	10,497	2,046	111,597

* Membership can be generally defined as resident enrollment adjusted for FTE.

Employee Relations

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

The Collective Bargaining Agreements ("*Agreements*") between the MPS and substitute teachers and Local 950 (Operating Engineers) expired on June 30, 2012. Agreements with the Psychologists' Association in the Milwaukee Public Schools, and the Administrators and Supervisors Council expired on June 30, 2013.

The Agreements with the Milwaukee Teacher's Education Association, accountants/bookkeepers, and educational assistants will expire on June 30, 2019.

Under Wisconsin law, negotiations may only be conducted with certified collective bargaining units and are limited to the issue of base wages. For issues outside of base wages, MPS has created and implemented an employee handbook that covers all MPS employees.

Insurance

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

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

Effective January 1, 2015, MPS approved providing post-Medicare benefits to eligible retirees through a fully-insured Medicare Advantage plan. This fully-insured Medicare Advantage plan provides comparable benefits to the current self-insured PPO/Indemnity and EPO plans; however 2018 premium rates are 70% lower than the monthly premium for the EPO plan, 69% lower than the monthly premium for the PPO/Indemnity Plan, and 67% lower than the HDHP plan.

Life insurance benefits are provided for active and retired employees through a variable funding life insurance program. Life insurance costs that exceed certain rates are funded by MPS. All benefit eligible employees receive life insurance valued at one times annual base salary. Effective July 1, 2018, MPS discontinued offering to pay long-term disability, and now provides a voluntary (employee paid) long-term disability insurance program.

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 $16,898,453 recorded in the School Operations Fund and $3,952,900 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2017.

Investment Policies

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

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

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

The LGIP is a local option municipal depository. The City utilizes the LGIP in a manner similar to a "*money market*" account. When other investment options provide more favorable returns, such options are utilized. As of December 31, 2017, the City had approximately 37% ($182 million) of its and MPS' investments deposited in the LGIP.

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

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

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

REVENUES OF MILWAUKEE PUBLIC SCHOOLS

Sources of Funding

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

Local Property Tax

Property taxes levied on behalf of MPS by the City account for a significant portion of the School Operations Fund revenues available to MPS. For fiscal year 2017-18, MPS' share of levy produced $248,209,808 of the total revenues to the School Operations Fund. MPS' 2018-19 School Operations Fund Revenues are budgeted at $991,537,218 of which City ad valorem property taxes are estimated at $240,410,083.

Milwaukee Public Schools
Property Tax Levies
All Funds
(2012-2017)

Levy Year	Collection Year	Taxes Levied
2012	2013	$300,605,082
2013	2014	299,450,235
2014	2015	302,278,544
2015	2016	300,634,166
2016	2017	281,169,165
2017	2018	272,114,388

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

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

Assessment of Property – The City Tax Commissioner's staff of assessors and appraisers annually conducts appraisals in order to determine the full (fair market) value of all non-manufacturing taxable real property and full cash value of all taxable personal property within MPS as of January 1st. Real property is divided into classes for taxation purposes. In cities there are four classes of real estate: (1) Residential; (2) Commercial; (3) Manufacturing; and (4) Agricultural.

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

Assessed valuation represents the value upon which ad valorem property taxes are levied. Wisconsin law requires that assessed values in any taxation district be established within 10% of "*full value*," as determined by the Department of Revenue, at least once during each four year period ending with the current year. If a district fails to meet this criterion in any year, the district's assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2017, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was 100.20 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, Milwaukee Area Technical College 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 2017 levies (collected in 2018) were as follows (amounts in millions):

City of Milwaukee	$273.5
Milwaukee Public Schools	272.1
Milwaukee County	128.2
State of Wisconsin	0
Milwaukee Metropolitan Sewerage District	43.8
Milwaukee Area Technical College District	31.9

The net tax rate for all taxing jurisdictions was $27.30 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 2018 will be collected in 2019. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 equal installments not later than the last day of each month from January to October without interest or penalty. Personal property taxes may be paid in 10 equal installments on the last day of each month from January to October without interest or penalty. First installments which are not timely paid within the prescribed time bear interest at the rate of 1% per month until paid, plus 0.5% of the tax with interest from February 1. The City Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to MPS on a monthly basis from January through May and any balance of the annual levy remaining on June 30 is remitted to MPS by June 30th of each year.

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

State Aid

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

Aid to High Poverty Districts

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

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

State Aid-General Aid

Equalization Aid

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

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

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

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

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

Annual Revenues Per Pupil

	Statewide			Milwaukee		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Revenue per Pupil	$13,031	$13,137	$13,459	$14,599	$15,058	$14,925
Federal share (%)	7.5	7.1	7.2	16.4	15.3	16.2
State share (%)	45.7	45.5	46.2	55.2	55.0	56.6
Local share (%)	46.8	47.4	46.6	28.4	29.7	27.2

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 prohibited 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, more aid will be distributed through the equalization formula. Under the 2015-2017 biennial budget, it is possible that a four-year-old kindergarten pupil participating in the program in the 2015-16 school year could continue in the program through high school up through the 2028-29 school year. Funding for the program is being phased out annually such that the amount will be $0 in the 2022-2023 school year. Pursuant to Section 121.85(6)(a), (am) and (ar) of the Wisconsin Statutes, as long as the NSI Revenue Bonds are outstanding, integration aid base amounts for a particular school year will not be less than $32,919,256 (the "*Minimum Base Amount*"). MPS currently expects to receive the Minimum Base Amount annually through the 2022-2023 school year.

State Aid-Categorical Aid

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

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

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

a) children in children's homes;

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

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

School library aid paid from the common school fund under Article 10, sections 4 and 5 of the Wisconsin Constitution and Section 43.70 of the Wisconsin Statutes, is distributed on the basis of the number of children between age 4 and 20 residing in the district as of June 30 of the year before payments are made. School library aid payments to MPS for 2017-18 were $4,732,921 or $30.22 per child.

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

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

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

Milwaukee Parental Choice Program

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City that meets all public school health and safety laws and codes, complies with federal nondiscrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement. Beginning in the 1996-97 school year, no more than 15% of the school district's membership may attend private school under Wisconsin Statute 119.23. In 2006 Wisconsin Act 125 increased the limit of participants to 22,500 students. In June 2011 Wisconsin Act 32 eliminated the enrollment cap on the MPCP and increased the family income limitation for student eligibility. Upon proof of a pupil's enrollment in the private school, the State Superintendent provides a proportionate share of basic and supplemental State school aids. The private school choice program was further expanded under 2013 Wisconsin Act 20, which created a Statewide private school choice program. Prior to 2013-14, the reduction to the general aid for MPS was equal to 45% of the estimated cost of the choice program. After consideration of the city choice levy aid, the MPS aid reduction was 38.4% of the program in 2012-13. Under 2013 Wisconsin Act 20, the MPS aid reduction is further decreased. Beginning in the 2013-14 school year and annually thereafter, the aid reduction equals a percentage determined by subtracting 3.2 percentage points from the percentage in the previous school year. This establishes a 12-year phase-out of the MPS aid reduction, after which the program will be fully State funded. In the 2017-18 school year, the MPCP was funded 22.4% from a reduction in state general aid to MPS.

In September 2017 there were 126 private schools participating in the MPCP, with a total enrollment of 28,702 students or 27,856.8 full-time equivalent in the program.

Federal School Aid

In addition to State Aid, MPS receives federal aids for specific school programs. For the 2016-17 school year, total federal aids to MPS, including food services revenues of $52,362,261, was $196,850,758. A portion of this amount was received after the end of the 2017 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 2016-17 school year increased by $7,569,713. Property tax revenues for general school purposes decreased by $8,122,618.

Total expenditures increased $29,182,038 in 2016-17 over the previous year. Expenditures for instructional services were 59.09% 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

	2017 Year End	2016 Year End	2015 Year End	2014 Year End
Revenues				
Property tax levy	$277,702,427	$285,825,045	$288,078,016	$287,372,653
Other local sources	28,893,749	24,196,458	18,377,886	15,950,922
Microsoft Settlement Refunds	–	5,918,672	–	1,557,605
State aid:				
Equalization aid	516,742,805	509,173,092	505,323,745	500,659,964
Special classes	48,340,685	50,423,437	53,338,018	53,565,720
Integration	33,145,802	31,692,817	32,247,348	33,522,834
Other state aid	67,231,882	58,271,730	59,520,486	51,928,558
Federal aid:				
Education Consolidation Improvement Act	76,904,906	68,908,095	77,649,649	89,387,237
Erate Refunds	4,237,974	9,682,625	–	–
Other federal aid	40,292,639	42,859,924	47,828,746	48,292,464
Intergovernmental Aid from City of Milwaukee				
Miscellaneous	848,568	1,100,712	1,103,886	506,273
Interest and investment earnings	5,269,364	4,309,635	2,835,798	2,433,869
Total Revenues	1,099,610,801	1,092,362,242	1,086,303,578	1,085,178,099
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	369,393,609	339,332,220	346,521,378	350,611,296
Regular and other curriculum	137,132,552	136,707,351	137,364,946	140,829,291
Special curriculum	140,994,226	147,768,628	158,171,616	162,317,985
Total instructional services	647,520,387	632,808,199	642,057,940	653,758,572
Community services	29,120,113	27,347,401	29,162,858	26,962,332
Pupil and staff services	120,557,578	114,359,927	116,865,100	110,843,729
General and school building administration	112,522,003	111,159,224	99,027,539	99,204,832
Business services	171,711,067	163,928,809	158,380,747	160,757,139
Debt Service:				
Principal	–	–	–	575,000
Interest	–	–	295,744	208,662
Bond Issuance Cost	–	–	3,258	–
Capital outlay	14,409,748	26,055,298	12,158,899	9,345,079
Total Expenditures	1,095,840,896	1,066,658,858	1,057,952,085	1,061,655,345
Excess of revenues over (under) expenditures	3,769,905	25,703,384	28,351,493	23,522,754
Other Financing Sources (Uses)				
Insurance Proceeds	–	173,962	843,560	–
Proceeds from sale of assets	845,053	30,649	–	4,140
Transfers in (out)	(42,705,879)	(25,245,686)	(28,350,899)	(23,694,603)
Total Other Financing Sources(uses)	(41,860,826)	(25,041,075)	(27,507,339)	(23,690,463)
Net Change in Fund Balances	(38,090,921)	662,309	844,154	(167,709)
Fund balance - beginning of year	80,299,143	79,636,834	78,792,680	78,960,389
Fund balance - end of year	42,208,222	80,299,143	79,636,834	78,792,680

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 2019 and 2018

	2018-2019 Budget (1)	2017-2018 Budget (2)
Revenues (3)		
Locally Generated:		
Property Tax Levy	$240,410,083	$248,209,808
Nutrition	650,000	650,000
Other Local Sources	14,667,908	14,566,534
Subtotal	255,727,991	263,426,342
State Aid:		
Equalization Aid	513,861,703	523,855,062
Special Education	47,500,000	49,240,500
Integration	30,361,511	30,368,152
Nutrition	980,000	950,000
Other	74,536,836	57,567,712
Subtotal	667,240,050	661,981,426
Federal Aid:		
School Nutrition Commodities & Federal Indirect	51,026,000	49,900,000
Other	15,273,083	14,854,248
Subtotal	66,299,083	64,754,248
Total Revenues	989,267,124	990,162,016
Plus Use of Surplus	2,270,094	–
Total Sources of Funds	$991,537,218	$990,162,016
Expenditures (3)		
Instructional Services	$563,619,187	$556,652,817
Support Services	427,918,031	433,509,199
Total Expenditures	$991,537,218	$990,162,016
Summary		
Total Revenues and Use of Surplus	$991,537,218	$990,162,016
Total Expenditures	991,537,218	990,162,016
Difference	$ –	$ –

(1) Initial Fiscal Year 2019 School Operations Fund Budget approved May 2018.
(2) Final Fiscal Year 2018 School Operations Fund Budget approved October 2017.
(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 2018-2019. 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
2017-18 Actual Results (Unaudited)
2018-19 Projected
(Millions of Dollars)

2017-18 Actual Results

	Beginning	Receipts	Disbursements	Ending
July, 2017	18.958	30.215	76.620	(27.447)
Aug	(27.447)	22.818	69.968	(74.597)
Sept	(74.597)	134.441 (1)	78.924	(19.080)
Oct	(19.080)	200.352 (2)	144.774 (3)	36.498
Nov	36.498	20.475	98.946	(41.973)
Dec	(41.973)	239.068	144.528	52.567
Jan, 2018	52.567	91.943	87.677	56.833
Feb	56.833	73.590	97.405	33.018
Mar	33.018	212.343	116.545	128.816
Apr	128.816	47.571	86.683	89.704
May	89.704	35.770	97.539	27.934
Jun	27.934	336.852	344.500 (4)	20.286

(1) Includes $50,000,000 of Line of Credit.
(2) Includes $180,000,000 of 2017 RANs.
(3) Includes repayment of Line of Credit.
(4) Includes repayment of 2017 RANs.

2018-2019 Projected

	Beginning	Receipts	Disbursements	Ending
July, 2018	20.286	35.031	70.854	(15.537)
Aug	(15.537)	25.045	81.688	(72.180)
Sept	(72.180)	138.092 (1)	77.900	(11.988)
Oct	(11.988)	200.917 (2)	104.190	84.739
Nov	84.739	33.111	127.633	(9.783)
Dec	(9.783)	227.675	165.517 (3)	52.375
Jan, 2019	52.375	100.169	84.146	68.398
Feb	68.398	69.920	100.088	38.230
Mar	38.230	194.395	105.227	127.398
Apr	127.398	46.606	91.962	82.042
May	82.042	37.716	132.556	(12.798)
Jun	(12.798)	347.414	313.127 (4)	21.489

(1) Includes $50,000,000 of Line of Credit.
(2) Includes $180,000,000 of 2018 RANs.
(3) Includes repayment of Line of Credit.
(4) Includes repayment of 2018 RANs.

Milwaukee Public Schools
School Operations Fund Cash Flow Projection
July 1, 2018 - June 30, 2019
(Millions of Dollars)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	20.286	(15.537)	(72.180)	(11.988)	84.739	(9.783)	52.375	68.398	38.230	127.398	82.042	(12.798)	
RECEIPTS													
Property Taxes	–	–	–	–	–	75.000	59.630	24.041	7.212	12.021	7.212	55.294	240.410
Integration Aid	–	–	–	–	–	–	–	–	–	–	–	30.362	30.362
Computer Aid	7.230	–	–	–	–	–	–	–	–	–	–	–	7.230
State Aid	–	–	–	–	–	–	–	–	–	–	–	–	
Equalization Aid	8.765	–	75.761	–	–	126.269	–	–	126.269	–	–	176.798	513.862
Other	–	–	–	–	7.125	8.575	11.490	7.125	36.698	4.100	–	39.694	114.807
Categorical Aid	8.747	19.633	5.505	3.131	14.689	3.509	11.912	25.865	11.132	15.910	17.024	29.393	166.450
Nutrition	2.692	1.218	0.508	1.080	1.638	6.334	9.643	4.354	5.777	5.807	5.388	8.217	52.656
Local Revenues	0.731	0.970	4.009	0.887	1.879	1.164	0.670	0.796	0.483	1.944	0.312	0.823	14.668
Other Local Receipts	2.309	2.309	2.309	2.309	2.309	2.309	2.309	2.309	2.309	2.309	2.309	2.318	27.717
Reimbursed QSCB Interest	–	0.915	–	–	0.956	–	–	0.915	–	–	0.956	–	3.742
GASB 45	4.557	–	–	13.510	4.515	4.515	4.515	4.515	4.515	4.515	4.515	4.515	54.187
Short-term Debt	–	–	50.000		–	–	–	–	–	–	–	–	50.000
Note Proceeds	–	–	–	180.000	–	–	–	–	–	–	–	–	180.000
Total Receipts	35.031	25.045	138.092	200.917	33.111	227.675	100.169	69.920	194.395	46.606	37.716	347.414	1,456.091
DISBURSEMENTS													
Salaries and Benefits	17.518	30.846	66.944	68.576	102.375	68.116	66.899	68.566	68.570	67.253	102.375	38.021	766.059
Services & Supplies	48.326	48.435	8.558	15.765	14.799	25.288	10.484	24.760	29.897	17.949	19.701	78.926	342.888
Other Local Expenses	1.340	2.397	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	2.398	27.717
GASB 45	–	–	–	17.451	4.362	4.362	4.362	4.362	4.362	4.362	4.362	4.362	52.347
Debt Service	3.670	0.010	–	–	3.699	15.353	0.003	0.002	–	–	3.720	9.420	35.877
Short-term Debt	–	–	–	–	–	50.000	–	–	–	–	–	–	50.000
Note Repayment												180.000	180.000
Total Disbursements	70.854	81.688	77.900	104.190	127.633	165.517	84.146	100.088	105.227	91.962	132.556	313.127	1,454.888
Balance	(15.537)	(72.180)	(11.988)	84.739	(9.783)	52.375	68.398	38.230	127.398	82.042	(12.798)	21.489	

