PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 1, 2014

NEW ISSUE
BOOK ENTRY ONLY

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

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

$125,000,000
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2014 M4

(Not a general obligation of the City)

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

The School Revenue Anticipation Notes, Series 2014 M4 (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
June 30, 2015	$125,000,000			

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

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated October 1, 2014 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 23, 2014 (the "*Expected Date of Delivery*") in New York, New York.

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

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

(1) *The above-referenced CUSIP number has been assigned by an independent company not affiliated with the City and is included solely for the convenience of the holders of the Notes. The City is not responsible for the selection or uses of such CUSIP number, and no representation is made as to its correctness on the Notes, or as indicated above. The CUSIP number is 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 WEDNESDAY, OCTOBER 8, 2014

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

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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 $125,000,000 School Revenue Anticipation Notes, Series 2014 M4 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:	$125,000,000 School Revenue Anticipation Notes, Series 2014 M4.
Dated Date:	Expected Date of Delivery.
Sale Date and Time:	Wednesday, October 8, 2014, Until 10:00 A.M. C.T.

Principal Maturity:

Amount	Maturity	Rate
$125,000,000	June 30, 2015	%

Interest:	Calculated on a 30/360 day basis and due on the maturity date.
Denominations:	$5,000 or integral multiples thereof.
Purpose:	To finance MPS operations on an interim basis pending receipt of school State Aid payments.
Security:	MPS and the City have pledged and will irrevocably segregate upon receipt, school State Aid payments in an amount sufficient with interest thereon, to pay, when due, the principal of and interest on the Notes. MPS and the City have also pledged all other revenues of the School Operations Fund included in the budget for the current fiscal year that are due MPS, that have not been received as of the date of delivery of the Notes, and that are not otherwise pledged or assigned. The City has also pledged available surplus revenues of the City's Debt Service Fund to the payment of interest on the Notes. (See **"THE NOTES – Security and Purpose"** herein.) The Notes are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or interest thereon.
Authority for Issuance:	The City of Milwaukee Common Council and the Milwaukee Board of School Directors ("*MBSD*") have authorized the issuance and sale of the Notes in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes.

Form of Issuance:	The Notes will be issued in fully registered "*Book-Entry-Only Form*" in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York which will act as security depository for the Notes. (See **"BOOK-ENTRY-ONLY SYSTEM"** herein.)
Tax Exemption:	Under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes are not "*private activity bonds*" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Notes is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Notes is not exempt from Wisconsin income taxes. (See **"TAX STATUS"** herein)
Redemption Feature:	The Notes are not subject to redemption prior to maturity.
Official Statement:	The City will provide the original purchaser(s) of the Notes with an electronic copy and up to 10 printed copies (pro rata) of this Official Statement within seven business days following the award of the Notes.
Professionals:	Bond Counsel: Katten Muchin Rosenman LLP, Chicago, Illinois; Hurtado Zimmerman SC, Wauwatosa, Wisconsin Financial Advisor: Public Financial Management Inc., Milwaukee, Wisconsin
Record Date:	June 25, 2015.
Delivery:	Delivery will be on or about October 23, 2014 (the "*Expected Date of Delivery*") at the expense of the City, through the facilities of The Depository Trust Company ("*DTC*"), New York, New York.
Reoffering:	The public reoffering price(s) and/or yield(s) of the Notes are detailed on the cover of the Final Official Statement.
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes, the City will provide an executed copy of its Continuing Disclosure Certificate. (See "*RULE 15c2-12*" and **APPENDIX C – Form of Continuing Disclosure Certificate** herein.)

THE NOTES

Authority

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

Pursuant to a resolution adopted on July 31, 2014 (the "*MBSD Resolution*"), MBSD has determined that it will be necessary to finance the operating budget of MPS on an interim basis, and has requested the City to issue notes pursuant to Section 67.12(1), Wisconsin Statutes, for that purpose.

The Common Council of the City has authorized the issuance and sale of the Notes through adoption of a resolution on June 24, 2014 (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 2015 and 2014"** 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, 2014, and in March, June, and July 2015. 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 $161 million will occur in November 2014 due to MPS receiving the majority of State Aid and property tax revenues between December 2014 and June 2015, which is not until the last seven months of the MPS fiscal year. In contrast to the timing of the State Aid and property tax revenues, MPS expenditures are relatively evenly distributed throughout the school year (See the summary presented under the caption **"MILWAUKEE PUBLIC SCHOOLS – School Operations Fund Monthly Cash Flow Summary"** herein). In September and October 2014, a total of $70 million of commercial paper is anticipated to be issued for cash flow purposes through December 2014. The commercial paper is scheduled to be redeemed in December 2014 from State Aids due in December 2014 and from the advanced payment of property taxes due in 2015.

This Note issue of $125 million is the anticipated final interim borrowing for MPS during the 2014-2015 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 2015 in the principal amount of the Notes. The City Resolution also directs the City Treasurer to segregate, for payment of the Notes, June 2015 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 Rate(s) and Redemption

The Notes are dated the Expected Date of Delivery and will mature on June 30, 2015 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 2014-2015 Fiscal Year.

Total Amount of Estimated School Operations Fund Revenues For the 2014-2015 Fiscal Year	$960,548,580
Statutory Borrowing Limit (60% of Estimated Revenues)	576,329,148
Borrowing-School Revenue Anticipation Notes, Series 2014 M4	125,000,000
Unused Amount Following this Issue	451,329,148
Percentage of Borrowing Limit Used	22%
Percentage of Borrowing to Estimated Revenues	13%

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.

Borrowing – General Obligation Debt

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

City of Milwaukee
Outstanding General Obligation Debt
for School Purposes (Other than RANs)
as of October 1, 2014

Year Ending	Principal (1)	Interest (2)	Total
12/31/2014	$ 925,000	$ 292,774	$ 1,217,774
12/31/2015	11,907,192	5,421,488	17,328,680
12/31/2016	13,690,446	4,953,359	18,643,805
12/31/2017	11,793,405	5,192,179	16,985,583
12/31/2018	10,668,637	4,754,472	15,423,110
12/31/2019	10,357,344	5,218,997	15,576,341
12/31/2020	9,522,988	5,316,986	14,839,974
12/31/2021	5,969,814	4,957,810	10,927,624
12/31/2022	5,555,671	5,778,404	11,334,074
12/31/2023	5,340,427	5,611,439	10,951,866
12/31/2024	3,645,000	2,106,600	5,751,600
12/31/2025	3,375,000	2,099,850	5,474,850
12/31/2026	3,450,000	1,958,250	5,408,250
12/31/2027	4,450,000	979,125	5,429,125
	$100,650,923	$54,641,733	$155,292,656

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

Wisconsin Statutes establish a limit on the authority of the City to incur general obligation indebtedness in any form for City and school purposes of 7% of the full value of taxable property located within the City, as equalized by the Wisconsin Department of Revenue. Of the 7%, 2% is authorized for school purposes only. The City may issue bonded debt for school purposes pursuant to the provisions of Chapter 119 or Chapter 67. Bonded indebtedness issued by the City under Chapter 119 for school purposes is limited to 2% of the full value of taxable property in the City as equalized by the Wisconsin Department of Revenue. Separately, bonded indebtedness issued by the City under Chapter 67 for school purposes counts against the City's debt limit of 5% of the full value of taxable property within the City. Debt issued under Chapter 67 requires adoption of a resolution by the City but does not require voter approval.