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

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	18.958	(27.447)	(74.597)	(19.080)	36.498	(41.973)	52.567	56.833	33.018	128.816	89.704	27.934	
RECEIPTS													
Property Taxes						76.342	68.323	23.526	6.389	10.695	6.705	56.229	248.209
Integration Aid												30.368	30.368
Computer Aid	7.125												7.125
State Aid													
Equalization Aid	8.808		76.185			129.790			128.734			180.228	523.746
Other					6.933	6.889	9.346	8.539	48.182	4.733		12.339	96.961
Categorical Aid	6.281	19.768	5.244	3.549	8.450	6.636	1.215	31.332	18.043	15.752	16.446	33.079	165.795
Nutrition	1.846	0.107	0.599	1.321	0.008	10.598	5.282	4.362	5.118	5.538	4.271	5.236	44.286
Local Revenues	0.258	0.108	0.361	0.179	0.119	1.267	0.098	0.448	0.385	3.290	0.167	0.429	7.110
Other Local Receipts	1.340	2.387	1.721	0.897	1.849	1.234	1.198	2.096	1.414	1.508	3.756	13.974	33.375
Reimbursed QSCB Interest						0.911		0.915			1.872		3.698
GASB 45	4.557	0.448	0.331	14.406	3.116	5.401	6.481	2.373	4.076	6.055	2.552	4.969	54.765
Short-term Debt			50.000										50.000
Note Proceeds				180.000									180.000
Total Receipts	30.215	22.818	134.441	200.352	20.475	239.068	91.943	73.590	212.343	47.571	35.770	336.852	1,445.437
DISBURSEMENTS													
Salaries and Benefits	17.486	30.790	66.822	68.451	67.992	102.188	66.777	68.441	68.445	67.130	69.389	70.748	764.659
Services & Supplies	52.675	36.787	10.304	8.239	21.907	21.706	15.063	21.962	41.790	13.390	15.472	65.764	325.059
Other Local Expenses	1.340	2.387	1.721	0.897	1.849	1.234	1.198	2.096	1.414	1.508	3.756	13.974	33.374
GASB 45	1.449			17.187	4.688	5.042	4.631	4.906	4.896	4.655	4.661	4.860	56.975
Debt Service	3.670	0.004	0.077		2.510	14.358	0.008	–			4.261	9.154	34.042
Short-term Debt Repayment				50.000									50.000
Note Repayment												180.000	180.000
Total Disbursements	76.620	69.968	78.924	144.774	98.946	144.528	87.677	97.405	116.545	86.683	97.539	344.500	1,444.109
Balance	(27.447)	(74.597)	(19.080)	36.498	(41.973)	52.567	56.833	33.018	128.816	89.704	27.934	20.286	

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 591,076 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
2017	591,076		Not Available
2016	594,667		$39,885
2015	595,787		39,931
2014	596,993		37,340
2013	596,500		37,300
2012	595,425		35,770
2011	595,525		34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
2008	590,870		33,160
2000	605,572	596,974	32,370

Sources: U.S. Census and the Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Policy. 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 2013-2017.

Value of Permits

Year	Residential	Commercial	Public	Other	Total
2017	$ 33,624,270	$778,690,826	*	*	$812,315,096
2016	111,299,399	81,464,755	$35,892,602	$187,592,531	416,249,287
2015	82,597,322	58,724,198	21,178,391	141,262,948	303,762,859
2014	20,520,362	320,611,159	31,118,208	167,503,559	539,753,288
2013	52,352,607	83,584,379	24,248,685	108,824,727	269,010,398

Permits Issued

Year	Residential	Commercial	Public	Other	Total
2017	2,180	1,364	*	*	3,544
2016	46	29	202	1,608	1,885
2015	39	31	252	2,003	2,325
2014	53	49	314	2,041	2,457
2013	60	42	147	1,975	2,224

* In 2017, the City implemented a new computer system for the issuance and recording of permit data. The new system combines Public and Other into the Residential and Commercial categories.

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	2018 Approximate Employment
Advocate Aurora Health	Health Care System	27,599
Froedtert Health	Health Care System	11,820
Ascension Wisconsin	Health Care System	8,656
GE Healthcare	Health Care Technologies	6,000
Medical College of Wisconsin	Private Medical School	5,941
Children's Hospital and Health System	Health Care System	5,170
Northwestern Mutual	Insurance, Investment Products	5,000
Rockwell Automation Inc.	Industrial Automation Products	4,000
Goodwill Industries of SE Wisconsin Inc.	Training Programs, Retail, & Food Service	3,925
U.S. Bank	Banking Services	3,700
WEC Energy Group Inc.	Electric & Natural Gas Utility	3,342
BMO Harris Bank	Bank Holding Company	3,000
The Marcus Corp.	Theaters and Hotel Properties	2,969
FIS	Banking and Payments Technology	2,950
Marquette University	University	2,855
Harley-Davidson Inc.	Motorcycles & Accessories	2,697
Potawatomi Hotel & Casino	Hotel & Casino	2,611
Johnson Controls International	Control Systems, Batteries & Auto Interiors	2,600
Sendik's Food Market	Retail Supermarkets	1,808
Wells Fargo	Banking & Financial Services	1,766
Robert W. Baird & Co. Inc.	Asset Management and Capital Markets	1,567
Briggs & Stratton Corp.	Small Gasoline Engines	1,555
Rexnord Corp.	Power Transmission Equipment	1,500
MillerCoors LLC	Beer Brewery	1,400
Milwaukee Brewers Baseball Club	Professional Sports	1,392
Direct Supply Inc.	Shipping & eCommerce	1,171
Patrick Cudahy LLC	Manufacturer of Processed Meats	1,149
Brady Corp.	Manufacturer of Identification Materials	1,094
Cargill Meat Solutions	Food Distribution	1,032

Source: Milwaukee Business Journal, as of August 17, 2018.

EMPLOYMENT AND INDUSTRY

During 2017, the City's unemployment rate averaged approximately 4.6%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2013 through 2017.

Annual Unemployment Rates
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2017	4.6%	3.5%	3.3%	4.4%
2016	5.6	4.3	4.0	4.9
2015	6.6	4.9	4.5	5.3
2014	7.9	5.8	5.4	6.2
2013	10.1	7.2	6.7	7.4

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

Recent Monthly Unemployment Rates
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
June, 2018	4.9%	3.9%	3.4%	4.0%

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 2017 Estimated Equalized Valuations

Northwestern Mutual Life Ins.	$376,304,535
US Bank Corp.	234,938,283
Mandel Group	179,605,996
Juneau Village/Prospect Tower/Katz Properties	124,100,977
Forest County Potawatomi Community	107,281,572
Metropolitan Associates	106,325,521
Jackson Street Holdings	103,298,227
Marcus Corp/Milw City Center/Pfister	101,820,952
411 E Wisconsin – FMC Investment Opportunities	92,186,720
Irgens	86,092,852

Source: City of Milwaukee, Assessor's Office January 2018.

BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization*" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has S&P Global Ratings rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

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

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

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

LEGAL MATTERS

Litigation

MPS and its directors, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. MPS maintains Commercial General Liability Insurance, Umbrella General Liability Insurance and School Teachers Error and Omissions Insurance. Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation or its officers, officials or employees for acts performed in their official capacity to $50,000 in tort liability in non-automobile cases and, under Section 345.05(3) of the Wisconsin Statutes, $250,000 in automobile cases.

The City Attorney's Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of $1 million, existing on September 1, 2018.

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

- ***U.S. Bank N.A. v. City of Milwaukee***. U.S. Bank alleges its 2014 and 2015 assessments are excessive and has requested a refund in the amount of $5.3 million. A trial was held in July, 2018, and the parties are awaiting a decision. U.S. Bank has also filed a new lawsuit against the City in regard to its 2016 and 2017 assessments and has requested a refund of $2.7 million.

- ***Marathon Petroleum Company LP et al v. City of Milwaukee***. This action involves the 2008-2014 assessments of oil terminal property. The taxpayers have requested a tax refund of approximately $3,200,000 plus interest. The City was successful at trial, and the taxpayers appealed. The Wisconsin Court of Appeals issued an opinion affirming the trial court's decision in favor of the City. The plaintiff has filed a petition for review with the Wisconsin Supreme Court and that petition remains pending.

- ***Wisconsin and Milwaukee Hotel, LLC v. City of Milwaukee***. This action involves the 2014 and 2015 assessments of the downtown Marriott Hotel. Wisconsin and Milwaukee have requested a refund in the amount of approximately $980,000 plus interest. In July, 2018, the Milwaukee County Circuit Court issued a decision affirming the City's assessments for the years 2014 and 2015. The plaintiff may appeal the ruling. Wisconsin and Milwaukee has also filed a new lawsuit in regard to its 2016 assessment and requested a refund of $775,325 plus interest and costs.

- ***U.S. Venture v. City of Milwaukee***. This action involves the 2015 assessment of oil terminal property. U.S. Venture has requested a refund in the amount of approximately $860,000 plus interest. U.S. Venture has also added a claim to its lawsuit in regard to its 2016 assessment and requested a refund of $944,000.

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 alternative minimum taxable income. 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 in computing the corporate alternative minimum tax (but only for tax years beginning in 2017) the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the 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. Except as discussed below, within the previous five years, the City has not failed to comply in any material respect with its Undertakings.

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, through June 30, 2017, the City failed to strictly comply with the 6-month time period for filing its Annual Financial Information and updating certain information on the sewerage system that does not significantly change from year to year. The last issue with a Pre-2003 Undertaking matures on June 15, 2019.

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.

The City has contracted with Lumesis to utilize its DIVER Issuer Disclosure Management service which tracks the City's disclosure obligations, provides alerts for filings due and provides the City a semi-annual analysis of disclosure filings made by the City against the disclosure obligations. The most recent semi-annual review was completed in September of 2018. The Official Notice of Sale (see **Appendix D**) includes a CD Lookback analysis.

RATINGS

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Notes will be purchased at competitive bidding conducted on September 25, 2018.

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

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

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

/s/
____

Martin Matson
City Comptroller and Secretary
City of Milwaukee, Wisconsin

_______________, 2018

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APPENDIX A

Audited Annual Financial Report of
the Milwaukee Public Schools
for the Year Ended June 30, 2017

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

INTRODUCTORY SECTION

Pages iii - xviii Omitted

The June 30, 2017 financial statements of Milwaukee Public Schools have been audited by Baker Tilly Virchow Krause, LLP and they have issued their opinion dated December 21, 2017.

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

<Form of the Independent Auditor’s Report>

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milwaukee Public Schools, Wisconsin, as of and for the year ended June 30, 2017, 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, Milwaukee Public Schools adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 86, *Certain Debt Extinguishment Issues* effective July 1, 2016. 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 required supplementary information 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 supplementary information as listed in the table of contents is 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2017 on our consideration of Milwaukee Public Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milwaukee Public Schools's internal control over financial reporting and compliance.

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, 2017. The intent of the management discussion and analysis is to look at the financial performance of MPS as a whole. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

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

- Total net position of MPS decreased to ($175.7 million) at June 30, 2017, from ($79.4 million) at June 30, 2016, a decrease of approximately $96.4 million, or 1.21%. This decrease is primarily due to *GASB Statement No. 68*, *Accounting for Pensions* which accounted for $54.7 million of the decrease, early implementation of *GASB 86 – Certain Debt Extinguishment* for $29.5 million and $10 million of medical insurance cost.

- Total revenues increased to $1.189 billion in fiscal year 2017 (FY17), up from $1.179 billion in fiscal year 2016, an increase of approximately 0.3% or $10 million. The increase is primarily attributable to $7.7 million in categorical per pupil aid.

- Total expenses increased to $1.285 billion, from $1.188 billion for the year ended June 30, 2016, an increase of 8.2% or $97 million. This increase primarily attributable to *GASB Statement No. 68, Accounting for Pensions* which accounted for $54.7 million of the increase, early implementation of *GASB 86 – Certain Debt Extinguishment* for $29.5 million and $10 million of medical insurance cost.

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

- Total fund balances of the District's governmental funds increased $9.6 million in fiscal year 2017. This increase included a $38.1 million decrease in the General Fund, a $41.1 million increase in the Construction Fund, a $6.6 million increase in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.

- The $38.1 million decrease in the General Fund balance is the result of $13.1 million *GASB 86-Certain Debt Extinguishment* implementation, $10 million of medical insurance cost, $7.5 million for Regional Development Plan and $4 million for chrome books.

- The $41.1 million increase in the Construction fund balance is mainly the result of $56.2 million of issuance of debt for Energy Efficiency improvements, offset by project construction costs.

- The $6.6 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, 2017 were $139.1 million. Of this amount, $6.8 million was nonspendable, $97.4 million was restricted for self-insurance, debt service, flex spending, school nutrition services, long term capital investment and capital projects, $3.7 million was committed for construction, $2.8 million was assigned, and $28.4 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
- Statement of Changes in Net Pension Liability and related ratios
- Statement of Changes in Net OPEB Liability and related ratios
- Schedule of Investment Returns

Management's Discussion and Analysis section discusses the financial performance of MPS during the year ending June 30, 2017. It includes an overview of the financial statements of the District and a report on the budgetary highlights.

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

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

Table 1

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

	Government-Wide Statements	Fund Statements: Governmental Funds	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. Schedules shows the District's progress toward funding its *past* service liability, employer contributions that focuses on payment of *current* pension fund costs, Statement of Changes in Liabilities and ratios and a schedule of investment returns.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

Total net position decreased from the prior year by $96.4 million. This decrease is primarily due to *GASB Statement No. 68*, *Accounting for Pensions* which accounted for $54.7 million of the decrease, early implementation of *GASB 86 – Certain Debt Extinguishment* for $29.5 million and $10 million of medical insurance cost.

MPS ended its fiscal year with a net position of ($175.7) million, of which $521.3 million was net investment in capital assets and ($697.0) million was unrestricted deficit. The unrestricted deficit is primarily the result of a $545.1 million OPEB liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability, which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of $168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2017 the balance of the outstanding pension debt is $188.9 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		
	2017	**2016**	**Difference**
Capital assets, net	$ 645,602	$ 632,475	$ 13,127
Noncapital assets and deferred outflows of resources	469,250	636,268	(167,018)
Intangible assets	12,214	15,812	(3,598)
Total assets and deferred outflows of resources	1,127,066	1,284,555	(157,489)
Current liabilities	89,009	125,208	(36,199)
Noncurrent liabilities and deferred inflows of resources	1,213,804	1,238,720	(24,916)
Total liabilities and deferred inflows of resources	1,302,813	1,363,928	(61,115)
Net position (deficit):			
Net investment in capital assets	521,306	500,042	21,264
Restricted	-	14,369	(14,369)
Unrestricted (deficit)	(697,052)	(593,784)	(103,268)
Total net position (deficit)	$ (175,746)	$ (79,373)	$ (96,373)

Capital Assets increased by $13.1 million. The increase is the net result of Construction in Progress decreasing by $6.5 million, Buildings, and Furniture increasing by $38.9 million, and Accumulated Depreciation increasing by $19.3 million.

Notable changes in Noncapital Assets is the result of *GASB Statement No. 68, Accounting for Pensions* which accounted for $106.3 million of the increase and Deferred Cash Flow Hedges-Unrealized Loss on Derivatives is reported as the District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, a decrease in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position. For the reporting period, all the District's derivatives met the effectiveness test. The noncurrent asset component of the increase in fair value is $23.7 million and the noncurrent asset component is $50.1 million.

Current liabilities decreased $36.2 million in the current year. This is primarily due to $32 million reduction in accounts payable and other liabilities.

A notable change in Noncurrent liabilities is the result of $23.7 million decrease in derivative instruments.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2017 with a decrease in net position of $96.4 million, compared to a decrease of $8.7 million in fiscal year 2016.

Table 3

Schedule of Revenues and Expenses

(in thousands)

	Governmental Activities		
	2017	**2016**	**Difference**
Program revenues:			
Charges for services	$ 23,042	$ 19,548	$ 3,494
Operating grants and contributions	286,305	265,979	20,326
Capital grants and contributions	16,065	16,348	(283)
Total program revenues	325,412	301,875	23,537
General revenues:			
Property taxes	281,169	300,634	(19,465)
Other taxes	841	810	31
Federal and state aid	578,845	570,219	8,626
Interest and investment earnings	1,322	4,349	(3,027)
Gain on sale of capital assets	-	333	(333)
Miscellaneous	1,071	1,020	51
Total general revenues	863,248	877,365	(14,117)
Total revenues	1,188,660	1,179,240	9,420
Expenses:			
Instruction	724,642	681,195	43,447
Community services	31,771	27,789	3,982
Pupil and staff services	150,133	128,939	21,194
General administration	125,109	112,899	12,210
Business services	180,855	169,413	11,442
School nutrition	49,625	50,101	(476)
Interest on long-term debt	22,490	17,652	4,838
Bond issuance cost	408	9	399
Total expenses	1,285,033	1,187,997	97,036
Increase (decrease) in net position	(96,373)	(8,757)	(87,616)
Net Position (Deficit)-Beginning of Year	(79,373)	(70,616)	(8,757)
Net Position (Deficit)-End of Year	$ (175,746)	(79,373)	(96,373)

Total revenues increased $9.4 million or 0.8% over the prior year. The greatest changes came in the area of Program–Operating grants and contributions. Operating grants and contributions increased by $7.7 million due to increase in categorical per pupil aid.

Total expenses increased by $97 million, or 8.2%. This increase is primarily attributable to *GASB Statement No. 68, Accounting for Pensions* which accounted for $54.7 million of the increase, early implementation of *GASB 86 – Certain Debt Extinguishment* for $29.5 million and $10 million of medical insurance cost.

Capital Assets

Table 4 shows that at June 30, 2017, MPS had $1.288 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of $32.9 million from the previous year. The primary driver of this increase is Buildings which rose $38 million.

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

Table 4

Change in Capital and Intangible Assets

(in thousands)

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital and intangible assets:				
Land	$ 31,106	$ —	$ 474	$ 30,632
Construction in progress	33,153	39,401	45,449	27,105
Buildings	1,065,391	45,449	7,473	1,103,367
Leasehold improvements	12,219	—	—	12,219
Furniture and equipment	52,342	1,425	497	53,270
Software	61,070	2,131	1,561	61,640
Total capital and intangible assets	1,255,281	88,406	55,454	1,288,233
Accumulated depreciation and amortization	(606,994)	(28,368)	(4,945)	(630,417)
Total Capital and intangible assets, net	$ 648,287	$ 60,038	$ 50,509	$ 657,816

Long-term Debt

Long-term debt at June 30, 2017 was $382.8 million with debt retirements totaling $65.1 million.

Table 5

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

	July 1, 2016	Issuances	Retirements	June 30, 2017
Governmental activities:				
Americans with Disabilities Act loans	$ 2,612	$ —	$ 587	$ 2,025
Neighborhood School Initiative bonds	70,059	32,316	44,856	57,519
Qualified School Construction Bonds	49,046		14,372	34,674
Qualified Zone Academy bonds	913	—	913	—
Pension refinancing debt	188,792	—	(90)	188,882
Capital leases	38,000	56,185	2,923	91,262
Other intergovernmental debt	9,920	—	1,508	8,412
Total debt	$ 359,342	$ 88,501	$ 65,069	$ 382,774

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. On June 29, 2017, the District, through RACM, issued $29,095,000 of Refunding Revenue Bonds for a current refunding of $31,865,000 of Series 2007 bonds callable on August 1, 2017. This resulted in a $3.0 million gain for the district over the life of the refunded debt. Approximately $44.9 million of NSI debt was retired in fiscal year 2017.

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 $913,095 in fiscal year 2017.

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 2017 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

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

In FY17 (December 1, 2016 and June 29, 2017) the District entered into $56,185,000 of new capital lease obligations to fund Energy Efficiency improvements, Culinary Academies, and Art Academies at various school facilities. The financing vehicle for the capital lease was lease revenue bonds issued through the Redevelopment Authority of the City of Milwaukee (RACM). $1,470,000 of the new leases were designated as Qualified Zone Academy Bonds (QZAB), tax credit bonds with interest on the debt paid by the IRS via tax credits to the lender, $6,275,000 of the new leases were designated as Qualified Energy Conservation Bonds (QECB), with interest partially reimbursed to the District by the federal government under current law.

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 Capital Projects Construction Fund.

- The year-end General fund balance decreased $38,090,921 over the prior year-end. The decrease in the General fund balance is the result of $13.1 million *GASB 86-Certain Debt Extinguishment,* $10 million of medical insurance cost, $7.5 million for Regional Development Plan and $4 million for chrome books.
- The increase in the Construction fund balance is the result of $56.2 million of issuance of debt for Energy Efficiency improvements, offset by project construction costs.
- The $6,648,123 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 2016, the MPS Board of School Directors (the Board) adopted the District's fiscal 2017 budget (July 1, 2016 – June 30, 2017). The adopted budget by necessity used a *projection* of the fiscal 2017 student enrollment. In October 2016, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2016, as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state general aids and property taxes, are predicated on actual MPS enrollment.

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

In October 2016, the Board approved a revised fiscal year 2017 (FY17) General Fund expenditure budget in the amount of $1,142,661,444. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY17 were over 97% of the FY17 revised General Fund budget.

Current Economic Facts and Next Year's Budget

In October 2017, the MPS Board approved a revised FY18 General Fund budget of $1,146,433,029. The FY18 budget includes prior year encumbrances and carryover appropriation authority and is up 0.3% from the FY17 General Fund Budget.

The District's revenue limit for FY18 is $822,405,065, a $3.3 million or 0.4% decrease below FY17. The FY18 revenue limit is based on prior year revenues, three-year enrollment trends and other factors determined by the biennial state budget process.

State general aids, primarily equalization aid, increased 1.7% to $549,888,607. Equalization aid is based on the following: (1) expenditures and enrollment of the prior year, (2) district property values, which the State considers to be a measure of community wealth. The MPS aid required for Milwaukee Parental Choice Program (MPCP) in FY18 is $48.6 million.

The MPS District-Wide FY18 Amended Adopted Budget totals $1,182,128,031. This is 1.2% less than the FY17 Amended Adopted Budget of $1,196,354,446. The decrease is due to FY17 construction fund borrowing that will not be replicated in FY18.

Approximately 90 cents of every dollar budgeted in the School Operations Fund has been allocated for educating the City of Milwaukee children. Education is provided through MPS traditional and charter schools, open enrollment or with MPS contracted schools. Six cents of every dollar budgeted has been allocated for non-school-based staff and services. The remaining four cents of every dollar are for costs that are necessary to run schools such as utilities, insurance, technology licenses and debt repayment.

District total enrollment, based on Third Friday September 2017 counts, is 82,004. This is down, 2% from FY17. Enrollment in the District's Traditional, Charter, and Non-Instrumentality Charter Schools enrollment is down 1.7% from FY17 to FY18.

The 2017-18 Budget reflects the district's ongoing commitment to fiscal responsibility and an emphasis on student achievement. Resources have been allocated to minimize the impact of reductions that would negatively impact instruction and support in the classroom. The district is expanding summer school as well as city-wide programs to serve youth in non-school hours.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

As of June 30, 2017

		Governmental Activities
Assets and Deferred Outflows of Resources		
Current Assets:		
Cash and investments (note 2)	$	56,825,590
Accounts receivable, net (note 3)		9,799,613
Due from other governments (note 3)		49,439,100
Inventory and other assets (note 1(g))		1,886,572
Prepaid items (note 1(g))		3,440,257
Total current assets		121,391,132
Noncurrent assets:		
Restricted cash and investments (note 1(d))		82,227,838
Deposits for self-insurance (note 1(l))		3,240,153
Capital assets not being depreciated (note 5)		57,736,955
Capital assets being depreciated, net (note 5)		587,865,349
Intangible assets not being amortized (note 5A)		626,293
Intangible assets being amoritized, net (note 5A)		11,587,522
Total noncurrent assets		743,284,110
Deferred outflows of resources:		
Deferred loss on refunding		788,554
Deferred cash flow hedges - unrealized loss on derivatives (note 7)		50,146,000
Related to pension - WRS		156,888,576
Related to pension - ERS		41,608,040
Related to pension - ASC & Teachers Supplementals		12,960,083
Total assets and deferred outflows of resources		1,127,066,495
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and other current liabilities		60,734,234
Accrued interest payable on long-term liabilities		923,290
Current portion of long-term obligations (note 7)		27,351,743
Total current liabilities		89,009,267
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		914,922,394
Net Pension Liability - WRS		21,852,710
Net Pension Liability - ERS		56,030,000
Net Pension Liability - ASC & Teachers Supplementals		83,384,646
Total noncurrent liabilities		1,076,189,750
Deferred inflows of resources:		
Deferred gain on refunding		43,953
Unearned revenue		5,489,781
Derivative instruments liability (note 7)		50,146,000
Related to pension - WRS		68,724,882
Related to pension - ERS		3,656,000
Related to pension - ASC & Teachers Supplementals		9,552,970
Total liabilities and deferred inflows of resources		1,302,812,603
Net Position (Deficit)		
Net investment in capital assets (note 1(p))		521,306,420
Unrestricted (Deficit)		(697,052,528)
Total net position (deficit)	$	(175,746,108)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2017

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	$	724,642,011	11,587,754	202,268,798	16,064,716	(494,720,743)
Support services:						
Community services		31,770,798	4,781,636	5,331,144	—	(21,658,018)
Pupil and staff services		150,132,613	—	17,860,161	—	(132,272,452)
General, administration, and central services		125,109,527	—	—	—	(138,806,374)
Business services		180,855,290	6,006,239	7,495,159	—	(153,657,045)
School nutrition services		49,625,471	666,619	53,349,946	—	4,391,094
Interest on long-term debt		22,489,948	—	—	—	(22,489,948)
Bond issuance costs		407,528	—	—	—	(407,528)
Total support services		560,391,175	11,454,494	84,036,410	—	(464,900,271)
Total school district	$	1,285,033,186	23,042,248	286,305,208	16,064,716	(959,621,014)

General revenues:		
Taxes:		
Property taxes levied for general purposes		257,702,427
Property taxes levied for construction		1,100,000
Property taxes levied for debt service		2,366,738
Property taxes levied for community services		20,000,000
Other taxes		840,809
Federal and state aid not restricted to a specific purpose:		
General (equalization aid)		516,742,805
Other		62,102,128
Miscellaneous		1,071,422
Interest and investment earnings		1,321,804
Total general revenues		863,248,133
Change in net position		(96,372,881)
Net position—Beginning of Year (deficit)		(79,373,227)
Net position—Ending of Year (deficit)	$	(175,746,108)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

As of June 30, 2017

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)	$	50,358,782	6,466,808	—	—	56,825,590
Receivables, net:						
Accounts (note 3)		9,551,231	248,382	—	—	9,799,613
Due from other governmental units (note 3)		44,964,174	—	1,845,575	2,629,351	49,439,100
Due from other funds (note 4)		—	7,559,347	10,844,613	—	18,403,960
Total receivables		54,515,405	7,807,729	12,690,188	2,629,351	77,642,673
Restricted cash and investments (note 1(d))		642,270	81,585,568	—	—	82,227,838
Inventories and other assets (note 1(g))		1,886,572	—	—	—	1,886,572
Prepaid items (note 1(g))		3,440,257	—	—	—	3,440,257
Deposits for self-insurance (note 1(l))		3,240,153	—	—	—	3,240,153
Total assets	$	114,083,439	95,860,105	12,690,188	2,629,351	225,263,083
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	$	23,305,518	10,336,857	1,164,134	100,671	34,907,180
Accrued salaries and wages		5,318,056	—	—	—	5,318,056
Accrued claims for self-insurance (note 8)		16,898,453	—	—	—	16,898,453
Accrued pension payable (note 9)		3,594,622	—	—	—	3,594,622
Other accrued expenditures		15,923	—	—	—	15,923
Due to other funds (note 4)		15,876,802	—	—	2,527,158	18,403,960
Total liabilities		65,009,374	10,336,857	1,164,134	2,627,829	79,138,194
Deferred inflow of resources (note 1(o))						
Unavailable revenue		1,577,872	—	—	—	1,577,872
Unearned revenue		5,287,971	200,000	288	1,522	5,489,781
Total deferred inflow of resources		6,865,843	200,000	288	1,522	7,067,653
Fund balances:						
Non-Spendable						
Noncurrent Receivable		1,482,010	—	—	—	1,482,010
Inventories and other assets		1,886,572	—	—	—	1,886,572
Prepaid items		3,440,257	—	—	—	3,440,257
Restricted:						
Self-insurance deposits		3,240,153	—	—	—	3,240,153
Debt service		642,270	—	—	—	642,270
Restricted for capital projects		—	78,832,821	—	—	78,832,821
School Nutrition Services		—		11,525,766	—	11,525,766
Flex Spending		292,095	—	—	—	292,095
Long Term Capital Investment Fund		—	2,752,746	—	—	2,752,746
Committed:						
Construction		—	3,737,681	—	—	3,737,681
Assigned for 2018 budget appropriation		2,810,155	—	—	—	2,810,155
Unassigned		28,414,710	—	—	—	28,414,710
Total fund balances		42,208,222	85,323,248	11,525,766	—	139,057,236
Total liabilities, deferred inflows of resources and fund balances	$	114,083,439	95,860,105	12,690,188	2,629,351	225,263,083

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

As of June 30, 2017

Total fund balances—governmental funds			$	139,057,236
Amounts reported for governmental activities in the statement of net position are different because:				
Refunding of debt (gains)/loss are capitalized at the government-wide level and amortized over the shorter of the remaining life of the old debt or life of the new debt				744,601
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	$	1,226,593,042		
Accumulated depreciation		(580,990,738)		
Net capital assets				645,602,304
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:				
Cost of intangible assets	$	61,640,002		
Accumulated amortization		(49,426,187)		
Net intangible assets				12,213,815
Deferred outflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds				211,456,699
Net Pension Liabilities used in the governmental activities are not financial uses and, therefore, are not reported as liabilities in the governmental funds				(161,267,356)
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				1,577,872
Deferred inflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds				(81,933,852)
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		(362,969,432)		
Bonds premium and discounts		(7,489,830)		
Discount on capital appreciation bonds		78,947,254		
Capital leases payable		(91,261,923)		
Accrued interest payable		(923,290)		
Compensated absences payable (vacation and sick leave)		(9,675,213)		
OPEB obligation		(545,087,042)		
Workers' compensation claims payable		(3,627,228)		
Self-insurance claims payable		(325,672)		
Life insurance benefits and other long-term liabilities		(785,051)		
Total long-term debt liabilities				(943,197,427)
Total net position—government activities (deficit)			$	(175,746,108)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2017

	General	Capital Projects Construction	Special Revenue School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property tax levy	$ 277,702,427	1,100,000	—	2,366,738	281,169,165
Other taxes	836,627	4,182	—	—	840,809
Lunchroom sales	—	—	666,617	—	666,617
Other local sources	28,057,122	2,147,808	1,100	—	30,206,030
State aid:					
Equalization aid	516,742,805	—	—	—	516,742,805
Special classes	48,340,685	—	—	—	48,340,685
Integration	33,145,802	—	—	—	33,145,802
Other state aid	67,231,882	194	986,586	—	68,218,662
Federal aid:					
Education Consolidation Improvement Act	76,904,906	—	—	—	76,904,906
School nutrition services	—	—	51,232,829	—	51,232,829
Erate refunds	4,237,974	—	—	—	4,237,974
Other federal aid	40,292,639	—	1,129,432	23,052,978	64,475,049
Miscellaneous	848,568	—	15,807	—	864,375
Interest and investment earnings	5,269,364	185,500	—	—	5,454,864
Total revenues	1,099,610,801	3,437,684	54,032,371	25,419,716	1,182,500,572
Expenditures:					
Current:					
Instructional services:					
Undifferentiated curriculum	369,393,609	—	—	—	369,393,609
Regular and other curriculum	137,132,552	—	—	—	137,132,552
Special curriculum	140,994,226	—	—	7,786,587	148,780,813
Total instructional services	647,520,387	—	—	7,786,587	655,306,974
Community services	29,120,113	—	—	—	29,120,113
Pupil and staff services	120,557,578	—	—	15,266,391	135,823,969
General and school building administration	112,522,003	—	—	—	112,522,003
Business services	171,711,067	2,032,826	—	—	173,743,893
School nutrition services	—	—	46,971,470	—	46,971,470
Capital Outlay	14,409,748	26,574,269	412,778	—	41,396,795
Debt Service:					
Principal	—	—	—	54,677,630	54,677,630
Interest	—	—	—	22,303,962	22,303,962
Bond administrative fees	—	—	—	407,528	407,528
Total expenditures	1,095,840,896	28,607,095	47,384,248	100,442,098	1,272,274,337
Excess of revenues over (under) expenditures	3,769,905	(25,169,411)	6,648,123	(75,022,382)	(89,773,765)
Other financing sources (uses):					
Transfers In (Out)	(42,705,879)	—	—	42,705,879	—
Refunding bond debt issued	—	—	—	29,095,000	29,095,000
Premium on debt issued	—	—	—	3,221,503	3,221,503
Long term debt issued	—	56,185,000	—	—	56,185,000
Contribution for capital improvements	—	7,200,317	—	—	7,200,317
Proceeds from the sale of capital assets	845,053	2,902,565	—	—	3,747,618
Total other financing sources (uses), net	(41,860,826)	66,287,882	—	75,022,382	99,449,438
Net change in fund balances	(38,090,921)	41,118,471	6,648,123	—	9,675,673
Fund balances:					
Beginning of year	80,299,143	44,204,777	4,877,643	—	129,381,563
End of year	$ 42,208,222	85,323,248	11,525,766	—	139,057,236

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, 2017

Net change in fund balances—total governmental funds		$ 9,675,673
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	$ 41,396,795	
Depreciation and amortization expense reported in the statement of activities	(28,368,153)	
Amount by which capital outlays are more than depreciation and amortization in the current period		13,028,642
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position		(3,499,736)
Bond sinking cost reported as asset at the government-wide level and reported as an expenditure for government funds		(11,561,538)
Refunding of debt (gains)/loss amoritzed in the current period		214,941
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		(1,682,641)
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 liabilities		34,459,385
Deferred outflows of resources related to pensions		(106,307,994)
Deferred inflows of resources related to pensions		17,189,427
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, notes and capital leases	(56,185,000)	
Refunded debt	(29,095,000)	
Premium on refunding	(3,221,503)	
Repayments:		
Bonds, notes and capital leases	36,309,028	
Refunded debt	31,865,000	
Net adjustment		(20,327,475)
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	2,918,356	
Accretion of interest on capital appreciation bonds	(3,660,729)	
Amortization of bond premium, discount and refunding deferred	556,387	
Net increase in compensated absences payable (vacation and sick pay)	(965,862)	
Net decrease in workers' compensation claims payable	1,039,679	
Net increase in OPEB liability	(28,908,855)	
Net decrease in life insurance benefits payable	1,459,459	
Net adjustment		(27,561,565)
Change in net position of governmental activities		$ (96,372,881)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2017

Assets		**Pension and Other Post Employment Benefits trusts**	**Private purpose trust**	**Agency**
Deposits with City of Milwaukee and other cash (note 2)	$	—	—	5,733,294
Investments (note 2)		—	1,617,967	—
Money market accounts		11,781,291	—	—
Fixed Income		39,163,694		
Equity Funds		69,054,770		
Mortgage-backed securities		65	—	—
Nongovernment obligations		5,233,254	—	—
Investment with the State of Wisconsin		186,309,178	—	—
Receivables-interest and contributions		2,708,569	—	—
Total assets		314,250,821	1,617,967	5,733,294
Liabilities				
Accounts payable and accrued expenses		7,161,397	—	—
Due to student organizations		—	—	5,733,294
Total liabilities		7,161,397	—	5,733,294
Net Position				
Net Position restricted for:				
Pensions		307,089,424	—	—
Endowments		—	1,617,967	—
Total net position	$	307,089,424	1,617,967	—

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2017

		Pension and Other Post Employment Benefits trusts	Private purpose trust
Additions:			
Employer contributions	$	43,616,154	—
Participants contributions		3,291,496	—
Private donations		—	171,715
Interest income		—	1,662
Investment income:			
Net investment from the State of Wisconsin:			
Core Retirement Investment Trust Fund		17,320,878	—
Variable Retirement Trust Fund		3,847,141	—
Realized Gains on Investments		2,325,985	—
Net investment income from other investments		1,906,492	—
Total investment income:		25,400,496	—
Investment expenses		(18,908)	—
Net investment income		25,381,588	—
Total additions		72,289,238	173,377
Deductions:			
Benefits paid to participant's or beneficiaries	$	76,617,935	—
Non-trust expenses		—	187,783
Distribution of participant contribution accounts		27,335	—
Administrative expenses		302,337	—
Scholarships and awards		—	38,500
Total deductions		76,947,607	226,283
Changes in net position		(4,658,369)	(52,906)
Net position—beginning of year		311,747,793	1,670,873
Net position—end of year		307,089,424	1,617,967

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

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

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

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

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

(b) Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

(c) Measurement Focus and Basis of Accounting

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

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

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

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

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

(d) Restricted Assets

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

(e) Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible accounts is reported at year-end for $949,113.