Total Unused Debt Margin for the City of Milwaukee
as of October 1, 2014

2014 Equalized Value of Taxable Property in the City		$26,138,108,100
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		$1,306,905,405
General Obligation Debt Outstanding subject to 5% Limit as of 10/01/14	$959,770,000	
Less: Provision for current year maturities	$(–)	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 10/01/14		$959,770,000
Total Debt Margin for City Borrowing (in Dollars)		$347,135,405
As a percentage		26.6%
including Extendable Municipal Commercial Paper *		24.3%
including Extendable Municipal Commercial Paper *, and excluding GO Cash Flow Notes		32.8%

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

Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		$522,762,162
General Obligation Debt Outstanding subject to 2% Limit as of 10/01/14	$13,694,646	
Less: Provision for current year maturities	–	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 10/01/14		$13,694,646
Total Debt Margin for School Purpose Borrowing (in Dollars)		$509,067,516
(As a percentage)		97.4%

History of Equalized Valuation in the City of Milwaukee
(2009-2013)

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

BORROWING-REVENUE BONDS

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

Neighborhood Schools Initiative

In February 2002, RACM issued $33,300,000 of its Revenue Bonds, Series 2002A (the "*2002A Bonds*") and in November 2003, RACM issued $78,740,000 of its Revenue Bonds, Series 2003A (the "*2003A Bonds*") (Milwaukee Public Schools – Neighborhood Schools Initiative) (collectively, the "*NSI Revenue Bonds*"). RACM loaned the proceeds of the NSI Revenue Bonds to MPS to partially finance the initial cost of providing approximately 750,000 square-feet of additional classroom capacity for MPS schools, to implement the Neighborhood Schools Initiative and for related activities of MPS. MPS is obligated to make payments to RACM sufficient to pay the principal of and interest on the NSI Revenue Bonds. MPS's repayment obligation is payable solely from and secured by a pledge of all intra-district aid received by MPS from the State.

In February 2007, RACM issued $31,865,000 of Refunding Revenue Bonds, Series 2007A, which advance refunded a portion of the 2003A Bonds. In April 2013, RACM issued $45,570,000 of Refunding Revenue Bonds, Series 2013A, which refunded all of the outstanding 2002A Bonds and a portion of the outstanding 2003A Bonds.

The schedule of remaining debt service payments on the NSI Revenue Bonds is as follows:

City of Milwaukee
Redevelopment Authority Revenue Bonds
Annual Debt Service Payments as of October 1, 2014

Year ending June 30	Debt Service Payments
2015	$ 8,322,335
2016	8,554,385
2017	8,783,185
2018	9,019,735
2019	9,268,485
2020	9,516,985
2021	9,794,153
2022	10,060,310
2023	10,650,500
2024	11,097,600
Total	$95,067,673

Lease Revenue Bonds

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

In November 2005, RACM issued $12,415,000 Redevelopment Lease Revenue Bonds, Series 2005A (the "*Series 2005A Bonds*") on behalf of MPS to pay certain costs in connection with constructing additions and making improvements to three public schools of the City of Milwaukee: Congress

Extended Year-Round Elementary School, Craig Montessori School and La Escuela Fratney. In 2013, a portion of the Series 2005A Bonds were refinanced with general obligation debt. The schedule of lease payments is as follows:

Fiscal Year	Principal	Interest	Total
2015		$ 197,163	$ 197,163
2016		197,163	197,163
2017		197,163	197,163
2018		197,163	197,163
2019		197,163	197,163
2020		197,163	197,163
2021		197,163	197,163
2022	$ 805,000	178,648	983,648
2023	845,000	140,698	985,698
2024	880,000	101,683	981,683
2025	925,000	61,521	986,521
2026	920,000	20,470	940,470
	$4,375,000	$1,883,161	$6,258,161

Pension Obligation Bonds

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

The 2003 Series D Pension Bonds were issued as variable rate securities. In 2005, the 2003 Series D Pension Bonds were converted to index linked at a fixed spread of 0.25% over 1-Month LIBOR for the life of the bonds. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the Pension Bonds. Under the Interest Rate Exchange Agreement, MPS receives a fixed spread of 0.20% over 1-Month LIBOR for the life of the bonds. In 2011, Interest Rate Exchange Agreements with Lehman Brothers were replaced at no net cost to MPS. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreements, is as follows:

Redevelopment Authority of the City of Milwaukee
Taxable Pension Funding Bonds
(Milwaukee Public Schools)
Annual Loan Payments as of October 1, 2014

Year Ending June 30	Loan Payments
2015	$ 7,340,685
2016	7,340,685
2017	7,340,685
2018	7,340,685
2019	7,340,685
2020	7,340,685
2021	7,340,685
2022	7,340,685
2023	7,340,685
2024	13,590,685
2025	13,315,060
2026	14,420,228
2027	14,239,603
2028	15,298,978
2029	15,743,353
2030	15,707,728
2031	16,707,103
2032	16,766,478
2033	17,725,853
2034	17,890,228
2035	18,804,603
2036	19,353,978
2037	19,673,353
2038	20,530,533
2039	20,957,713
2040	21,784,893
2041	8,787,073
2042	7,239,253
2043	6,891,433
2044	6,296,806

Borrowing – Qualified Zone Academy Projects

In December, 2001, MPS entered into an $8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003, respectively, MPS entered into a $4,979,000 Lease and Deferred Payment Agreement (2002 QZAB Project), and a $2,650,000 Lease and Deferred Payment Agreement (2003 QZAB Project). In December 2005, MPS entered into a $2,021,000 Lease and Deferred Payment Agreement (2005 QZAB Project) and in December, 2006, entered into a $1,078,100 Lease and Deferred Payment Agreement (2006 QZAB Project) for the purpose of constructing certain improvements to, and purchasing and installing certain equipment for use at, various MPS schools. MPS entered into QZAB Agreements with each investor, under which MPS made annual impoundment payments through December 1, 2013. No further payments are due from MPS. The Final QZAB maturity is in 2023.

Borrowing – Future Financing

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

MPS has requested, and the City has approved, the issuance of $38,000,000 of Qualified School Construction Bonds. MPS and the City are in the process of executing the financing.