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 money market mutual funds, fixed income funds, equity funds, and investments in the State of Wisconsin Fixed Retirement Investment Trust Fund (Trust Fund). The fair value of investments in the Trust Fund is the same as the value of the pooled shares. Although not subject to direct regulators' oversight, the Trust Fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin State Statutes. Purchases and sales of securities are recorded on a trade-date basis. Net investment income in the Trust Fund consists of realized and unrealized gains and losses and investment income.

(g) Inventories, Other Assets and Prepaid Items

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

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

(h) Capital Assets and Intangible Assets

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

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

(i) Property Taxes

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

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

(j) Deferred Outflows of Resources

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

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

Gain/Loss on Refundings of Debt

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

(k) Compensated Absences

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

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

(1) Insurance Deposits

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a restriction of fund balance aggregating $3,240,153 at June 30, 2017 to provide for payment of future claims.

(m) Bond Premiums and Discounts

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

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

(n) Claims and Judgments

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

(o) Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. The deferred balances consist mainly of General Fund – primarily unavailable grant revenues of $1.4 million and available grants of $5.4 million plus long term receivable of $200,000 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, intangible assets, net of accumulated depreciation or amortization, 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.

Net investment in capital assets reported on the government wide Statement of Net Position on June 30, 2017 includes the following:

	Governmental Activities
Net investment in capital assets	
Land	$ 30,632,074
Construction in progress	27,104,881
Other capital assets, net of accumulated depreciation/amortization	600,079,164
Less: unamortized debt premium/discount	(7,489,830)
Less: related long-term debt outstanding (net of unspent proceeds of debt)	(129,764,469)
Add: unamortized loss/gain on refunding	744,600
Total net investment in capital assets	$ 521,306,420

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) & Employes' 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 June 2015, the GASB issued Statement No 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) Included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This standard was implemented July 1, 2016.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. This statement provides guidance for in-substance defeasance of debt and prepaid insurance related to that debt. The District made the decision to early implement this standard, effective July 1, 2016.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	$ 51,747,254	$ 48,985,692
Demand deposits	12,721,692	47,142,854
Money market funds	85,226,060	128,093,893
Fixed Income Funds	39,163,694	39,163,694
Equity Funds	69,054,770	69,054,770
Total Cash and Investments	$ 257,913,470	$ 332,440,903

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 56,825,590
Restricted cash and investments	82,227,838
Per statement of net position – Fiduciary Funds	
Private purpose trust	1,617,966
Other post employment benefits trust	111,508,782
Agency	5,733,294
Total Cash and Investments	$ 257,913,470

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit credit risk, MPS restricts the commitment of funds to only those investments authorized by Wisconsin State Statute 66.0603 and Chapter 881 including the following:

- Time deposits with maturities of not more than 3 years.
- Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- The state of Wisconsin local government pooled investment fund.
- Bonds or securities of any county, city, drainage district, vocational or technical college, village, town or school district in Wisconsin, local exposition district, local professional baseball park district, local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, local cultural arts district, or Wisconsin Aerospace Authority.
- Fully collateralized repurchase agreements.
- Any security that matures within 7 years and has a credit rating which is the highest or second highest rating assigned by Standard & Poor's corporation, Moody's investor service, or other similar nationally recognized rating agencies.
- No-load securities of open-end, registered, management investment companies or investment trusts investing in bonds and securities issued by or guaranteed by the federal government or a commission, board or other instrumentality of the federal government.

The District has funds invested in money market funds, fixed income and equity funds. $39,163,694 Fixed Income Funds are rated range from AAA to D/NR (Standard & Poors and Fitch). The $69,054,770 Equity Funds are rated 5 to 3 stars (Morningstar).

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, 2017, the District had the following investments, shown with their maturities.

Maturities (in Years)

Investment Type	Fair Value	Less Than 1
Fixed Income Funds	$ 39,163,694	$ 39,163,694
Equity Funds	69,054,770	69,054,770
	$ 108,218,464	$ 108,218,464

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 $47,142,854. Of the $47,142,854 bank balance, $1,860,224 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $45,282,630 was uninsured. MPS is a beneficiary of an Irrevocable Standby Letter of Credit (LC) with the Federal Home Loan Bank (FHLB) for $24,700,000. This Letter of Credit is for the benefit of the Milwaukee Public Schools and it is intended to collateralized deposit accounts that Milwaukee Public Schools has established at JPMorgan, which accounts are Public Unit Deposits as defined under applicable laws and regulations of the State of Wisconsin Balances that would exceed FDIC insurance, WI insurance, and the FHLB LC are collateralized through a deposit security agreement or have posted securities at 102% of the UST and Agency securities. However, the collateral and posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized. Therefore, $5,194,559 is uninsured and uncollateralized and $40,088,071 is uninsured and collateralized by securities held by a third party not in the District's name.

The money market funds total $128,093,893 of which $125,341,147 is uninsured and uncollateralized and $2,752,746 is uninsured and collateralized by securities held by a third party not in the District's name.

The remaining investments of fixed income funds and equity funds 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, 2017.

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

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

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

	June 30, 2017			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed Income Funds	$ 39,163,694	$ -	$ -	$ 39,163,694
Equity Funds	69,054,770	-	-	69,054,770
	$ 108,218,464	$ -	$ -	$ 108,218,464

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, 2017, the SWIB Core Fund strategic targets were 29% to U. S. Stocks, 41% to Fixed Income, 24% to International Stocks, 6% to Real Estate, and 9% to Alternative Investments. On June 30, 2017, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments.

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

A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2017 and the fair value at SWIB as of June 30, 2017.

Investment	**Duration (Years)**	**Fair Value**	
SWIB Core and Variable Funds	Details on SWIB fixed income investments as of 12/31/16 are included below.	$	43,773,428
Money market accounts (at BMO)	0.1	$	1,051,724
Mutual Funds (at BMO)	3.7	$	2,089,076
Mortgage Backed Securities	N/A	$	65

SWIB information provided within the accompanying financial statement is as of December 31, 2016. There has been no significant change in SWIB's investment strategies, asset allocations and investment pricing methods from December 31, 2016 to June 30, 2017. Based on SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2016 is a fair representation for June 30, 2017.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2016.

SWIB Investments	**Duration (Years)**	**Fair Value**
Asset Backed Securities	1.8	$ 28 Million
Commercial Paper	18 days	$ 217 Million
Corporate Bonds and Private Placements	6.0	$ 5,356 Million
Foreign Gov't/Agency Bonds	7.1	$ 4,288 Million
Municipal Bonds	9.6	$ 117 Million
Repurchase Agreements	3 days	$ 456 Million
US Government Agencies	4.1	$ 294 Million
US TIPS	7.5	$ 9,297 Million
U.S. Treasury Securities	5.2	$ 4,161 Million
US Treasury Short Positions	0.2	($ 55Million)
Commingled Funds	0.2 to 6.7	$11,183 Million

Note: On June 30, 2017, SWIB's Core Fund and Variable Fund had $94.7 billion and $7.4 billion in assets, respectively. As of June 30, 2017, the Plan's assets were invested 81% in the SWIB Core Fund, 11% in the SWIB Variable Fund, and 8% 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, 2016 and in the separate accounts managed by BMO on June 30, 2017. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2016	BMO 6/30/2017
P-1 or A-1	0%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	1%	67%
AA/Aa	41%	N/A
A	8%	N/A
BBB/Baa	7%	N/A
BB/Ba	3%	N/A
B	3%	N/A
CCC/Caa	1%	N/A
CC/Ca	N/A	N/A
C	N/A	N/A
D	N/A	N/A
Commingled Trusts & Mutual Funds***	32%	33%
Not-Rated	3%	0%

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

**As of December 31, 2013 and June 30, 2013 SWIB's holdings of UST and AGY are included in the "AA" category.

***Additional Information on the Fixed Income Commingled Funds in the SWIB portfolio is in the table labeled "Investments Measured at Net Asset Values.

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 and must be rated at least "B-" and above. Corporate securities rated"BB+" may not exceed 5% of the portflio's market value. Emerging market sovereign debt is limited to (a) securities that are rated "B-" or above and (b) debt of countries in the J.P. Morgan Emerging Market Bond Index Global Diversified; Emerging market corporate debt is limited to (a) securities that are rated "B-" or above and (b) issuers in the Bloomberg Barclays US Credit Index. Relative emerging market debt shall not exceed 10% 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 $551.6 million on December 31, 2016. In addition, SWIB held certificate of deposit which were covered by depository insurance with a fair value of $72.2 on December 31, 2016 In total, these deposits represented 0.65% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2016.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of counterparty to a transaction, SWIB will not be able to recover the value of investments that are in the possession of an outside party. The repurchase agreements held by the fund were 8 agreements totaling $455.9 million as of December 31, 2016. 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 0.5% of the combined assets of the SWIB Core and Variable Funds on December 31, 2016.

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 or Rule 144A Securities to less than 5% 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.

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, 2016, $21.5 billion of the SWIB Core and Variable Funds 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, 2017, the Plan's interest in the plan net position of the Core Trust was approximately 0.041% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.070%. 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, 2016 (in thousands):

	12/31/2016
Future contracts (Notional)	$ 15,710,232
Foreign exchange forward and spot contracts – Receivable (Fair Value)	3,733,790
Foreign exchange forward and spot contracts – Payable (Fair Value)	(3,666,766)
OTC Derivative Investments subject to Counterparty Credit Risk-Receivable (Fair Value)	5,103,202
OTC Derivative Investments subject to Counterparty Credit Risk-Payable (Fair Value)	(5,013,557)
Options – puts (Notional)	(47,994)
Options – calls (Notional)	17,963

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended June 30, 2017.

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

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

	June 30, 2017			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market accounts	$ -	$ 1,051,724	$ -	$ 1,051,724
Mortgage-back securities	-	65	-	65
Mutual Funds:				
Short-Term Investment Grade Bond Funds	880,509	-	-	880,509
Intermediate-Term Investment Grade Bond Fund	1,208,567	-	-	1,208,567
	$ 2,089,076	1,051,789	-	$ 3,140,865

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The Trustees of the Plan have adopted a Statement of Investment Policy (the “Policy”). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (“SWIB funds”), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. On June 30, 2017, the SWIB Core Fund strategic targets were 29% U.S. Stocks, 39% to Fixed Income, 23% to International Stocks, 7% to Real Estate, and 10% to Alternative Investments. On June 30, 2017, 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, 2017 and at the fair value at SWIB as of June 30, 2017.

Investment	Duration (Years)	Fair Value
SWIB Core and Variable Funds	Details on the SWIB fixed income investments are as of 12/31/16 are included below.	$ 142,535,750
Money market accounts (at BMO)	0.04	$ 7,439,249
Mutual Funds (at BMO)	4.0	$ 3,144,178

SWIB information provided within the accompanying financial statement is as of December 31, 2016. There has been no significant change in SWIB's Investment strategies, asset allocations and Investment pricing methods from December 31, 2016 to June 30, 2017. Based on the SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2016 is a fair representation for June 30, 2017.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2016.

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	1.8	$ 28 Million
Commercial Paper	18 days	$ 217 Million
Corporate Bonds and Private Placements	6.0	$ 5,356 Million
Foreign Gov't/Agency Bonds	7.1	$ 4,288 Million
Municipal Bonds	9.6	$ 117 Million
Repurchase Agreements	3 days	$ 456 Million
US Government Agencies	4.1	$ 294 Million
U.S. TIPS	7.5	$ 9,297 Million
U.S. Treasury Securities	5.2	$ 4,161 Million
US Treasury Short Positions	0.2	($ 55 Million)
Commingled Funds	0.2 to 6.7	$ 11,183 Million

Note: On June 30, 2017, SWIB's Core Fund and Variable Fund had $94.7 billion and $7.4 billion in assets, respectively. As of June 30, 2017, the Plan's assets were invested 85% in the SWIB Core Fund, 10% in the SWIB Variable Fund, and 5% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds as of December 31, 2016 and in the separate accounts managed by BMO on June 30, 2017. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2016	BMO 6/30/2017
P-1 or A-1	0%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	1%	30%
AA/Aa	41%	N/A
A	8%	N/A
BBB/Baa	7%	N/A
BB/Ba	3%	N/A
B	3%	N/A
CCC/Caa	1%	N/A
CC/Ca	N/A	N/A
C	N/A	N/A
D	N/A	N/A
Commingled Funds & Mutual Funds***	33%	70%
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

***Additional information on the Fixed Income Fund Commingled funds in the SWIB portfolio is in the table labeled "Investments Measured at Net Asset Value". 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 and must be rated at least "B-" and above. Corporate securities rated "BB+" or lower but no lower than "B-" may not exceed 5% of the portfolio's market value. Emerging market sovereign debt is limited to (a) securities that are rated "B-" or above and (b) debt of countries in the J.P. Morgan Emerging Market Bond Index Global Diversified: Emerging market corporate debt is limited to (a) securities that are rated "B-" or above and (b) issuers in the Bloomberg Barclays US Credit Index. Relative emerging market debt shall not exceed 10% 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 $551.6 million on December 31, 2016. In addition, SWIB held certificate of deposit which were covered by depository insurance with a fair value of $72.2 million on December 31, 2016. In total, these deposits represented 0.65% of the combined assets of the SWIB Core and Variable Funds on December 31, 2016.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counter party to a transaction, SWIB will not be able to recover the value of investments that are in the possession of an outside party. The repurchase agreements held by the fund were 8 agreements totaling $455.9 million as of December 31, 2016. 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 0.47% of the combined assets of the SWIB Core and Variable Funds on December 31, 2016.

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 or Rule 144A securities to less than 5% 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, 2016, $21.5 billion of the SWIB Core and Variable Funds' 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, 2017, 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 0.211%. 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, 2016 (in thousands):

	12/31/2016
Future contracts (Notional)	$ 15,710,232
Foreign exchange forward and spot contracts – Receivable (Fair Value)	3,733,790
Foreign exchange forward and spot contracts – Payable (Fair Value)	(3,666,766)
OTC Derivative Investment subject to Counterparty Credit Risk-Receivable (Fair Value)	5,103,202
OTC Derivative Investments subject to Counterparty Credit Risk-Payable (Fair Value)	(5,013,553)
Options – puts (Notional)	(47,994)
Options – calls (Notional)	17,963

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended June 30, 2017.

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

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

	June 30, 2017			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market accounts	$ -	$ 7,439,249	$ -	$ 7,439,249
Mutual Funds:				
Short-Term Investment Grade Bond Funds	1,325,291	-	-	1,325,291
Intermediate-Term Investment Grade Bond Fund	1,818,887	-	-	1,818,887
	$ 3,144,178	7,439,249	-	$ 10,583,427

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

(3) Receivables

Receivables as of June 30, 2017 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	$	10,500,344	248,382	—	—	10,748,726
Intergovernmental-federal		26,309,416	—	1,845,575	2,629,351	30,784,342
Intergovernmental-state		18,654,758	—	—	—	18,654,758
Gross receivables		55,464,518	248,382	1,845,575	2,629,351	60,187,826
Less allowance for uncollectibles		(949,113)	—	—	—	(949,113)
Total receivables, net	$	54,515,405	248,382	1,845,575	2,629,351	59,238,713

The District expects to collect all receivables within one year except for $1,482,010.

On June 30, 2017, the City of Milwaukee (for the benefit of MPS) sold the property located at 2770 N. 5th Street to Gorman & Company for $250,000 with $50,000 paid at closing. A $200,000 mortgage note was executed with Fifth Street School, LLC., with an interest rate of 2.68% per annum and a final maturity of June 30, 2035. The mortgage note is secured by a Real Estate Mortgage.

The entire outstanding balance of this note is due on or before June 30, 2035. Beginning on April 30, 2019 and each year thereafter through April 30, 2035, payments of interest only shall be due only to the extent that there is available cash flow to make such payments. Any unpaid interest remaining unpaid after any annual payments made are due on or before the maturity date of June 30, 2035. Remaining payments due as of June 30, 2017 are as follows:

		Principal	Interest	Total
Fiscal years:				
2018	$	-	-	-
2019		-	5,360	5,360
2020		-	5,360	5,360
2021		-	5,360	5,360
2022		-	5,360	5,360
2023 - 2027		-	26,800	26,800
2028 - 2032		-	26,800	26,800
2033 - 2035		200,000	16,080	216,080
Totals	$	200,000	91,120	291,120

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 was $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, was being paid in $15,301.35 monthly installments which began on March 1, 2013. On February 22, 2017, the remaining $2,330,982 principal balance with interest, was received in full and title to the property was transferred as all conditions were fully performed.

(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, 2017 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	$ —	5,032,189	10,844,613	15,876,802
Nutrition fund	—	—	—	—
Nonmajor funds	—	2,527,158	—	2,527,158
Total	$ —	7,559,347	10,844,613	18,403,960

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, 2017 represent transfer in/out balances among all funds:

Fund Transferred To	Fund Transferred From	Amount	Reason
Debt Service Fund	General Fund	$42,705,879	To fund current year debt service

(5) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 31,105,876	—	473,802	30,632,074
Construction in progress	33,152,192	39,401,500	45,448,811	27,104,881
Total capital assets, not being depreciated	64,258,068	39,401,500	45,922,613	57,736,955
Capital assets, being depreciated:				
Buildings	1,065,391,627	45,448,811	7,473,519	1,103,366,919
Leasehold improvements	12,219,204	—	—	12,219,204
Furniture and equipment	52,342,588	1,424,899	497,523	53,269,964
Total capital assets, being depreciated	1,129,953,419	46,873,710	7,971,042	1,168,856,087
Less accumulated depreciation for:				
Buildings	(507,862,066)	(22,142,991)	(4,467,290)	(525,537,767)
Leasehold improvements	(5,357,894)	(540,942)	—	(5,898,836)
Furniture and equipment	(48,516,127)	(1,515,827)	(477,819)	(49,554,135)
Total accumulated depreciation	(561,736,087)	(24,199,760)	(4,945,109)	(580,990,738)
Total capital assets, being depreciated	568,217,332	22,673,950	3,025,933	587,865,349
Capital assets, net	$ 632,475,400	62,075,450	48,948,546	645,602,304

Depreciation expense for governmental activities for the year ended June 30, 2017 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	14,120,581
Community services		595,748
Pupil and staff services		2,815,314
General, administration and central services		2,346,076
Business services		3,391,455
School nutrition		930,586
Total depreciation	$	24,199,760

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	$ 1,617,309	570,396	1,561,412	626,293
Total intangible assets, not being amortized	1,617,309	570,396	1,561,412	626,293
Intangible assets, being amortized:				
Software	$ 59,452,297	1,561,412	—	61,013,709
Total intangible assets, being amortized	59,452,297	1,561,412	—	61,013,709
Less accumulated amortization for:				
Software	(45,257,794)	(4,168,393)	—	(49,426,187)
Total accumulated amortization	(45,257,794)	(4,168,393)	—	(49,426,187)
Total intangible assets being amortized	14,194,503	(2,606,981)	—	11,587,522
Intangible assets, net	$ 15,811,812	(2,036,585)	1,561,412	12,213,815

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Amortization expense for governmental activities for the year ended June 30, 2017 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	2,432,261
Community services		102,617
Pupil and staff services		484,936
General, administration and central services		404,110
Business services		584,176
School nutrition		160,293
Total amortization	$	4,168,393

(6) Short-term Borrowings

To finance on an interim basis Milwaukee Pubic Schools general operating expenses pending receipt of state school aid payments, the City of Milwaukee issued $45,000,000 of commercial paper on September 29, 2016, maturing October 25, 2016. $180,000,000 of Revenue Anticipation Notes (RANs), Series 2016 M8, were issued on October 20, 2016, maturing October 1, 2017. Interest was payable on April 1 and at maturity. The debt was repaid from the District's equalization aid allocations received from the state government prior to June 30, 2017.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2017 totaled $393,684,490. Of this total, $10,910,559 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 $382,773,931 represents bonds, promissory notes and capital leases, 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.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	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	206,254	—	206,254	—	—
2.5 – 3.0%, due in annual installments to February 2019	2,700,000	810,000	—	270,000	540,000	270,000
5.0%, due in installments to February 2024	1,350,000	1,350,000	—	—	1,350,000	—
5.25%, due August 15th, 2014 to February 2019	443,810	244,954	—	110,954	134,000	67,000
General Obligation Bonds:						—
5.0%, due in installments to May 2021	4,095,000	3,045,000	—	555,000	2,490,000	580,000
Plus: Premium on issuance	787,801	437,669	—	87,533	350,136	—
4.0%, due in installments to March 2025	3,175,000	3,175,000	—	—	3,175,000	—
Plus: Premium on Issuance	387,059	296,409	—	45,325	251,084	—
2.0 -4.0%, due in installments to to March 2020	3,732,791	2,966,080	—	820,648	2,145,432	739,473
Qualified School Construction Bonds:						
1.18%, due in annual installments to December 2025	12,000,000	12,000,000	—	4,600,000	7,400,000	925,000
Less: Discount on issuance	(450,000)	(253,125)	—	(28,125)	(225,000)	—
5.25%, due in annual installments August 15th 2014 to February 2027	37,300,000	37,300,000	—	9,800,000	27,500,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	218,570,000	65,715,000	29,095,000	44,405,000	50,405,000	7,120,000
Plus: Premium on issuance	1,357,121	49,708	—	24,318	25,390	—
Less: Discount on 2007A issuance	(338,503)	(124,771)	—	(124,771)	—	—
Plus: Premium on 2013A issuance	6,627,903	4,418,824	—	552,107	3,866,717	—
Plus: Premium on 2017 issuance	3,221,503	—	3,221,503	—	3,221,503	—
QZAB—Qualified Zone Academy Bonds, 0%, maturies from December 27, 2015 to December 28, 2022	19,318,100	913,095	—	913,095	—	—
Pension debt refinancing:						
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	30,025,000	—	3,570,000	26,455,000	3,160,000
Less: Discount	(25,232,986)	(6,483,739)	—	(1,440,241)	(5,043,498)	—
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)	(76,124,244)	—	(2,220,488)	(73,903,756)	—
Pension bonds, variable interest rate "index-linked", interest due in semi-annual installment, principal due at maturity on October 1, 2043	130,850,000	130,850,000	—	—	130,850,000	—
Capital lease - RACM 2015 - 2017 QSCB, QZAB, QECB, Energy Efficiency	94,185,000	38,000,000	56,185,000	2,923,077	91,261,923	1,901,538
Total intergovernmental cooperation agreement debt		$ 359,342,114	88,501,503	65,069,686	382,773,931	17,213,011

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	$ 359,342,114	88,501,503	65,069,686	382,773,931	17,213,011
Accrued compensated absences	8,709,351	7,018,881	6,053,019	9,675,213	6,000,000
Accrued OPEB Obligation	516,178,187	62,664,276	33,755,421	545,087,042	—
Net Pension Liability	195,726,741	—	34,459,385	161,267,356	—
Workers' compensation claims	4,666,907	5,303,902	6,343,581	3,627,228	3,600,000
General insurance claims	325,672	—	—	325,672	—
Life insurance benefits	1,959,459	—	1,459,459	500,000	538,732
Liability for other long-term benefits	285,051	—	—	285,051	—
Total long-term obligations	$ 1,087,193,482	163,488,562	147,140,551	1,103,541,493	27,351,743

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

The total liability for workers' compensation claims was approximately $3.6 million.

Aggregate scheduled debt service requirements for the retirement of the intergovernmental cooperation agreement debt (excluding capital lease obligations) as of June 30, 2017 are as follows:

	Principal	Interest	Total
Fiscal year ended June 30:			
2018	$ 15,311,473	11,889,031	27,200,504
2019	16,999,980	11,442,959	28,442,939
2020	17,967,980	10,991,570	28,959,550
2021	16,655,000	10,568,460	27,223,460
2022	18,800,000	10,163,335	28,963,335
2023 – 2027	64,175,000	43,614,657	107,789,657
2028 – 2032	54,060,001	25,433,169	79,493,170
2033 – 2037	76,050,000	16,668,713	92,718,713
2038 – 2042	70,624,998	7,949,838	78,574,836
2043 – 2044	12,325,000	575,142	12,900,142
Total	$ 362,969,432	149,296,874	512,266,306

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 1.22389% as of June 30, 2017.

Since 2015, the District entered into five series of capital leases in the aggregate principal amount of $94,185,000 to fund certain remodeling, renovation and equipping projects at MPS schools. The financing vehicle for the capital leases were lease revenue bonds Series 2015A, 2016A, 2016B, 2016C, and 2017, issued through the Redevelopment Authority of the City of Milwaukee (RACM).

In FY17, $56,185,000 in the following lease revenue bond Series were issued:

$18,710,000 of Series 2016A with a final maturity in November 2032 and interest coupon rates of 3.00% – 5.00%.

$6,275,000 of Series 2016B, designated Qualified Energy Conservation Bonds (QECB) – Direct Payment Subsidy, which under current regulations, interest is 70% reimbursable by the federal government up to the applicable tax credit rate of 4.50%. MPS, therefore, is entitled to receive $197,663 per year of direct payment from the US treasury for reimbursement of interest paid, subject to sequestration. The Series 2016B bonds have a final maturity in November 2036 and interest coupon rates of 4.588%.

$1,470,000 of Series 2016C, designated Qualified Zone Academy Bonds (QZAB), tax credit bonds with a mandatory purchase date of December 2023 and initial supplemental coupon of 0%. The Series 2016C Bonds may be retired or remarketed after the mandatory purchase date for other interest periods up to the maturity date (Nov 2051) with the same or a different interest rate.

$29,730,000 of Series 2017 with a final maturity in November 2036 and interest coupon rates of 3.00% - 5.00%.

The District is also holding approximately $77.2 million of restricted cash and investments under this capital lease arrangement.

Future maximum lease payments under this capital lease at June 30, 2017 are as follows:

Fiscal year ended June 30:		
2018	$	6,772,850
2019		7,375,800
2020		7,904,650
2021		7,903,275
2022		7,899,100
2023 – 2027		40,910,002
2028 – 2032		39,386,252
2033 – 2037		38,186,694
2038 – 2041		13,693,915
Total remaining maximum lease payments		170,032,538
Less amount representing interest		78,770,615
Present value of maximum lease payments	$	91,261,923

In addition to the above capital leases, the District received $7.2 million of additional funds for capital improvements purposes and does not have to be repaid.

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 2017 was $26,903,884,900 and the 5% debt limit was $1,345,194,245. No referendum-approved debt is outstanding at June 30, 2017.

The District has pledged future Intradistrict Aid revenues to repay $50,405,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2018 and June 30, 2023. The bonds are payable solely from pledged revenues and are payable to bondholders through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 30.7% of net revenues at the point of the highest bondholder debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2017 is $57,155,350. Principal and interest paid for the year ended June 30, 2017 was $9,074,591 while the Intradistrict Aid revenues were $31,676,210.

Revenue debt payable at June 30, 2017 consists of the following:

Neighborhood Schools Initiative Bonds

Amounts Outstanding

		Principal	Interest	Total
Fiscal year ended:				
2018	$	7,120,000	2,051,300	9,171,300
2019		7,740,000	1,679,800	9,419,800
2020		8,400,000	1,302,800	9,702,800
2021		8,140,000	939,750	9,079,750
2022		9,090,000	578,400	9,668,400
2023		9,915,000	198,300	10,113,300
	$	50,405,000	6,750,350	57,155,350

Current Refunding

On June 29, 2017 the District issued $29,095,000 of Refunding Revenue Bonds Series 2017 with an average interest rate of 4.00% to refund $31,865,000 of Series 2007A Neighborhood Schools Initiative bonds that had an average interest rate of 3.97%. The proceeds of the new notes with related premium less applicable issuance cost, plus $575,636 of funds on hand were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The Series 2007A bonds are callable on August 1, 2017. The refunding gave the District an economic gain of approximately $2.976 million net present value.

Projected cash flow for debt before refunding	$35,754,562
Projected cash flow for debt after refunding	32,778,677
Projected net savings from refunding	$ 2,975,885

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, 2017 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2017 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2017 Change in Fair Value		Fair Value, End of 2017		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	$23,745	Derivative	($50,146)	$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, 2017, 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.	($8,140)	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.	($18,994)	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.	($23,012)	BBB+/A3/A
						Total Fair Value	($50,146)	

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, 2017 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, 2017 the swap's currently have a cumulative negative fair value of $50.146 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 of June 30, 2017, 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:				
2018	$ —	$ 1,601,460	$ 5,739,225	$ 7,340,685
2019	—	1,601,460	5,739,225	7,340,685
2020	—	1,601,460	5,739,225	7,340,685
2021	—	1,601,460	5,739,225	7,340,685
2022	—	1,601,460	5,739,225	7,340,685
2023 – 2027	25,075,000	7,418,635	26,586,497	59,080,132
2028 – 2032	31,250,000	5,548,556	19,884,612	56,683,168
2033 – 2037	31,200,000	3,636,483	13,032,229	47,868,712
2038 – 2042	31,000,000	1,734,354	6,215,483	38,949,837
2043 – 2044	12,325,000	125,474	449,668	12,900,142
Totals	$ 130,850,000	26,470,802	94,864,614	252,185,416

(8) Risk Management

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

The District purchases commercial property insurance, auto liability insurance, errors and omissions insurance, fiduciary liability and excess liability insurance. The District assumes a $250,000 self-insured retention for any one loss or occurrence under its self-insured general liability program. The District purchases excess liability insurance for its general liability that provides per-occurrence and general aggregate protection. The District is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

The reduction in abuse and molestation liability limits effective July 1, 2013 remain in place. The coverage provided under the General liability policy is a limit of $1 million each incident with a $2,000,000 annual aggregate, subject to a $250,000 self-insured retention per incident.

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

Effective January 1, 2015 The District approved providing post-Medicare benefits to eligible retirees through a fully-insured Medicare Advantage plan. This fully-insured Medicare Advantage plan provides comparable benefits to the current self-insured PPO and EPO plans, however 2017 premium rates are 68% lower than the monthly premium for the EPO and 67% less expensive than the monthly premium for the PPO.

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

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

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

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

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

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

		Year ended June 30	
		2017	**2016**
Beginning of year liability	$	29,969,081	27,421,514
Current year claims and changes in estimate		125,449,763	149,298,712
Claim payments		(133,680,945)	(146,751,145)
End of year liability	$	21,737,899	29,969,081

The District has recognized the liability for health and dental benefits, which totaled $16,865,882 and $18,746,365 as of June 30, 2017 and 2016, respectively, in the general fund. The District has also recognized a liability of $134,056 and $3,985,628 as of June 30, 2017 and 2016, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $32,571 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.

(9) Retirement Plans

Wisconsin Retirement System

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)

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. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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 $24,975,348 in contributions from the District.

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.8%	6.8%

At June 30, 2017, the District reported a liability of $21,852,710 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the District's proportion was 2.65125965% which was a decrease of .04371888% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $54,948,917.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,332,442	$ 68,724,882
Changes in assumptions	22,847,854	-
Net differences between projected and actual earnings on pension plan investments	108,775,864	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,804,135	-
Employer contributions subsequent to the measurement date	14,128,281	-
Total	$ 156,888,576	$ 68,724,882

$14,128,281 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 in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 51,868,075	$ 21,941,409
2019	51,868,074	21,941,409
2020	42,373,795	21,941,409
2021	(3,397,140)	2,900,655
2022	47,491	-
Thereafter	-	-

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date	December 31, 2015
Measurement Date of Net Pension Liability	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2%-5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012-2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50 %	45 %	8.3 %	5.4 %
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
Variable Fund Asset Class				
US Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5

New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. 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 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 liability 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)	$ 287,486,405	$ 21,852,710	$ (182,697,269)

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.

At June 30, 2017, the District reported a payable to the pension plan of $2,697,885, which represents contractually required contributions outstanding as of the end of the year.

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, 2016, 2015, and 2014, were $8,128,743, $7,645,538, and $5,676,000, respectively, equal to the required contributions on behalf of the plan members for each year.