Board of School Directors

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

Name	District	Term Expiration
Michael Bonds (*President*)	District 3	2015
Meagan Holman (*Vice President*)	District 8	2015
Mark Sain	District 1	2015
Jeff Spence	District 2	2015
Annie Woodward	District 4	2017
Larry Miller	District 5	2017
Tatiana Joseph	District 6	2017
Claire Zautke	District 7	2017
Terrance Falk	At-Large	2015

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

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

Public Services and Facilities

In the 2013-14 school year, MPS had approximately 78,502 full-time students and 4,927 teachers, attending 165 school programs within approximately 140 school buildings. The average age of the MPS buildings is approximately 66 years, however, significant investment was made in upgrading many of these buildings in the 1970's and 1980's and by the Neighborhood Schools Initiative in 2002-2006.

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

The following schools closed effective June 2014:

- Kosciuszko Montessori
- Transformation Learning Community Charter School (Merged with Transition High School)
- School of Career and Technical Education (SCTE) (Merged with Barack Obama School)

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

Enrollment

School Year	Average School Daily Membership (1)
2004-2005	96,874
2005-2006	94,973
2006-2007	92,224
2007-2008	89,110
2008-2009	87,137
2009-2010	85,239
2010-2011	84,422
2011-2012	82,982
2012-2013	81,754
2013-2014	81,748

(1) Kindergarten 1/2 day membership converted to full day equivalents.

Employee Relations

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

The Collective Bargaining Agreements ("*Agreements*") between the MBSD and the accountants/bookkeepers, substitute teachers, educational assistants, Local 1053 (Clericals), Local 950, Local 150 (Building Service), Local 150 (Food Service), and Local 1616 expired on June 30, 2012.

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

Thus far, PAMPS, MTEA Teachers, MTEA Educational Assistants, MTEA Substitute Teachers, MTEA Accountants/Bookkeepers, Building Trades, and Local 420 have petitioned for annual recertification, and the recertification votes are anticipated to occur in November, 2014. ASC is not, and has never been, recognized by the Wisconsin Employment Relations Commission ("*WERC*") as a certified collective bargaining representative. ASC has not filed for certification this year and did not file for certification last year. Locals 1053 and 1616 were both decertified in a January 29, 2014 decision by the WERC after they withdrew their petitions for election.

Under Act 10, negotiations may only be conducted with certified collective bargaining units and are limited to the issue of employee base wages. With regard to the 2013-14 contract period, the MBSD engaged in base wage negotiations with MTEA Teachers, MTEA Educational Assistants, MTEA Accountants/Bookkeepers, Local 150 (Food Service), Local 150 (Building Service), Local 420, and PAMPS. No agreements were reached. As allowed for under Act 10, the MBSD implemented its final offer of 0% base wage increase. For issues outside of base wages, MPS has created and implemented an Employee Handbook which covers all MPS employees.

On March 30, 2012, a federal court declared null and void a provision of 2011 Act 10 that requires unions to hold certification elections each year. On January 18, 2013, the ruling was overturned by the United States Court of Appeals, which upheld 2011 Act 10 in its entirety. The MBSD was not a party to the appellate litigation.

In addition to the federal action, in September, 2012, Dane County Circuit Court overturned certain provisions of 2011 Act 10 related to city, county and school employees, including its limitations on collective bargaining. On July 31, 2014, the Supreme Court of Wisconsin upheld Act 10 in its entirety. As MPS has been operating under the presumed constitutionality of the law, the decision solidifies current policies and approaches to relations with certified collective bargaining units/representatives.

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.

Insurance

The MPS purchases commercial property insurance, auto liability insurance, errors and omissions insurance, and excess liability insurance. The 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 aggregate protection. MPS is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance. In addition, Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officers, officials, or employees for acts done within the scope of their official capacity to $50,000 in tort liability for non-automobile cases and $250,000 in automobile cases.

MPS is self-insured for health, dental, and workers' compensation benefits and certain other general liability exposures. The accrued liability for estimated self-insured claims of $38,004,628 recorded in the School Operations Fund and $8,177,242 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2013.

Investment Policies

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including MPS funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed $500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local

Government Investment Pool; (d) U.S. Treasury and Agency instruments; and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Services, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

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

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

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "*money market*" account. When other investment options provide more favorable returns, such options are utilized. As of August 31, 2014, the City had approximately 10.2% ($17,010,158) of its and MPS' investments deposited in the LGIP.

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

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

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

REVENUES OF MILWAUKEE PUBLIC SCHOOLS

Sources of Funding

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

Local Property Tax

Property taxes levied on behalf of MPS by the City account for a significant portion of the School Operations Fund revenues available to MPS. For fiscal year 2013-14, MPS's share of levy produced $272,784,364 of the total revenues to the School Operations Fund. MPS's 2014-15 School Operations

Fund Revenues are budgeted at $960,548,580 of which City ad valorem property taxes are estimated at $280,271,458.

Milwaukee Public Schools
Property Tax Levies
All Funds
(2009-2013)

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

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

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

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

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

Assessed valuation represents the value upon which ad valorem property taxes are levied. Wisconsin law requires that assessed values in any taxation district be established within 10% of "*full value*," as determined by the Department of Revenue, at least once during each four year period ending with the current year. If a district fails to meet this criteria in any year, the district's assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2013, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was

95.95 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

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

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

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

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

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

The 2013 levies (collected in 2014) were as follows (amounts in millions):

Milwaukee Public Schools	$299.4
City of Milwaukee	253.8
Milwaukee County	128.2
MATC	53.2
Metropolitan Sewerage District	42.6
State Forestry Tax	4.4

The net tax rate for all taxing jurisdictions was $30.62 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 2013 will be collected in 2014. 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 7 equal installments on the last day of each month from January to July 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 January 31 and penalty. 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 in early July. If a tax payment is insufficient to pay all charges, City special charges, special assessments and special taxes are paid before MPS receives its share of the levy.

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. There can be no assurance, however, that the value of property sold, in the event of foreclosure and sale would be sufficient to produce the amount required with respect to taxes levied for MPS, taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the property will be bid on and sold and if that should occur, the City Treasurer will remove the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed.

State Aids

The Wisconsin Constitution requires the State Legislature to provide for establishment of district schools "*which shall be free and without charge for tuition to all children between the ages of 4 and 20 years*". MPS receives revenues in the form of general school aids from the State 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.

Aid to High Poverty Districts

In 2009-10 and thereafter a school district is eligible for aid if, in the October preceding each biennium, the number of pupils eligible for free or reduced-price lunch divided by the district's September membership is equal to at least 50 percent after rounding to the nearest whole percentage point. An eligible school district's aid entitlement is calculated by dividing the total appropriation amount by the prior year aid membership of all eligible school districts. This per pupil amount is then multiplied by each district's prior year aid membership to determine the payment amount.

High poverty aid payments are not treated as an exemption to a district's revenue limit under Section 121.91, Wisconsin Statutes. Rather, high poverty aid is required to reduce a district's maximum allowable levy, and in the case of Milwaukee, offset the general aid reduction attributable to the

Milwaukee Parental Choice Program. Additionally, due to the inclusion of the high poverty aid program in Subchapter II – General Aid of Section 121, Wisconsin Statutes, these payments will be treated as general aid payments for purposes of calculating a district's shared costs in the computation of Equalization Aid.