At June 30, 2017, the District reported a liability of $56,030,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016 the District's proportion was 13.1496289% which was an increase of 0.3723878% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $36,217,448.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,060,000
Changes in assumptions	-	358,000
Net differences between projected and actual earnings on pension plan investments	37,113,000	207,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	172,000	31,000
Employer contributions subsequent to the measurement date	4,323,040	-
Total	$ 41,608,040	$ 3,656,000

$4,323,040 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 in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 13,706,925	$ 1,524,757
2019	13,706,925	1,524,757
2020	9,626,673	520,005
2021	244,477	86,481
Thereafter	-	-

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2016, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2016, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial valuation date	December 31, 2015
Measurement Date of Net Pension Liability	December 31, 2016
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, 2016 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 based on the results of an experience review performed by Buck Consultants. The results of the experience review were presented to the Board by Buck Consultants at the Board's December, 2012 Meeting and adopted at the same meeting. The rate of return assumption was based on the Retirement System's target asset allocation. In the experience review, Buck Consultants developed best estimate ranges of expected future real rates of return (net of inflation) for the portfolio, based on the expected returns of each major asset class and their weights in the portfolio. Buck used an econometric model that forecast a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Expected investment expenses were subtracted and expected inflation was added to arrive at the long term expected nominal return. A value for the expected long-term expected return was selected for the portfolio such that there was a better than 50% likelihood of the emerging returns exceeding the expected return.

Best estimated of arithmetic real rates of return (net of inflation) for each major asset class included in the Retirement System's target asset allocation as of December 31, 2016, are listed in the table below:

Asset Class	Policy	Actual	Long-term Expected Real Rate of Return*
Public Equity	55.00%	55.72%	8.32%
Fixed Income	21.00%	20.50%	1.87%
Cash	1.00%	0.62%	0.92%
Real Estate	7.00%	7.95%	6.82%
Real Assets	3.00%	2.20%	5.63%
Private Equity	5.00%	4.96%	12.52%
Absolute Return	8.00%	8.05%	4.67%
	100.00%	100.00%	

**Rates provided by Conduent HR Consulting, LLC*

Discount Rate - The discount rate used to measure the total pension liability was 8.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 8.50 percent, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability/(asset) to changes in the discount rate - The following presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 8.50 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.50 percent) or 1 - percentage-point higher (9.50 percent) than the current rate (in thousands):

	1% Decrease (7.50%)	Current Discount (8.50%)	1% Increase (9.50%)
District proportionate share of the net pension liability (asset)	$132,107,100	56,030,000	(8,133,000)

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

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

The plan is a single-employer defined benefit pension plan established to provide benefits after early retirement which will supplement the pension benefits provided by the WRS and the System. Separately issued financial statements on the plan may be obtained by contacting the Pension Office, Department of Pensions and Data Systems, Milwaukee Public Schools, 5225 W. Vliet Street, Room 128, Milwaukee, WI 53208.

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"), be 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 teachers or ASC plan 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.

At June 30, 2017, the district reported a net pension liability of $3,807,895 for the Plan. The net pension liability was measured as of June 30, 2017.

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The plan is a single-employer defined benefit pension plan established to provide benefits after early retirement which will supplement the pension benefits provided by the WRS. Separately issued financial statements on the plan may be obtained by contacting the Pension Office, Department of Pensions and Data Systems, Milwaukee Public Schools, 5225 W. Vliet Street, Room 128, Milwaukee, WI 53208.

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 covered under the Plan on or after July 1, 2013; 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 postretirement 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, 2017, the district reported a net pension liability of $79,576,751 for the Plan. The net pension liability was measured as of June 30, 2017.

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

For the year ended June 30, 2017, the district recognized pension expense of $1,225,321.

At June 30, 2017, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	3,190,426	1,503,579
Total	$ 3,190,426	$ 1,503,579

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 1,266,903	$ 375,895
2019	1,266,903	375,895
2020	656,620	375,895
2021	-	375,894
2022	-	-
Thereafter	-	-

Changes in the Net Pension Liability at June 30, 2017:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Total Pension Liability (a)-(b)
Balance at 6/30/16	$ 52,672,956	$ 46,110,766	$ 6,562,190
Changes for the year:			
Service cost	226,072	-	226,072
Interest	3,753,201	-	3,753,201
Difference between expected and actual experience	(352,172)	-	(352,172)
Contributions employer	-	1,209,134	(1,209,134)
Net investment income	-	5,238,182	(5,238,182)
Benefit payments, including refunds	(5,008,339)	(5,008,339)	-
Administrative expense	-	(65,920)	65,920
Other changes	-	-	-
Net changes	$ (1,381,238)	$ 1,373,057	$ (2,754,295)
Balance at 6/30/17	$ 51,291,718	$ 47,483,823	$ 3,807,895

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

For the year ended June 30, 2017, the district pension liability decreased by $6,367,571.

At June 30, 2017, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,693,698
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	9,769,657	4,355,693
Total	$ 9,769,657	$ 8,049,391

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 3,864,061	$ 3,360,111
2019	3,864,061	2,401,519
2020	2,041,535	1,198,837
2021		1,088,924
2022	-	-
Thereafter	-	-

Changes in the Net Pension Liability at June 30, 2017:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Total Pension Liability (a)-(b)
Balance at 6/30/16	$ 233,165,482	$ 141,528,809	$ 91,636,673
Changes for the year:			
Interest	16,635,125	-	16,635,125
Difference between expected and actual experience	(3,241,431)	-	(3,241,431)
Contributions employer	-	9,456,955	(9,456,955)
Net investment income	-	16,153,487	(16,153,487)
Benefit payments, including refunds	(16,244,782)	(16,244,782)	-
Administrative expense	-	(156,826)	156,826
Other changes	-	-	-
Net changes	$ (2,851,088)	$ 9,208,834	$ (12,059,922)
Balance at 6/30/17	$ 230,314,394	$ 150,737,643	$ 79,576,751

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, 2016 and data rolled forward to June 30, 2017, using the following actuarial methods and assumptions:

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	**Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**
Actuarial valuation date	July 1, 2016	July 1, 2016
Measurement date of Net Pension Liability	June 30, 2017	June 30, 2017
Actuarial cost method	Entry Age Normal	Entry age normal
Asset Valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return	7.5% net of investment expenses	7.5% net of investment expenses
Inflation	2.8% per year	0.0%
Salary increases	Certificated participants: In addition to price inflation, service based increases of up to 3.7% per year. Classified Participants :4.0% to 5.0% per year.	No longer required as Plan was frozen effective July 1, 2013. Therefore salary increases after this date will not be considered pensionable under the Plan.
Morality rate	Wisconsin Projected Experience Table-2005 for women and 90% of Wisconsin Projected Experience Table-2005 for men.	Wisconsin Projected Experience Table-2005 for women and 90% of Wisconsin Projected Experience Table-2005 for men.

The Long-Term Expected Rate of Return

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 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, 2016 are as follows:

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

Asset Class SWIB Core Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Global Equities	45.00%	5.40%
Fixed Income	37.00%	1.40%
Inflation Sensitive Assets	20.00%	1.50%
Real Estate	7.00%	3.60%
Private Equity/Debt	7.00%	6.50%
Multi-Asset	4.00%	3.70%
Cash	(20.00)%	0.50%
Portfolio Target Allocation	79.00%	

Asset Class SWIB Variable Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	70.00%	4.70%
International Equity	30.00%	5.60%
Portfolio Target Allocation	14.00%	
BMO Fund		
Intermediate Fixed Income	100.00%	0.50%
Portfolio Target Allocation	7.00%	
Long-Term Inflation Assumption		2.75%

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Asset Class

SWIB Core Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Global Equities	45.00%	5.40%
Fixed Income	37.00%	1.40%
Inflation Sensitive Assets	20.00%	1.50%
Real Estate	7.00%	3.60%
Private Equity/Debt	7.00%	6.50%
Multi-Asset	4.00%	3.70%
Cash	(20.00)%	0.50%
Portfolio Target Allocation	85.00%	

SWIB Variable Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	70.00%	4.70%
International Equity	30.00%	5.60%
Portfolio Target Allocation	10.00%	

BMO Fund		
Intermediate Fixed Income		0.50%
Portfolio Target Allocation	5.00%	
Long-Term Inflation Assumption		2.75%

Single Discount Rate

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

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

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.5%) or 1-percentage- point higher (8.5%) for the year ending June 30, 2017:

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	$8,014,392	$3,807,895	$58,029

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	$101,575,201	$79,576,751	$60,810,427

(10) Post-Employment Life and Healthcare Insurance Benefits

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

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

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

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

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

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

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

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

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

Effective July 1, 2010 the District established an IRC Section 115 trust for the purpose of holding assets and funding for the District's postemployment health and life insurance benefits. The trust is reported as a fiduciary fund in the District's financial statement. For fiscal year ending June 30, 2017, the District contributed $33,755,421 (including pre-funding contributions) to the Retiree Plan. For fiscal year ending June 30, 2017, total member contributions to the Retiree Plan were $3,291,496.

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, 2017, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$ 89,979,057
Interest on Net OPEB Obligation	23,486,108
Adjustment to annual required contribution	(50,800,889)
Annual OPEB cost	62,664,276
MPS Contributions made	(33,755,421)
Decrease in Net OPEB Obligation	28,908,855
Net OPEB obligation, beginning of year	516,178,187
Net OPEB obligation, end of year	$545,087,042

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, 2017 and the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/17	$ 62,664,276	53.9%	$545,087,042
6/30/16	62,287,640	85.2%	516,178,187
6/30/15	75,250,634	131.5%	506,962,986

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

Actuarial accrued liability (AAL)	$ 997,489,628
Actuarial value of plan assets	128,837,270
Unfunded Actuarial Accrued Liability (UAAL)	$ 868,652,358
Funded ratio (actuarial value of plan assets/AAL)	12.9%
Covered payroll (active plan members)	$ 376,389,784
UAAL as a percentage of covered payroll	230.8 %

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, 2017 was based on the assumptions and methods in the November 27, 2017 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 110 and 111.

11) Net OPEB Liability

PLAN DESCRIPTION

Plan administration. The District administers the Retiree Plan - a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the District.

Management of the Retiree Plan is vested to the Milwaukee Board of School Directors ("Governing Body") and its administrative staff ("Staff"). The Staff delegates certain functions to an investment advisor ("Advisor").

Plan membership. At June 30, 2017, the Retiree Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	6,978
Active plan members	7,184
	14,162

The Retiree Plan was closed to employees hired or rehired on or after July 1, 2013.

Benefits provided. The Retiree Plan provides healthcare and life insurance benefits for eligible retirees and their eligible dependents. Benefits are provided through a third-party insurer for Medicare Eligible retirees and dependents. The District is self-funded for all eligible pre-Medicare retirees and dependents. The District provides a subsidy towards the cost of benefits covered by the plan or depending on prior collective bargaining, for some retirees the full cost of benefits are covered. The authority to establish and amend the benefit terms to the Retiree Plan is established through Board policy of the District's Governing Body.

Contributions. The authority to establish and amend the contribution requirements of the Retiree Plan is established through Board policy of the District's Governing Body. The District establishes rates based on an actuarially determined rate. For the year ended June 30, 2017, the District's average contribution rate was 8.71 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

INVESTMENTS

Investment policy. The Retiree Plan's policy in regard to the allocation of invested assets is established and may be amended by Board policy of the District's Governing Body. It is the policy of the District's Governing Body to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Retiree Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

	Asset Allocation	
Asset Class	**Range**	**Target**
Growth Assets		
Domestic Equity	19% - 59%	39%
International Equity	1% - 41%	21%
Other	0% - 20%	0%
Income Assets		
Fixed Income	20% - 60%	40%
Other	0% - 20%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalents	0% - 20%	0%
Total	100%	100%

On August 25, 2016, the Governing Body approved a policy change in the OPEB investment policy from a 100% short and intermediate fixed income portfolio asset allocation target to the allocation targets as reflected above. This change was made to diversify the portfolio asset allocation with a long-term investment perspective invested in a similar time horizon as the liabilities.

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 3.30 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NET OPEB LIABILITY OF THE DISTRICT

The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	$ 955,596,287
Plan fiduciary net position	108,867,958
District's net OPEB liability	$846,728,329
Plan fiduciary net position as a percentage of the total OPEB liability	11.39%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.8 percent
Salary increases	Depends on age, service and employer group. Rate ranges from 7.00% at less than 1 year of service to 2.80% at 34 or more years of service. Salary increase includes wage inflation assumption.
Investment rate of return	Short-term account earns 3% per year. Long-term account earn 7.25% per year.
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2017, trend starts at 8.50% and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.38% is added to non-Medicare cost on and after 2026 to account for the Excise Tax.

For retirees and survivor: Mortality rates were based on the RP-2000 White Collar Annuitant Mortality Table with mortality improvements projected to 2009, for males and females. For active members: RP-2000 White Collar Annuitant Mortality Table with mortality improvements projected to 2009 with 6-year set back for males and females. All tables reflect future mortality improvements using Projection Scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial valuation date of July 1, 2015, projected to a measurement date of June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a phase in of the short-term assumed rate of 3.00% and the long-term rate of 7.25% over the period that the plan is projected to be fully funded. This methodology results in a 22 year period to full funding.

Discount rate. The discount rate used to measure the total OPEB liability was 4.885 percent. The projection of cash flows used to determine the discount rate assumed that the District will contribute the pay-as-you-go contributions, plus an additional pre-funding contribution equal to 5% of expected employer paid claim costs. On average three months of pay-as-you go costs are held in a short-term account and all other assets are held in a long-term account. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

On August 25, 2016, the Governing Body approved a change in the OPEB investment policy resulting in a change in the discount rate from 4.55% to the current 4.885%.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.885 percent) or 1-percentage-point higher (5.885 percent) than the current discount rate:

	1% Decrease (3.885%)	Discount Rate (4.885%)	1% Increase (5.885%)
Net OPEB liability	$ 974,417,545	$846,728,329	$ 742,535,365

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.5 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% Decrease (7.5% Decreasing to 3.5%)	Healthcare Cost Trend Rates (8.5% Decreasing to 4.5%)	1% Increase (9.5% Decreasing to 5.5%)
Net OPEB liability	$ 785,176,328	$ 846,728,329	$ 910,310,328

(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, 2017, the District was under its revenue limitation by $625,983.

(13) Excess Expenditures Over Appropriations

The following funds and departments had an excess of actual expenditures over appropriations for the year ended June 30, 2017:

Fund	Excess Expenditures
General Fund:	
Supplemental School Support	$ 500,480
Art, Music, Physical Education, Library	1,057,874
School Nurses	127,052
Substitute Teachers	4,685,162
Central Guidance	412,301
Education Maintenance	3,969,295
Career and Technical Education	494,539
Transportation Operations	778,640
Special & Contingent Funds	9,338,484
CAMP	5,023,758
Benefit Clearing - Extension	260,873
Debt Service Fund	60,590,595

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, 2017 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 $65.9 million of encumbrances outstanding as of June 30, 2017 of which $57.9 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals of 6/30/17	Contract Commitments at 6/30/17
Major Funds		
General Fund	$ 39,746,350	$ 32,442,761
Construction Fund	23,069,864	22,436,529
Nutrition Fund	3,063,076	2,989,136
Total Major Funds	$ 65,879,290	$ 57,868,426
Non-Major Funds	47,077	14,989
Total Encumbrances and Contract Commitments	$ 65,926,367	$ 57,883,415

(c) Litigation

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

(d) FCC Channels

The District has for a number of years held a license issued by the Federal Communications Commission (FCC) for Educational Broadband Service (ESB) station KHF80 on 4 channels in the Milwaukee area. The District must renew the FCC license every 10 years, with the next renewal scheduled to take place in 2018. The FCC permits excess capacity of these stations to be leased, and MPS entered into a long-term lease of the station in 2008. MPS received $4,200,000 upfront in March 2008, and $55,000 per month initially, with monthly payment increases 3% each March during the contract period.

(15) Subsequent Events

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, $50,000,000 was drawn on a line of credit by the City of Milwaukee on September 7, 2017 and was paid October 20, 2017. $180,000,000 of Revenue Anticipation Notes (RANs), Series 2017 M11, was issued on October 19, 2017. The RANs mature as on September 27, 2018. Interest is payable at maturity.

On December 28, 2017, MPS is expected to close on $34,933,000 of Redevelopment Authority of the City of Milwaukee (RACM) Lease Revenue Bonds as Qualified School Construction Bonds (QSCB). The proceeds from these bonds will be used to fund various rehabilitation, repair, and improvement projects at various school facilities.

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

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

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

Statement No. 80, Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14

Statement No. 81, Irrevocable Split-Interest Agreements

Statement No. 83, Certain Asset Retirement Obligations

Statement No. 84, Fiduciary Activities

Statement No. 85, Omnibus 2017

Statement No. 86, Certain Debt Extinguishment Issues

Statement No. 87, Leases

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

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REQUIRED SUPPLEMENTARY INFORMATION

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2017

	Budgeted amounts		Actual	Variance with
	Adopted	**Revised**	**(GAAP basis)**	**Revised Budget**
REVENUES:				
Property Tax Levy	$ 277,614,455	$ 277,702,427	$ 277,702,427	$ -
Equalization & Integration Aids	559,924,718	562,335,900	562,335,900	-
Other State Aids	78,487,735	77,046,300	76,719,959	(326,341)
Federal Aids	10,849,848	10,047,018	11,400,801	1,353,783
Other Local Revenues	15,945,295	15,326,815	21,010,433	5,683,618
Applied Surplus	2,574,177	975,383	-	(975,383)
SCHOOL OPERATIONS & EXTENSION	945,396,228	943,433,843	949,169,520	5,735,677
CAMP	-	-	5,252,589	5,252,589
GRANTS	141,088,538	152,975,281	145,188,692	(7,786,589)
Total Revenues	1,086,484,766	1,096,409,124	1,099,610,801	3,201,677
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	61,285,305	64,690,385	62,781,456	1,908,929
Middle Schools	12,914,055	13,045,158	12,974,073	71,085
K-8 Schools	103,581,195	108,808,016	106,323,137	2,484,879
Multilevel Schools	16,166,870	16,531,361	16,433,411	97,950
Elementary Schools	59,871,666	63,224,333	61,771,152	1,453,181
Charter Schools	78,211,849	76,762,772	76,408,574	354,198
Supplemental School Support	4,294,999	4,506,158	5,011,409	(505,251)
Art, Music, Physical Education, Library	18,758,681	19,190,484	20,267,655	(1,077,171)
Grant Transitional	600,407	1,089,370	660,529	428,841
School Nurses	1,862,716	2,433,699	2,563,191	(129,492)
Substitute Teachers	7,832,648	7,885,042	12,582,183	(4,697,141)
School Office Staff, Support and School Safety	57,875,985	59,062,209	58,960,209	102,000
Central Guidance	7,874,342	8,197,373	8,617,879	(420,506)
Education Maintenance	2,270,703	5,106,788	9,084,733	(3,977,945)
Career and Technical Education	-	73,175	568,255	(495,080)
Credit Recovery	2,301,610	2,427,127	1,499,691	927,436
Advanced Studies	678,085	819,579	599,331	220,248
Advanced Acadmic Studies (AP, IB) & Assessmen	2,809,445	2,812,410	1,935,928	876,482
Black Lives Matter	461,219	465,012	289,170	175,842
College Access Center	636,403	1,497,581	1,256,745	240,836
Interscholastic Athletics & Academics	5,018,265	5,108,218	4,730,709	377,509
Milwaukee County Collaborative	1,066,073	1,068,177	381,039	687,138
MPS Alternative Schools/Programs	10,181,013	10,580,274	9,691,900	888,374
Universal Driver Education	631,809	632,322	521,680	110,642
Newcomer Center	1,278,908	1,236,625	471,438	765,187
Non-MPS Costs (3 Year Old Screening)	693,823	700,338	658,429	41,909
Itinerant Allied Health Services	5,151,243	5,472,482	5,003,013	469,469
Special Education Services	160,720,511	162,329,491	156,613,554	5,715,937
Summer School	3,934,534	4,560,045	4,074,388	485,657
Partnership/Contracted Programs	8,880,127	9,886,285	8,452,981	1,433,304
School Special and Unallotted	67,451,060	71,853,475	64,085,964	7,767,511
TOTAL - PROGRAM ACCOUNTS	**$** 705,295,549	**$** 732,055,764	**$** 715,273,806	**$** 16,781,958

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, 2017

	Budgeted amounts		Actual	Variance with Revised
	Adopted	**Revised**	**(GAAP basis)**	**Budget**
INDIRECT & SUPPORT SERVICES				
Board/Office of Board Governance	$ 2,798,697	3,227,908	2,202,249	1,025,659
Office of Accountability and Efficiency	1,072,726	1,354,962	938,132	416,830
Office of Superintendent	831,737	882,673	835,200	47,473
Office of School Administration	8,416,535	8,627,008	7,270,439	1,356,569
Office of Academic	8,989,403	9,416,780	8,867,434	549,346
Office of Finance	4,940,963	5,155,631	4,661,113	494,518
Office of Operations	24,764,834	26,150,121	26,129,420	20,701
Office of the Chief of Staff	3,354,385	3,284,683	3,186,486	98,197
Office of Human Resources	5,247,949	5,981,115	4,911,627	1,069,488
Office of Innovation & Information	14,746,365	15,204,706	13,701,741	1,502,965
TOTAL - INDIRECT & SUPPORT	75,163,594	79,285,587	72,703,841	6,581,746
OTHER ACCOUNTS				
Building Operations Sites, Tenant Costs, Utilities	53,076,344	53,700,075	51,741,884	1,958,191
District Insurance & Judgements	9,565,997	9,998,833	9,655,478	343,355
Management Intern Program	470,478	475,934	340,255	135,679
Special & Contingent Funds	(2,599,545)	(11,088,014)	(1,749,530)	(9,338,484)
Transportation Operations	62,166,643	62,166,643	62,945,283	(778,640)
Regional Development	6,206,976	15,306,684	12,391,543	2,915,141
Technology Licenses & Equipment	10,298,582	19,376,902	15,193,756	4,183,146
Safe Schools Supplement	-	1,500	-	1,500
Employee Medical Clinic	-	1,000,000	-	1,000,000
TOTAL - OTHER ACCOUNTS	139,185,475	150,938,557	150,518,669	419,888
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	10,194,139	12,111,959	8,985,800	3,126,159
Summer School Wrap-around	5,403,786	7,427,825	5,206,765	2,221,060
Educational Programs	518,697	870,971	364,345	506,626
Partnership for the Arts/Humanities	1,750,417	2,481,649	1,595,443	886,206
Facilities	3,114,708	4,137,727	1,380,842	2,756,885
Insurance and Utilities	541,885	541,885	487,597	54,288
MPS Cares	-	1,335,335	745,144	590,191
Benefits Clearing Account	116,416	116,416	377,289	(260,873)
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	21,640,048	29,023,767	19,143,225	9,880,542
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES	(10,309,901)	(10,639,450)	(10,540,377)	(99,073)
SCHOOL OPERATIONS & EXT. FUND	930,974,765	980,664,225	947,099,164	33,565,061
CAMP	-	-	5,023,758	(5,023,758)
GRANTS	141,088,538	152,975,281	143,579,926	9,395,355
Total Expenditures	1,072,063,303	1,133,639,506	1,095,702,848	37,936,658
Excess of revenues over (under) expenditures	14,421,463	(37,230,382)	3,907,953	(41,138,335)
Transfer In (Out)	(14,421,463)	(14,431,787)	(42,705,879)	28,274,092
Insurance Proceeds	-	-	-	-
Proceeds from sale of capital assets	-	-	845,053	(845,053)
Change in Fund Balance	$ -	$ (51,662,169)	(37,952,873)	$ 13,709,296
Fund balance-beginning of year			80,299,143	
Fund balance-end of year			$ 42,346,270	

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, 2017

	Budgeted amounts Adopted	Budgeted amounts Revised	Actual (GAAP basis)	Variance with Revised Budget
Revenues:				
Lunchroom sales	$ 700,000	$ 700,000	$ 666,617	$ (33,383)
Other local sources	—	1,100	1,100	—
State aid:				
School nutrition aid	950,000	950,000	986,586	36,586
Federal aid:				
School nutrition aid	48,922,000	48,922,000	51,232,829	2,310,829
Other federal aid	—	1,134,300	1,129,432	(4,868)
Miscellaneous	—	—	15,807	15,807
Total revenues	50,572,000	51,707,400	54,032,371	2,324,971
Expenditures:				
Current operating:				
School Nutrition Services	49,672,000	50,538,655	46,971,470	3,567,185
Capital Outlay	900,000	1,900,000	412,778	1,487,222
Total expenditures	50,572,000	52,438,655	47,384,248	5,054,407
Excess of revenues over(under) expenditures	—	(731,255)	6,648,123	7,379,378
Net change in fund balances	$ —	(731,255)	6,648,123	7,379,378
Fund balance—beginning of year			4,877,643	
Fund balance—end of year			$ 11,525,766	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2017

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

Wisconsin Retirement System

Plan Year end date	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
12/31/2016	0.0265129650%	$ 21,852,710	$ 374,885,669	5.83%	99.12%
12/31/2015	0.0269497853	43,792,878	382,623,535	11.45	98.20
12/31/2014	0.0273277092	(67,124,330)	369,586,810	18.16	102.74

Employes' Retirement System

Plan Year end date	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
12/31/2016	13.1496289000%	$ 56,030,000	n/a	n/a	n/a
12/31/2015	12.7771027471	53,735,000	n/a	n/a	n/a
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

Plan Year end date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2017	100%	$ 3,807,895	$ 14,255,879	26.71%	333.08%
6/30/2016	100	6,562,190	15,674,128	41.87	294.18
6/30/2015	100	4,502,572	17,917,354	25.10	276.23

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Plan Year end date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2017	100%	$ 79,576,751	$ 236,655,777	33.63%	63.69%
6/30/2016	100	91,636,673	250,768,000	36.54	56.44
6/30/2015	100	87,715,155	262,424,327	33.42	56.19

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Wisconsin Retirement System

District 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
12/31/2016	$ 24,975,348	$ 24,975,348	-	$ 374,885,669	6.66%
12/31/2015	26,030,471	26,030,471	-	382,623,535	6.80
12/31/2014	25,878,102	25,878,102	-	369,586,810	7.00

Employes' Retirement System

District 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
12/31/2016	$ 9,199,639	$ 9,199,639	-	n/a	n/a
12/31/2015	9,574,716	9,574,716	-	n/a	n/a
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

District 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
6/30/2017	$ 1,477,690	$ 1,209,134	$ 268,556	$ 14,255,879	10.40%
6/30/2016	1,618,641	1,498,910	119,731	15,674,128	10.30
6/30/2015	2,346,545	1,710,809	635,736	17,917,354	13.10
6/30/2014	3,214,623	2,451,003	763,620	18,483,299	17.40
6/30/2013	3,519,437	3,073,400	446,037	23,710,188	14.80
6/30/2012	4,210,948	3,829,233	381,715	25,014,230	16.80
6/30/2011	3,595,479	7,209,843	(3,614,364)	33,781,612	10.60
6/30/2010	3,242,746	742,746	2,500,000	36,616,849	8.90
6/30/2009	2,482,200	2,662,961	(180,761)	38,094,012	6.50
6/30/2008	2,576,104	2,362,519	213,585	41,149,363	6.30

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

District 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
6/30/2017	$ 9,791,544	$ 9,456,955	$ 334,589	$ 236,665,777	4.1%
6/30/2016	9,897,438	9,888,196	9,242	250,768,000	3.9
6/30/2015	10,329,340	9,540,139	789,201	262,424,327	3.9
6/30/2014	11,168,472	10,954,526	213,946	288,512,864	3.9
6/30/2013	14,365,412	13,998,622	366,790	323,922,137	4.4
6/30/2012	15,797,043	15,126,448	670,595	333,480,915	4.2
6/30/2011	15,645,398	27,419,691	(11,774,293)	342,784,884	4.6
6/30/2010	15,641,408	4,381,384	11,260,024	353,723,230	4.4
6/30/2009	15,235,493	11,406,727	3,828,766	350,580,446	4.3
6/30/2008	15,408,267	15,308,946	99,321	341,271,505	4.5

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

MILWAUKEE PUBLIC SCHOOLS
Early Retirement Supplement and Benefit Improvement Plan
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
As of June 20, 2017

	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 226,072	$ 283,894	$ 276,863	$ 267,144
Interest on the total pension liability	3,753,201	3,855,014	3,949,902	3,988,475
Differences between expected and actual experience	(352,172)	(297,565)	383,007	-
Changes of assumptions	-	-	200,199	-
Benefit payments, including refunds	(5,008,339)	(5,164,498)	(5,238,295)	(5,487,407)
Net Change in Total Pension Liability	(1,381,238)	(1,323,155)	(428,324)	(1,231,788)
Total Pension Liability - Beginning	52,672,956	53,996,111	54,424,435	55,656,223
Total Pension Liability - Ending (a)	$ 51,291,718	$ 52,672,956	$ 53,996,111	$ 54,424,435
Plan Fiduciary Net Position				
Contributions - employer	$ 1,209,134	$ 1,498,910	$ 1,710,809	$ 2,451,003
Net investment income	5,238,182	345,326	799,276	7,589,400
Benefit payments, including refunds	(5,008,339)	(5,164,498)	(5,238,295)	(5,487,407)
Administrative expense	(65,920)	(62,511)	(58,374)	(56,590)
Net Change in Plan Fiduciary Net Position	1,373,057	(3,382,773)	(2,786,584)	4,496,406
Plan Fiduciary Net Position - Beginning	46,110,766	49,493,539	52,280,123	47,783,717
Plan Fiduciary Net Position - Ending (b)	$ 47,483,823	$ 46,110,766	$ 49,493,539	$ 52,280,123
Net Pension Liability - Ending (a) - (b)	$ 3,807,895	$ 6,562,190	$ 4,502,572	$ 2,144,312
Plan fiduciary net position as a percentage of the total Pension liability	92.58%	87.50%	91.70%	96,1%
Covered-employee payroll	$ 14,255,879	$ 15,674,128	$ 17,917,354	$ 18,483,299
Net Pension liability as a percentage of covered-employee payroll	26.71%	41.87%	25.13%	11.60%

Notes to Schedule:
The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information that complies with GASB 67 prior to fiscal year 2014 not available.

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

MILWAUKEE PUBLIC SCHOOLS
Supplemental Early Retirement Plan for Teachers
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
As of June 20, 2017

	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ -	$ -	$ -	$ -
Interest on the total pension liability	16,635,125	16,846,685	17,001,811	17,203,578
Differences between expected and actual experience	(3,241,431)	(2,247,617)	(2,929,293)	-
Benefit payments, including refunds	(16,244,782)	(16,607,340)	(17,037,741)	(16,891,272)
Net Change in Total Pension Liability	(2,851,088)	(2,008,272)	(2,965,223)	312,306
Total Pension Liability - Beginning	233,165,482	235,173,754	238,138,977	237,826,671
Total Pension Liability - Ending (a)	$ 230,314,394	$ 233,165,482	$ 235,173,754	$ 238,138,977
Plan Fiduciary Net Position				
Contributions - employer	$ 9,456,955	$ 9,888,196	$ 9,540,139	$ 10,954,526
Net investment income	16,153,487	964,012	2,410,365	21,504,411
Benefit payments	(16,244,782)	(16,607,340)	(17,037,741)	(16,891,272)
Administrative expense	(156,826)	(174,658)	(145,726)	(176,226)
Net Change in Plan Fiduciary Net Position	9,208,834	(5,929,790)	(5,232,963)	15,391,439
Plan Fiduciary Net Position - Beginning	141,528,809	147,458,599	152,691,562	137,300,123
Plan Fiduciary Net Position - Ending (b)	$ 150,737,643	$ 141,528,809	$ 147,458,599	$ 152,691,562
Net Pension Liability - Ending (a) - (b)	$ 79,576,751	$ 91,636,673	$ 87,715,155	$ 85,447,415
Plan fiduciary net position as a percentage of the total Pension liability	65.45%	60.70%	62.70%	64.12%
Covered-employee payroll	$ 236,655,777	$ 250,768,000	$ 262,424,327	$ 288,512,864
Net Pension liability as a percentage of covered-employee payroll	33.62%	36.54%	33.42%	29.62%

Notes to Schedule:
The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information that complies with GASB 67 prior to fiscal year 2014 not available.

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

MILWAUKEE PUBLIC SCHOOLS
Required Supplementary Information
For the Year Ended June 30, 2017

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2015	$ 128,837,270	$ 997,489,628	$ 868,652,358	12.9 %	$ 376,737,589	230.6 %
7/1/2013	60,528,101	1,403,017,033	1,342,488,932	4.3	431,242,385	311.3
7/1/2011	9,368,067	1,393,486,064	1,384,117,997	0.7	488,996,859	283.1

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

Schedule of Employer Contributions

Postemployment Health Care Plan

Fiscal Year Beginning	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
7/1/2016	$ 89,979,057	37.5 %	$ 545,087,042
7/1/2015	87,848,228	60.4	516,178,187
7/1/2014	96,317,356	102.7	506,962,986
7/1/2013	109,858,625	92.9	530,646,534
7/1/2012	110,503,788	72.3	523,394,993
7/1/2011	109,216,666	84.7	520,600,193
7/1/2010	194,969,742	33.5	389,150,650
7/1/2009	186,702,017	32.7	261,946,200

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

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

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

As of June 20, 2017

	2017
Total OPEB Liability	
Service cost	$ 4,101,247
Interest on the total OPEB liability	45,599,496
Differences between expected and actual experience	2,563,048
Benefit payments	(52,906,009)
Net Change in Total OPEB Liability	(642,218)
Total OPEB Liability - Beginning	956,238,505
Total OPEB Liability - Ending (a)	$ 955,596,287
Plan Fiduciary Net Position	
Contributions - employer	$ 33,755,421
Net investment income	3,910,328
Benefit payments	(52,906,009)
Net Change in Plan Fiduciary Net Position	(15,240,260)
Plan Fiduciary Net Position - Beginning	124,108,219
Plan Fiduciary Net Position - Ending (b)	$ 108,867,959
Net OPEB Liability - Ending (a) - (b)	$ 846,728,328
Plan fiduciary net position as a percentage of the total OPEB liability	11.39%
Covered-employee payroll *(1)*	$ 387,681,000
Net OPEB liability as a percentage of covered-employee payroll	218.41%

Notes to Schedule:
The District implemented GASB Statement No. 74 in fiscal year 2017. Information prior to fiscal year 2017 is not available.

(1) Estimated payroll for fiscal year end June 30, 2017, based on fiscal year end June 30, 2016, payroll adjusted by wage inflation assumption of 3.00 percent.