Although the State has a multi-year tradition of providing State Aid to local school districts to reduce their reliance on local property taxes, there can be no assurance that the State will not decrease, perhaps materially, the amount of State Aid provided to MPS. Unless offsetting revenue sources are obtained, or expenses reduced, MPS would have to increase its reliance upon the property tax to fund its operations if a decrease in State Aid were to occur.

State Aid-General Aids

Equalization Aid

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

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

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

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

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

Annual Revenues Per Pupil

	Statewide			Milwaukee		
	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
Revenue per Pupil	$13,196	$12,591	$12,512	$15,447	$14,271	$14,333
Federal share (%)	9.14	8.7	7.8	20.52	18.8	17.6
State share (%)	45.85	44.1	44.9	53.87	53.2	53.6
Local share (%)	45.01	47.2	47.3	25.61	28.0	28.8

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.

State Aid-Categorical Aids

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

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

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

a) children in children's homes;

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

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

School library aid paid from the common school fund under Article 10, sections 4 and 5 of the Wisconsin Constitution and Section 43.70 of the Wisconsin Statutes, is distributed on the basis of the number of children between age 4 and 20 residing in the district as of June 30 of the year before payments are made. School library aid payments to MPS for 2013-14 were $3,614,470 or $24.95 per child.

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

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

119.71, 119.72 and 119.74 of the Wisconsin Statutes for five-year old kindergarten and early childhood education.

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

Parental Choice Program

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City which meets all public school health and safety laws and codes, complies with federal nondiscrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement (the "*Parental Choice Program*"). Beginning in the 1996-97 school year, no more than 15% of the school district's membership may attend private school under the Parental Choice Program. In 2006 Wisconsin Act 125 increased the limit of participants to 22,500 students. In June 2011 Wisconsin Act 32 eliminated the enrollment cap on the Parental Choice Program and increased the family income limitation for student eligibility. Upon proof of a pupil's enrollment in the private school, the State Superintendent provides a proportionate share of basic and supplemental State school aids. Since 2002 annual general school aids for MPS have been reduced by an amount equal to 45% of the total cost of the Parental Choice Program.

For the 2013-14 school year, approximately 24,611 low-income children enrolled in the Parental Choice Program.

Federal School Aids

In addition to State Aid, MPS receives federal aids for specific school programs.

The federal government provides basic school breakfast and lunch aid to school districts. This program is administered by the United States Department of Agriculture through the Wisconsin Department of Public Instruction. For the 2013-14 school year, MPS revenue for this program was $35,970,606. A portion of this amount was received after the end of the 2014 fiscal year.

The federal government provides basic school lunch aid to school districts. This program is administered by the State Department of Public Instruction. For the 2012-13 school year, MPS received $32,692,750 in basic lunch aid under the federal program administered by the United States Department of Agriculture through the Wisconsin Department of Public Instruction. A portion of this amount was received after the end of the 2013 fiscal year.

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

For the 2013-14 school year, total federal aids to MPS for food services and other categorical aids are estimated to be approximately $184,144,891.

General Fund Trends

Equalization Aid revenues in the 2012-13 school year decreased by $2,133,111. Property tax revenues decreased by $624,902.

Total expenditures increased $7,298,377 in 2012-13 over the previous year. Expenditures for instructional services were 62.63% of total expenditures. The District 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

	2013 Year End	2012 Year End	2011 Year End	2010 Year End
Revenues				
Property tax levy	$286,559,250	$287,184,152	$273,079,212	$284,416,319
Other local sources	13,741,738	10,995,975	11,029,241	9,627,675
Microsoft Settlement Refunds	4,492,796	278,642	6,706,515	6,796,310
State aid:				
Equalization aid	494,557,826	496,690,640	544,914,729	514,990,790
Special classes	51,792,301	54,013,275	49,429,225	46,323,816
Integration	34,178,357	35,235,721	39,158,028	40,804,682
Other state aid	50,161,524	47,442,724	71,938,535	72,041,083
Federal aid:				
Education Consolidation Improvement Act	96,038,429	106,765,706	121,910,586	121,231,450
Erate Refunds	52,666	2,753,269	3,346,923	1,920,868
Other federal aid	49,635,541	54,382,871	61,104,594	77,649,458
Intergovernmental Aid from City of Milwaukee			–	191,000
Miscellaneous	3,190,257	3,196,721	4,533,161	1,222,859
Interest and investment earnings	183,416	224,006	185,426	187,144
Total Revenues	1,084,584,101	1,099,163,702	1,187,336,175	1,177,403,454
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	364,488,175	379,231,430	408,281,267	419,013,141
Regular and other curriculum	147,099,479	129,989,610	153,723,073	162,055,281
Special curriculum	165,369,430	151,900,661	157,796,084	151,818,754
Total instructional services	676,957,084	661,121,701	719,800,424	732,887,176
Community services	29,146,352	24,841,805	23,467,701	23,184,162
Pupil and staff services	111,575,339	112,712,746	129,016,403	114,858,237
General and school building administration	101,012,616	111,351,669	118,430,195	128,618,542
Business services	155,818,995	153,073,711	170,709,794	160,335,051
Debt Service:				
Principal	550,000	1,534,454	4,505,249	12,226,343
Interest	436,028	485,865	532,831	1,086,685
Bond Issuance Cost	1,000	1,000	4,999	835,507
Capital outlay	5,252,233	8,328,319	1,131,777	–
Total Expenditures	1,080,749,647	1,073,451,270	1,167,599,373	1,174,031,703
Excess of revenues over (under) expenditures	3,834,454	25,712,432	19,736,802	3,371,751
Other Financing Sources (Uses)				
Proceeds from sale of assets	63,500		18,128	–
Capital Leases			–	11,504,297
Transfers in (out)	(21,287,465)	(20,963,406)	(20,168,630)	(19,506,580)
Total Other Financing Sources(uses)	(21,223,965)	(20,963,406)	(20,150,502)	(8,002,283)
Net Change in Fund Balances	(17,389,511)	4,749,026	(413,700)	(4,630,532)
Fund balance - beginning of year	96,349,900	91,600,874	92,014,574	96,645,106
Fund balance - beginning of year, as restated			–	–
Fund balance - end of year	$78,960,389	96,349,900	$91,600,874	$92,014,574

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 2015 and 2014

	2014-15 Budget (1)	2013-14 Budget (2)
Revenues		
Locally Generated:		
Property Tax Levy	$280,271,458	$272,784,364
Other Local Sources	6,912,100	9,254,536
Subtotal	287,183,558	282,038,900
State Aid:		
Equalization Aid	497,164,880	500,434,973
Special Education	51,691,850	51,396,600
Integration	33,522,834	33,522,834
Other	31,238,577	26,100,252
Subtotal	613,618,141	611,454,659
Federal Aid:		
School Nutrition Commodities & Federal Indirect	43,681,000	38,835,400
Other	16,065,881	15,436,250
Subtotal	59,746,881	54,271,650
Total Revenues	960,548,580	947,765,209
Plus Use of Surplus	0	0
Total Sources of Funds	$960,548,580	$947,765,209
Expenditures (3)		
Instructional Services	$602,167,905	$584,814,850
Support Services	358,380,675	362,950,359
Total Expenditures	$960,548,580	$947,765,209
Summary		
Total Revenues and Use of Surplus	$960,548,580	$947,765,209
Total Expenditures	960,548,580	947,765,209
Difference	$0	$0

(1) Initial Fiscal Year 2015 School Operations Fund Budget approved May 2014.
(2) Final Fiscal Year 2014 School Operations Fund Budget approved October 2013.
(3) Expenditure categories include allocations based on estimates and may differ from actual experience.