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

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
As of June 30, 2017

		2017
Actuarially contractual determined contribution	$	N/A
Contributions in relation to the actuarially determined contribution	$	33,755,421
Contribution deficiency (excess)	$	N/A
Covered-employee payroll	$	387,681,000
Contributions as a percentage of covered-employee payroll		8.71%

Notes to Schedule

Valuation date: July 1, 2015
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine actuarial liability and contributions:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Inflation	2.8% (3.0% General Employees)
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2017, trend starts at 8.50% and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.38% is added to non-Medicare cost on and after 2026 to account for the Excise Tax.
Salary increases	Depends on age, service and employer group. Rate ranges from 7.00% at less than 1 year of service to 2.80% at 34 or more years of servide. Salary increase includes wage inflation assumption.
Investment rate of return	Short-term account earns 3% per year. Long-term account earn 7.25% per year.
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	For retirees and survivor: RP-2000 White Collar Annuitant Morality Table with mortality improvements projected to 2009, for males and females. For active members: RP-2000 White Collar Mortality Table with mortality improvements projected to 2009 with 6-year set back for males and females. All tables reflect future mortality improvements using Projection Scale AA.

Other information:
The District implemented GASB Statement No. 74 in fiscal year 2017. Information prior to fiscal year 2017 is not available.

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

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF INVESTMENT RETURNS
As of June 30, 2017

Annual Money -Weighted Rate of Reurn, Net of Investment Expenses	3.30%

Notes to Schedule:
The District implemented GASB Statement No. 74 in fiscal year 2017. Information prior to fiscal year 2017 is not available.

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

(1) Budgeting

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

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

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

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

Board policy requires that all annual appropriations lapse at fiscal year-end except for the following: excess budgetary authority for capital project funds lapse when a specific project is completed; deficits incurred automatically reduce the subsequent year's budget appropriations; and, with school board approval, schools are allowed to carry over appropriations into the following year up to a maximum of 1.0% of the total revised school budget each year and appropriations for special projects or planned purchases may be carried into the subsequent year.

(2) Wisconsin Retirement System (WRS) Pension

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

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

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

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

(3) Employes' Retirement System (ERS)

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

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

Changes of assumptions. There were no changes in the assumptions

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

(4) Supplemental Retirement Plans

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

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

Changes of assumptions. There were no changes in the assumptions

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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Special Revenue Funds

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

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

Debt Service Fund

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

MILWAUKEE PUBLIC SCHOOLS

Combining Balance Sheet—Nonmajor Governmental Funds

As of June 30, 2017

		Special Revenue		
Assets		**Categorically Aided Programs**	**Debt Service**	**Total**
Receivables due from other governmental units	$	2,629,351	—	2,629,351
Total assets	$	2,629,351	—	2,629,351
Liabilities, Deferred inflow of resources and Fund Balances				
Liabilities:				
Accounts Payable	$	100,671	—	100,671
Due to other funds		2,527,158	—	2,527,158
Total liabilities		2,627,829	—	2,627,829
Deferred inflows of Resources - unearned revenue (note 1(o))		1,522	—	1,522
Fund balances:				
Restricted		—	—	—
Total fund balances		—	—	—
Total liabilities, deferred inflows of resources and fund balances	$	2,629,351	—	2,629,351

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2017

		Special Revenue Categorically Aided Programs	Debt Service	Total
Revenues:				
Property taxes	$	—	2,366,738	2,366,738
Federal aid:				
Other federal aid		23,052,978	—	23,052,978
Total revenues		23,052,978	2,366,738	25,419,716
Expenditures:				
Instructional services—special curriculum		7,786,587	—	7,786,587
Pupil and staff services		15,266,391	—	15,266,391
Debt service:				
Principal		—	54,677,630	54,677,630
Interest		—	22,303,962	22,303,962
Bond administrative fees		—	407,528	407,528
Total expenditures		23,052,978	77,389,120	100,442,098
Excess of revenues over (under) expenditures		—	(75,022,382)	(75,022,382)
Other financing sources:				
Refunding bond issued debt		—	29,095,000	29,095,000
Premium on refunded debt issued		—	3,221,503	3,221,503
Transfers In		—	42,705,879	42,705,879
Total other financing sources, net		—	75,022,382	75,022,382
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, 2017

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Other local sources	$ —	—	—
Federal aid:			
Other federal aid	22,048,015	25,949,156	23,052,978
Total revenues	22,048,015	25,949,156	23,052,978
Expenditures:			
Instructional services—			
Special curriculum	7,447,141	8,764,827	7,786,587
Pupil and staff services	14,600,874	17,184,329	15,266,391
Total expenditures	22,048,015	25,949,156	23,052,978
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, 2017

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Property taxes	$ 2,366,738	2,366,738	2,366,738
Total revenues	2,366,738	2,366,738	2,366,738
Expenditures:			
Current operating:			
Debt service	16,788,201	16,798,525	77,389,120
Total expenditures	16,788,201	16,798,525	77,389,120
Excess of revenues over (under) expenditures	(14,421,463)	(14,431,787)	(75,022,382)
Other financing sources			
Refunding bond issued debt	—	—	29,095,000
Premium on refunded debt issued	—	—	3,221,503
Transfers In	14,421,463	14,431,787	42,705,879
Total other financing sources, net	14,421,463	14,431,787	75,022,382
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, 2017

		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	$	1,051,724	7,439,249	3,290,318	11,781,291
Fixed Income		—	—	39,163,694	39,163,694
Equity Funds		—	—	69,054,770	69,054,770
Mortgage-backed securities		65	—	—	65
Nongovernmental obligations		2,089,076	3,144,178		5,233,254
Investment with the State of Wisconsin		43,773,428	142,535,750	—	186,309,178
Receivables-interest and contributions		1,004,123	6,224	1,698,222	2,708,569
Total assets		47,918,416	153,125,401	113,207,004	314,250,821
Liabilities					
Accounts payable and accrued expenses		434,593	2,387,758	4,339,046	7,161,397
Total liabilities		434,593	2,387,758	4,339,046	7,161,397
Net Position					
Net position restricted for pensions	$	47,483,823	150,737,643	108,867,958	307,089,424

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2017

		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	$	1,209,134	9,456,955	32,950,065	43,616,154
Participants contributions		—	—	3,291,496	3,291,496
Investment income:					
Net investment from the State of Wisconsin:					
Core Retirement Investment Trust Fund		4,162,123	13,158,755	—	17,320,878
Variable Retirement Trust Fund		1,004,530	2,842,611	—	3,847,141
Unrealized Gains on Investments		—	—	2,325,985	2,325,985
Net investment income from other investments		77,088	165,470	1,663,934	1,906,492
Total investment income:		5,243,741	16,166,836	3,989,919	25,400,496
Investment expenses		(5,559)	(13,349)	—	(18,908)
Net investment income		5,238,182	16,153,487	3,989,919	25,381,588
Total additions		6,447,316	25,610,442	40,231,480	72,289,238
Deductions:					
Benefits paid to participant's or beneficiaries		4,981,004	16,244,782	55,392,149	76,617,935
Distribution of participant contribution accounts		27,335	—	—	27,335
Administrative expenses		65,920	156,826	79,591	302,337
Total deductions		5,074,259	16,401,608	55,471,740	76,947,607
Changes in net position		1,373,057	9,208,834	(15,240,260)	(4,658,369)
Net Position—Beginning of Year		46,110,766	141,528,809	124,108,218	311,747,793
Net Position—Ending of Year	$	47,483,823	150,737,643	108,867,958	307,089,424

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2017

Assets		Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Cash and cash equivalents	$	5,477,368	6,534,034	(6,278,108)	5,733,294
Total assets	$	5,477,368	6,534,034	(6,278,108)	5,733,294
Liabilities					
Liabilities:					
Due to student organizations	$	5,477,368	6,534,034	(6,278,108)	5,733,294
Total liabilities	$	5,477,368	6,534,034	(6,278,108)	5,733,294

Milwaukee Public Schools

Schedule of Charter School Authorizer Operating Costs
For the Year Ended June 30, 2017

OPERATING ACTIVITY	COST
Employee Salaries	323,432
Employee Benefits	148,779
Purchased Services	3,124
Service Fee/Dues	2,000
Supplies	1,968
TOTAL	**479,303**

STATISTICAL SECTION

Pages 115-143 Omitted

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APPENDIX B

Draft Form of Legal Opinion

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October 11, 2018

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 2018 M10 (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 May 30, 2018.

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 11, 2018, mature (without option of prior redemption) on September 30, 2019 and bear interest from their date payable 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 2018-2019 fiscal year that are due and not yet paid to the City and which are not otherwise pledged or applied through June 30, 2019; 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 alternative minimum taxable income.

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

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

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

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

CITY OF MILWAUKEE, WISCONSIN

By: ______________________________________
Comptroller

SUPPLEMENTAL CERTIFICATE

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

Name of Obligations:

$180,000,000 School Revenue Anticipation Notes, Series 2018 M10

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

Date of Issue:

October 11, 2018

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 11th day of October, 2018.

CITY OF MILWAUKEE, WISCONSIN

By: ______________________________
Comptroller

MM:RL

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2013

			CAFR(1)	
Date	Submission ID	Description of Filing	City	MPS
		OS: Series 2018 M10		
		POS: Series 2018 M10		
7/30/2018	ES917717	Pension Actuarial Valuation Report, 1/1/18		
7/20/2018	EP806204	CAFR, City, 12/31/17, raw formatting	2017	
6/29/2018	ES910940	Unaudited CAFR, City, 12/31/17		
6/1/2018	ES902596	Failure to file CAFR, City by June 30		
5/16/2018	ES898126	Annual Financial Information: OS Series 2018 R3, N4, B5, T6, T7		
5/11/2018	ES895529	OS: Series 2018 R3		
5/11/2018	ES895531	OS: Series 2018 N4, B5		
5/11/2018	ES895536	OS: Series 2018 T6, T7		
5/1/2018	ES891489	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		
4/23/2018	ES888345	POS: Series 2018 R3		
4/23/2018	ES888338	POS: Series 2018 N4, B5		
4/23/2018	ES888342	POS: Series 2018 T6, T7		
4/5/2018	ES882832	Rating Change: Moody's on Sewer Revenue Bonds		
4/4/2018	ES882560	Rating Change: S&P on MPS Pension Bonds Bond Insurer		
3/19/2018	ES871151	Rating Change: S&P on MPS Pension Bonds		
3/13/2018	ES869567	Rating Change: Moody's on City GO and RACM Summerfest Bonds		
3/2/2018	ER877771	Rating Change: S&P on MPS NSI Bonds		
2/1/2018	ER873797	Bond Call: 2008 B7		
2/1/2018	ER872203	CAFR, MPS, 6/30/17, previous file replaced with revised version		
1/29/2018	ER873333	OS: Series 2018 N1		
1/26/2018	ER872203	CAFR, MPS, 6/30/17 (archived)		2017
1/18/2018	ES850796	POS: Series 2018 N1		
12/29/2017	ER506658	Corrected typo in Failure to file CAFR, City by June 30, 2012		
12/8/2017	ER861838	POS: RACM MPS 2017C QSCBs		
11/7/2017	ER853451	Pension Actuarial Valuation Report, 1/1/17		
11/7/2017	EP803719	Rating Change: Fitch on MPS Pension Bonds		
10/5/2017	ES822384	OS: Series 2017 M11 MPS RANs		
9/27/2017	ER848376	POS: Series 2017 M11 MPS RANs		
8/8/2017	EP798860	Rating Change: Moody's on MPS Pension and NSI Bonds		
8/2/2017	ER841452	CAFR, City, 12/31/16	2016	
6/26/2017	EP377478	OS: RACM MPS 2017 Refunding NSI - Supplement Rating Change		
6/14/2017	ER831649	Annual Financial Information: OS Series 2017 R3, N4, B5		

(1) As of June 30, 2018, the filing deadline for the City's audit is September 30th. MPS' audit is required to be filed by March 31st.

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2013

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

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2013

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

City of Milwaukee, Wisconsin
Continuing Disclosure Filings on the EMMA
Since September 1, 2013

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

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 2018 M10
(Not a general obligation of the City)

"Bids for Series 2018 M10 Notes"

Sale Data:

SALE DATE AND TIME:

Tuesday, September 25, 2018
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 2018 M10
(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 Tuesday, the

25TH DAY OF SEPTEMBER, 2018

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 2018 M10 (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 September 25, 2018. *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 11, 2018 (the "Expected Date of Delivery"). The Notes will be dated as of the Expected Date of Delivery, will bear interest payable at maturity. The Notes will mature on September 30, 2019. 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 $30,000,000 principal amount at a particular interest rate will be entertained, and all bids must be in multiples of $30,000,000. 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 11, 2018, 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.

Establishment of Issue Price
(10% Test to Apply if Competitive Sale Requirements are Not Satisfied)

Each successful bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the form included as part of this Notice of Sale, with such modifications as may be appropriate or necessary, in the reasonable judgment of each successful bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor. Any questions concerning such certification should be directed to Bond Counsel.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

(1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of the Notes to the bidder or bidders who submits a firm offer to purchase the Notes at the highest price (or lowest true interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

All of the City's competitive sales in the past 5 years would have met the competitive sale requirements, however, no assurance can be given that the competitive sale requirements will be met for this sale. In the event that the competitive sale requirements are not satisfied, the City shall so advise each successful bidder. The City shall treat the first price at which 10% of each lot the Notes (the "10% test") is sold to the public as the issue price of that lot. Each successful bidder shall advise the City if any lot of the Notes satisfies the 10% test as of the date and time of the award of the Notes. **The City will not require bidders to comply with the "hold-the-offering-price rule" and therefore does not intend to use the initial offering price to the public as of the sale date of any lot of the Notes as the issue price of that lot. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Bidders should prepare their bids on the assumption that all of the lots of the Notes will be subject to the 10% test in order to establish the issue price of the Notes of that lot.**

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each lot of the Notes, the applicable successful bidders agree to promptly report to the City the prices at which the unsold

Notes of that lot have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Notes of that lot.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Notes of each lot allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Notes of that lot or all Notes of that lot have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Notes of each lot allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Notes of that lot or all Notes of that lot have been sold to the public, if and for so long as directed by the party to winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public).

(3) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Notes are awarded by the City to the successful bidder or bidders.

Issue Price Certificate – Competitive Sale Requirements

The undersigned, on behalf of ______________________________ ("Winning Underwriter"), hereby certifies as set forth below with respect to the sale of the $_______________ principal amount of School Revenue Anticipation Notes, Series 2018 M10 of the City of Milwaukee, Wisconsin (the "Notes").

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering price of the Notes to the Public by the Winning Underwriter is $_______________ (the "Expected Offering Price"). The Expected Offering Price is the price for the Maturity of the Notes used by Winning Underwriter in formulating its bid to purchase the Notes.

(b) Winning Underwriter was not given the opportunity to see other bids prior to submitting its bid but was able to see the ranking of its bid relative to other bids (*i.e.*, "Leader", "Cover", "3rd" *etc.*).

(c) The bid submitted by Winning Underwriter constituted firm offer to purchase the Notes.

2. ***Defined Terms.***

(a) *Maturity* means Notes with the same credit and payment terms. Notes with the same maturity date but different stated interest rates or credit terms, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means, in, the case of corporations, any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is September 25, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Winning Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City of Milwaukee with respect to certain of the representations set forth in the Tax Compliance Certificate pertaining to the Notes and with respect to compliance with the federal income tax rules affecting the Notes, and by Bond Counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Issue Price Certificate – 10% Test

The undersigned, on behalf of ______________________________ ("Underwriter"), hereby certifies as set forth below with respect to the sale of the $_______________ principal amount of School Revenue Anticipation Notes, Series 2018 M10 of the City of Milwaukee, Wisconsin (the "Notes").

1. ***Sale of the Notes.*** As of the date of this certificate, for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A. *[NOTE: This statement must be modified if 10% of any maturity is not sold by the issue date of the Notes]*

2. ***Defined Terms.***

(a) Issuer means City of Milwaukee, Wisconsin.

(b) Maturity means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) An underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the

Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Bond Counsel in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

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, 2019. 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, 2019 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 14, 2018 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 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. In order to assist bidders in reviewing the City's compliance with prior continuing disclosure undertakings, the City has contracted with Diver by Lumesis to make their CD Look Back Report for the City available to potential bidders. Potential bidders can request a PDF copy of the report by emailing a request to: PDC@milwaukee.gov.

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
BERNARD J. ALLEN, Chairperson
DAVID MISKY, Member
MARY REAVEY, Member

COMMISSIONERS OF THE PUBLIC DEBT

September 14, 2018

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

CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2018 M10
(Not a general obligation of the City)
$180,000,000 maturing on September 30, 2019

September 25, 2018

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 2018 M10 (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 14, 2018 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 ($30,000,000 minimum)*	Interest Rate**	Premium *** (if any)
Bid A:	$____________	_____._____%	$__________________
Bid B:	$____________	_____._____%	$__________________
Bid C:	$____________	_____._____%	$__________________
Bid D:	$____________	_____._____%	$__________________
Bid E:	$____________	_____._____%	$__________________

* Bids in excess of $30,000,000 must be in multiples of $30,000,000.
** 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 (0.50%) 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.

MPS

MILWAUKEE
PUBLIC SCHOOLS

Start. Stay. Succeed.

Comienza. Quédate. Triunfa.