The management of MPS has prepared the projected financial information set forth below to present the cash flow needs of MPS for the fiscal year 2014-2015. It is the belief of MPS management that these projections are reasonable and reflect the best current estimates and judgments regarding future cash flows. MPS's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information set forth below, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information.

Milwaukee Public Schools
School Operations Fund Monthly Cash Flow Summary
2013-14 Actual Results (Unaudited)
2014-2015 Projected
(Millions of Dollars)

2013-2014 Actual Results

	Beginning	Receipts	Disbursements	Ending
July 2013	41.554	46.886	99.270	(10.830)
Aug	(10.830)	33.339	78.170	(55.661)
Sept	(55.661)	133.931 (1)	71.780	6.490
Oct	6.490	187.091 (2)	102.639	90.941
Nov	90.941	44.974	90.238	45.678
Dec	45.678	170.093	201.363 (3)	14.408
Jan 2014	14.408	170.531	125.872	59.067
Feb	59.067	85.713	96.715	48.065
Mar	48.065	194.111	99.837	142.339
Apr	142.339	39.135	95.099	86.375
May	86.375	37.481	98.828	25.028
Jun	25.028	334.395	299.779 (4)	59.644

(1) Includes $50,000,000 of Commercial Paper proceeds.
(2) Includes $50,000,000 of Commercial Paper proceeds, and $130,000,000 of 2013 M7 Notes.
(3) Includes repayment of Commercial Paper.
(4) Includes repayment of 2013 M7 Notes.

2014-2015 Projected

	Beginning	Receipts	Disbursements	Ending
July 2014	59.644	28.950	85.259	3.335
Aug	3.335	28.297	74.903	(43.271)
Sept	(43.271)	155.078 (1)	104.874	6.933
Oct	6.933	176.783 (2)	90.341	93.375
Nov	93.375	29.290	88.821	33.844
Dec	33.844	152.634	175.673 (3)	10.805
Jan 2015	10.805	192.834	127.698	75.941
Feb	75.941	81.112	102.617	54.436
Mar	54.436	192.554	102.812	144.178
Apr	144.178	42.400	89.566	97.012
May	97.012	35.402	90.839	41.575
Jun	41.575	308.820	308.389 (4)	42.006

(1) Includes $35,000,000 of Commercial Paper proceeds.
(2) Includes $35,000,000 of Commercial Paper proceeds and $125,000,000 of 2014 M4 Notes.
(3) Includes repayment of Commercial Paper.
(4) Includes repayment of 2014 M4 Notes.

Milwaukee Public Schools
School Operations Fund- Cash Flow Actual
July 1, 2013 – June 30, 2014
(Millions of Dollars)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	41.554	(10.830)	(55.661)	6.490	90.941	45.678	14.408	59.067	48.065	142.339	86.375	25.028	
RECEIPTS													
Property Taxes							140.270	45.254	7.667	13.071	8.186	58.414	272.862
Integration Aid	–	–	–	–	–	–	–	–	–	–	–	33.523	33.523
Computer Aid	4.901	–											4.901
State Aid													
Equalization Aid	9.115		72.857			123.813			122.919		–	172.087	500.792
Other		–			7.659	10.497	10.050	7.672	18.603	3.614	–	15.533	73.629
Categorical Aid	17.338	30.075	9.668	4.418	15.961	11.418	12.581	22.314	29.458	11.462	16.540	25.929	207.163
Nutrition	14.241	1.785	0.088	0.171	0.195	8.273	0.229	3.900	6.614	4.032	4.463	7.481	51.472
Local Revenues	0.436	0.201	0.086	1.240	0.005	1.827	0.163	0.071	0.458	0.945	0.163	2.052	7.646
Other Local Receipts	0.311	0.762	0.672	0.717	1.087	0.743	1.006	1.219	0.862	0.939	1.094	11.584	20.995
Reimbursed QSCB Interest						0.894						0.909	1.803
GASB 45	0.544	0.516	0.559	0.545	20.067	12.628	6.233	5.283	7.529	5.071	7.034	6.884	72.893
CP Proceeds			50.000	50.000		–							100.000
Note Proceeds				130.000									130.000
Total Receipts	46.886	33.339	133.931	187.091	44.974	170.093	170.531	85.713	194.111	39.135	37.481	334.395	1,477.680
DISBURSEMENTS													
Salaries and Benefits	19.879	34.660	66.476	67.828	67.981	68.966	105.317	69.089	73.844	69.214	68.432	72.356	784.042
Services & Supplies	62.380	38.757	4.632	9.304	14.729	16.280	11.384	19.966	19.163	17.676	22.810	72.883	309.965
Other Local Expenses	0.311	0.762	0.672	0.717	1.087	0.743	1.006	1.219	0.862	0.939	1.094	11.584	20.995
GASB 45	16.700		–	24.790	6.338	6.285	6.330	6.341	5.968	7.270	6.492	4.635	91.149
Debt Service		3.991	–		0.103	9.089	1.835	0.100	–	–	–	8.321	23.439
CP Repayment						100.000			–				100.000
Note Repayment												130.000	130.000
Total Disbursements	99.270	78.170	71.780	102.639	90.238	201.363	125.872	96.715	99.837	95.099	98.828	299.779	1,459.590
Balance	(10.830)	(55.661)	6.490	90.941	45.678	14.408	59.067	48.065	142.339	86.375	25.028	59.644	

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

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	59.644	3.335	(43.271)	6.933	93.375	33.844	10.805	75.941	54.436	144.178	97.012	41.575	
RECEIPTS													
Property Taxes							160.000	45.215	6.870	11.073	7.388	49.725	280.271
Integration Aid												33.523	33.523
Computer Aid	5.648												5.648
State Aid													
Equalization Aid	8.976		73.759			121.507			122.042			170.881	497.165
Other		0.055			7.699	7.804	12.167	7.754	24.810	3.521	–	13.448	77.258
Categorical Aid	2.986	24.988	19.798	5.789	11.497	9.097	7.406	16.439	22.626	16.217	16.404	25.341	178.588
Nutrition	0.264	1.857	9.044	0.392	0.307	4.910	3.127	2.677	8.654	4.390	3.245	4.814	43.681
Local Revenues	0.639	0.170	0.693	0.469	0.215	0.418	0.755	0.178	0.121	0.187	0.202	2.865	6.912
Other Local Receipts	1.416	0.523	3.396	1.740	1.740	1.740	1.740	1.740	1.740	1.740	1.740	1.740	20.995
Reimbursed QSCB Interest						0.894		0.894				–	1.788
GASB 45	9.021	0.704	13.388	8.393	7.832	6.264	7.639	6.215	5.691	5.272	6.423	6.483	83.325
CP Proceeds			35.000	35.000									70.000
Note Proceeds				125.000									125.000
Total Receipts	28.950	28.297	155.078	176.783	29.290	152.634	192.834	81.112	192.554	42.400	35.402	308.820	1,424.154
DISBURSEMENTS													
Salaries and Benefits	20.121	28.251	71.972	67.452	67.604	68.584	104.733	68.706	73.435	68.830	68.053	71.954	779.695
Services & Supplies	31.123	42.459	16.376	8.019	12.910	18.260	14.658	21.833	21.070	12.429	14.479	94.572	308.188
Other Local Expenses	1.416	0.523	3.396	1.740	1.740	1.740	1.740	1.740	1.740	1.740	1.740	1.740	20.995
GASB 45	32.500	–	13.126	13.126	6.563	6.563	6.563	6.563	6.563	6.563	6.563	6.568	111.261
Debt Service	0.099	3.670	0.004	0.004	0.004	10.526	0.004	3.775	0.004	0.004	0.004	8.555	26.653
CP Repayment						70.000							70.000
Note Principal to Trustee												125.000	125.000
Total Disbursements	85.259	74.903	104.874	90.341	88.821	175.673	127.698	102.617	102.812	89.566	90.839	308.389	1,441.792
Balance	3.335	(43.271)	6.933	93.375	33.844	10.805	75.941	54.436	144.178	97.012	41.575	42.006	

THE CITY OF MILWAUKEE

General

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 596,500 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, counties, 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
2013	596,500		Not Available
2012	595,425		$35,770
2011	595,525		34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
2008	590,870		33,160
2007	590,190		33,240
2000	605,572	596,974	32,370

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

Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity for the years 2009-2013.

General Total

Year	Value	Permits Issued
2013	$269,010,398	2,217
2012	254,896,334	2,297
2011	269,386,167	2,340
2010	283,026,280	2,065
2009	290,326,431	1,723

Residential Building

	Single Family		Multi-Family		Total		
Year	Value	# Of Units	Value	# Of Units	Value	# Of Units	Permits Issued
2013	$ 5,429,015	43	$46,923,592	430	$52,352,607	473	53
2012	4,408,472	44	30,455,000	281	34,863,472	325	60
2011	17,892,282	139	42,327,598	364	60,219,880	503	222
2010	8,400,090	84	91,179,501	726	99,579,591	810	118
2009	7,269,207	59	37,354,152	409	44,623,359	468	72

Commercial Building

Year	Value	Permits Issued
2013	$ 83,584,379	42
2012	52,952,469	51
2011	58,518,315	47
2010	53,319,884	67
2009	127,122,466	37

Public Building

Year	Value	Permits Issued
2013	$24,248,685	147
2012	43,046,652	211
2011	49,456,901	256
2010	22,238,704	129
2009	10,808,648	107

Alterations and Additions

Year	Value	Permits Issued
2013	$108,824,727	1,975
2012	124,033,741	1,975
2011	101,191,071	1,815
2010	107,888,101	1,751
2009	107,771,958	1,506

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

Leading Business and Industrial Firms
Located Within Milwaukee County

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

Company	Business Description	Approximate Employment
Aurora Health Care Inc.	Health Care System	24,462
Wheaton Franciscan Healthcare	Health Care System	10,687
Froedert & Community Health	Health Care System	9,028
Roundy's Supermarkets Inc.	Retail Supermarkets	9,000
The Medical College of Wisconsin	Private Medical School	5,400
Columbia St. Mary's Health System	Health Care System	5,400
Northwestern Mutual	Insurance, Investment Products	5,000
ProHealth Care Inc	Health Care System	4,700
Children's Hospital	Health Care System	4,471
Goodwill Industries	Training Programs, Retail, & Food Service	4,055
US Bank NA	Banking Services	3,639
BMO Harris Bank	Bank Holding Company	3,390
Rockwell Automation Inc	Industrial Automation Products	3,100
Johnson Controls Inc.	Control Systems, Batteries & Auto Interiors	3,094
The Marcus Corp	Theaters and Hotel Properties	3,044
Wisconsin Energy Corp	Electric & Natural Gas Utility	3,029
(FIS) Fidelity National Info. Services	Banking and Payments Technology	2,800
Marquette University	University	2,766
Harley-Davidson Inc	Motorcycles & Accessories	2,736
Potawatomi Bingo Casino	Casino	2,730
Wells Fargo	Banking & Financial Services	2,390
Bon-Ton Department Stores	Department Stores	2,244
Extendicare Health Services	Skilled Nursing Homes	1,680
Rexnord Corp	Power Transmission Equipment	1,600
Briggs & Stratton Corp	Small Gasoline Engines	1,400
Journal Communications Inc	Diversified Media Company	1,363
Cargill Meat Solutions	Meat Processor	1,355
MillerCoors LLC	Beer Brewery	1,350
Chase	Global Financial Services	1,310
Robert W Baird	Asset Management and Capital Markets	1,287
Assurant Health	Health Insurance	1,281
Joy Global Inc.	Manufactures & Distributes Mining Equip	1,233
Caterpillar Inc., (Bucyrus)	Manufactures & Distributes Mining Equip	1,165
Patrick Cudahy Inc.	Manufacturer of Processed Meats	1,150
Brady Corp	Manufacturer of Identification Materials	1,109

Source: The Business Journal of Greater Milwaukee, as of July 11, 2014.

EMPLOYMENT AND INDUSTRY

During 2013, the City's unemployment rate averaged approximately 10.0%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2009 through 2013.

Annual Unemployment Rates
(Not Seasonally Adjusted)

Year	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2013	10.0%	7.3%	6.7%	7.4%
2012	10.2	7.5	6.9	8.1
2011	10.9	8.0	7.5	8.9
2010	11.9	8.9	8.5	9.6
2009	11.3	8.9	8.7	9.3

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

Recent Monthly Unemployment Rates
(Not Seasonally Adjusted)

Month	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
July 2014	9.4%	6.6%	5.8%	6.5%

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

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 80% of the workforce. Manufacturing firms employ 14% of the workforce. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

Ten Largest Taxpayers With 2013 Estimated Equalized Valuations

US Bank Corp	$243,891,192
Northwestern Mutual Life Ins.	176,203,519
Marcus Corp/Milw City Center/Pfister	113,688,374
Mandel Group	113,530,075
Metropolitan Associates	93,710,348
411 East Wisconsin LLC	88,399,000
100 E. Wisconsin – CW Wisconsin Ave. LLC	76,288,305
Gorman & Co.	68,773,091
Towne Realty	66,367,980
Riverbend Place	58,145,660

Source: City of Milwaukee, Assessor's Office January 2014.

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 issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization*" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code, and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

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

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

LEGAL MATTERS

Litigation

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

The City Attorney's Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation. As of October 1, 2014, there are no pending or threatened litigation matters, claims or assessments which individually represent a maximum potential loss exposure in excess of $1 million.

LEGAL OPINION

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

TAX STATUS

Summary of Bond Counsel Opinion

Bond Counsel are of the opinion that under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "*Code*"), Bond Counsel are of the opinion the Notes are not "*private activity bonds*" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Notes is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Notes is not exempt from Wisconsin income taxes.

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

Notes Purchased at a Premium or at a Discount

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

Bond premium and original issue discount are amortized over the term of a Note on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Note for federal income tax purposes, to the same extent and with the same limitations as current interest.

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

Exclusion from Gross Income: Requirements

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

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

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

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

Covenants to Comply

The City has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Notes.

Risks of Non-Compliance

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

Federal Income Tax Consequences

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

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

Corporate Owners. Interest on the Notes is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Notes is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax. Interest on the Notes is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

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

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Notes may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Notes may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

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

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

The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Notes are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Notes are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Notes.

State Tax Matters

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

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "*Rule*") promulgated by the Securities and Exchange Commission (the "*Commission*"), pursuant to the Securities Exchange Act of 1934, the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "*Undertaking*") for the benefit of holders including beneficial holders of the Notes to provide certain financial information and operating data relating to the City annually (the "*Annual Financial Information*") to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the "*MSRB*"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access ("*EMMA*") system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of certain enumerated events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Notes are delivered. Such Certificate will be in substantially the form attached hereto as **APPENDIX C**. The City intends to fully comply with the Undertaking relating to the Notes.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

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

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

RATINGS

The City has requested ratings on the Notes from Fitch Ratings ("*Fitch*"), Moody's Investors Service, Inc. ("*Moody's*"), and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("*Standard & Poor's*"). Fitch has assigned a rating of "________" on the Notes. Moody's Investors Service, Inc. has assigned a rating of "_______" on the Notes. Standard & Poor's has assigned a rating of "_____" on the Notes.

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Notes will be purchased at competitive bidding conducted on October 8, 2014.

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 by Hurtado Zimmerman SC, Wauwatosa, Wisconsin, Bond Counsel to the City, in substantially the form as set forth in **APPENDIX B**;

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

(6) a Continuing Disclosure Certificate; and

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

REPRESENTATIONS OF THE CITY

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

ADDITIONAL INFORMATION

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

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

/s/ ____

Martin Matson
City Comptroller and Secretary
City of Milwaukee, Wisconsin

_______________, 2014

APPENDIX A

Audited Annual Financial Report of
the Milwaukee Public Schools
for the Year Ended June 30, 2013

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report for the year ended June 30, 2013, 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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II. Financial Section

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The June 30, 2013 financial statements of Milwaukee Public Schools have been audited by Baker Tilly Virchow Krause, LLP and they have issued an unqualified opinion dated December 18, 2013.

The complete Comprehensive Annual Financial Report for the year ended June 30, 2013, is available from EMMA and is hereby incorporated by reference.

<Form of the Independent Auditor’s Report>

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Milwaukee Public Schools's basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant t0 the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Milwaukee Public Schools preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Milwaukee Public Schools 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools, as of June 30, 2013 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 I, the Milwaukee Public Schools adopted the provisions of GASS Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* effective July 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milwaukee Public Schools 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 18, 2013 on our consideration of the Milwaukee Public Schools 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 internal control over financial reporting and compliance.

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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, 2013. 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 ($155.1 million) at June 30, 2013, from ($132.5 million) at June 30, 2012, a decline of approximately $22.6 million, or 17.1%. This decrease in primarily due to spending of $20 million of 2010 Qualified School Construction Bonds.
- Total revenues decreased to $1.166 billion in fiscal year 2013 (FY13), down from $1.176 billion in fiscal year 2012, a decrease of approximately .9% or $10 million. The decrease is primarily attributable to unexpected Medicaid revenues in fiscal year 2012 of $10 million.
- Total expenses increased to $1.189 billion, up from $1.182 billion for the year ended June 30, 2012, an increase of .6%. The increase in expenditures included approximately $15 million in payouts of 3% base-building pay increases for teachers and educational staff and non-base building payouts to other employees.

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

- Total fund balances of the District's governmental funds decreased $28.5 million in fiscal year 2013. This decrease included a $17.4 million decrease in the General Fund, a $9.9 million decrease in the Construction Fund, a $1.2 million decrease in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The decrease in the General fund balance is primarily the result of $10 million less Title I revenues, a 3% base-building pay raise to teachers and a non-base building payout to employees of totaling approximately $15 million. There were also increases in one-time retiree severance payouts of $2.7 million. These increases were offset by cost savings in healthcare.
- The decrease in the Construction fund balance is the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In fiscal year 2010 (FY10), MPS, through the city of Milwaukee, issued $48 million of Qualified School Construction Bonds to fund school related projects. During FY13, MPS spent $20 million of Qualified School Construction Bond proceeds on projects.
- The $1,186,798 decrease in the School Nutrition fund balance is attributable to pupil lunch revenues being less than projected and due to the Nutrition fund post-employment benefit (OPEB) health costs.
- Total fund balances for all governmental funds at June 30, 2013 were $92.0 million. Of this amount, $7.3 million was nonspendable, $16.2 million was restricted for self-insurance, debt service, and flex spending, $17.1 million was committed for construction, $3.1 million was assigned, and $48.3 million remains unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

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

3. Required Supplementary Information (RSI)

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

The **Management's Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2013. It includes an overview of the financial statements of the District and a report on the budgetary highlights.

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

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

Table 1

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

Total net position decreased from the prior year by $22.6 million. This decrease is largely the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In FY10, MPS, through the city of Milwaukee, issued $48 million of Qualified School Construction Bonds to fund school related projects. During FY13, MPS spent $20 million of Qualified School Construction Bond proceeds on projects.

MPS ended its fiscal year with a net position of ($155.1 million), of which $490.2 million was net investment in capital assets, $6.9 million was restricted for debt service, and ($652.2) million was an unrestricted deficit. The unrestricted deficit is the result of a $539.2 OPEB liability as well as the District's pension liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability, which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of $168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2013 the balance of the outstanding pension debt grew to $185.6 million due to the fact the pension financing includes capital appreciation securities which accrete over time.

Table 2

Condensed Statement of Net Position

(in thousands)

	Governmental Activities		
	2013	**2012**	**Difference**
Capital assets, net	$ 625,138	$ 627,013	$ (1,875)
Noncapital assets	305,060	331,244	(26,184)
Intangible assets	12,551	14,418	(1,867)
Total assets	942,749	972,675	(29,926)
Current liabilities	175,963	193,930	(17,967)
Noncurrent liabilities	921,846	911,212	10,634
Total liabilities	1,097,809	1,105,142	(7,333)
Net position:			
Net investment in capital assets	490,235	495,794	(5,559)
Restricted	6,867	13,472	(6,605)
Unrestricted (deficit)	(652,162)	(641,733)	(10,429)
Total net position	$ (155,060)	$ (132,467)	$ (22,593)

Capital Assets decreased by $1.9 million. The decrease is the net result of Construction in Progress decreasing by $1.0 million, Buildings, Leasehold Improvements, and Furniture increasing by $21.1 million, and Accumulated Depreciation increasing by $22.0 million.

Notable changes in Noncapital Assets occurred in the areas of Restricted Cash and Investments and Deferred Cash Flow Hedges-Unrealized Loss on Derivatives. The decrease in Restricted Cash and Investments is generally the result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In FY10, MPS, through the city of Milwaukee, issued $48 million of Qualified School Construction Bonds to fund school-related projects. During FY13, MPS spent $20 million of those proceeds on projects.

Deferred Cash Flow Hedges-Unrealized Loss on Derivatives is reported as the District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, a decrease in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position. For the reporting period, all the District's derivatives met the effectiveness test. The current asset component of the decrease in fair value is $23.4 million and the noncurrent asset component is $40.8 million.

Current liabilities decreased $18.0 million in the current year. This was due to an increase of $2.0 million in Accounts Payable and Other Current Liabilities, a decrease in accrued interest of $0.7 million, a decrease in Derivative instruments liability of $12.9 million, a decrease in the Current Portion of Long-Term Obligations of $4.3 million, and a decrease in Unearned Revenue of $2.1 million. The increase in Accounts Payable and Other Current Liabilities was caused by an increase in accounts payable of $4 million, a decrease in contracts payable of $7.7 million, an increase in accrued salaries and wages of $4.5 million, a decrease in accrued pension payable of $2.6 million and an increase in accrued claims for self-insurance of $3.8 million. The decrease of $2.1 million in Unearned Revenue is attributable to collections of Microsoft refunds. The decrease in Current Portion of Long-Term Obligations of $4.4 million is due to a $5.8 million decrease in compensated absences resulting from the retiree severance payouts and a $0.3 million decrease in worker's compensation claims, and $1.8 million decrease in debt principal.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2013 with a decrease in net position of $22.6 million, compared to a decrease of $6.3 million in fiscal year 2012.

Table 3

Schedule of Revenues and Expenses

(in thousands)

	Governmental Activities 2013	Governmental Activities 2012	Governmental Activities Difference
Program revenues:			
Charges for services	$ 14,089	$ 12,383	$ 1,706
Operating grants and contributions	288,740	298,422	(9,682)
Capital grants and contributions	6,491	3,245	3,246
Total program revenues	309,320	314,050	(4,730)
General revenues:			
Property taxes	300,605	297,787	2,818
Other taxes	33	533	(500)
Federal and state aid	553,527	560,069	(6,542)
Interest and investment earnings	255	224	31
Gain on sale of fixed assets	114	0	114
Miscellaneous	2,625	3,286	(661)
Total general revenues	857,159	861,899	(4,740)
Total revenues	1,166,479	1,175,949	(9,470)
Expenses:			
Instruction	714,036	685,590	28,446
Community services	30,537	26,041	4,496
Pupil and staff services	130,190	135,649	(5,459)
General administration	103,503	113,952	(10,449)
Business services	149,452	154,702	(5,250)
School nutrition	44,946	44,527	419
Interest on long-term debt	16,148	17,790	(1,642)
Loss on sale of buildings	260	4,028	(3,768)
Total expenses	1,189,072	1,182,279	6,793
Increase (decrease) in net position	$ (22,593)	(6,330)	(16,263)

Total revenues decreased $9.5 million, or 1% over the prior year. The greatest changes came in the areas of Program-Operating grants and contributions and General-Federal and State Aid. Operating grants and contributions declined due to unexpected Medicaid revenues in fiscal year 2012 of $10 million and offset by an increase in capital grants and contribution due to increase in Microsoft receipts of $4.4 million. Federal and State Aid decreased by $6.5 million due to decrease in equalization aid and other federal aid.

Total expenses increased by $6.8 million, or .6%. This increase in instruction expense is primarily attributable to a raise for employees of approximately $15 million and offset by a decrease in general administration due to a plan decrease of shifting more cost to the schools.

Capital Assets

Table 4 shows that at June 30, 2013, MPS had $1.169 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of $21.1 million from the previous year. The primary driver of this increase is the Buildings, which rose $19.2 million.

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

Table 4

Change in Capital and Intangible Assets
(in thousands)

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital and intangible assets:				
Land	$ 31,495	$ —	$ —	$ 31,495
Construction in progress	5,690	18,269	19,231	4,728
Buildings	1,002,182	19,231	—	1,021,413
Leasehold improvements	12,219	—	—	12,219
Furniture and equipment	49,706	2,211	327	51,590
Software	46,098	4,662	3,668	47,092
Total capital and intangible assets	1,147,390	44,373	23,226	1,168,537
Accumulated depreciation and amortization	(505,959)	(25,247)	(358)	(530,848)
Total Capital and intangible assets, net	$ 641,431	$ 19,126	$ 22,868	$ 637,689

Long-term Debt

Long-term debt at June 30, 2013 was $342.2 million with debt retirements totaling $65.1 million.

Table 5

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

	July 1, 2012	Issuances	Retirements	June 30, 2013
Governmental activities:				
Americans with Disabilities Act loans	$ 9,703	$ 444	$ 1,194	$ 8,953
Neighborhood School Initiative bonds	90,995	52,198	57,259	85,934
Qualified School Construction Bonds	48,934	—	(28)	48,962
Qualified Zone Academy bonds	3,681	—	911	2,770
Pension refinancing debt	182,309	—	(3,260)	185,569
Capital leases	10,245	—	5,295	4,950
Other intergovernmental debt	3,969	4,883	3,767	5,085
Total debt	$ 349,836	$ 57,525	$ 65,138	$ 342,223

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. Approximately $4.4 million of NSI debt was retired in fiscal year 2013.

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 $911,318 in fiscal year 2013.

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 2013 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

MPS has outstanding capital leases that funded major modifications to three school facilities. The three include the Congress School, Craig Montessori School, and Fratney Street School. The financing vehicle for the capital leases was lease revenue bonds. In addition, MPS had capital leases that funded improvements to the Milwaukee Education Center (MEC) and the Grand Avenue School, but were refinanced in fiscal year 2010 through an intergovernmental cooperation agreement with the city of Milwaukee. The city issued general obligation bonds (GO bonds) sufficient to retire the lease revenue bonds associated with the capital leases for MEC and Grand Avenue School. These GO bonds have the same maturity as the refunded debt and will be retired in fiscal year 2014. $290,000 remains outstanding on these bonds. The Congress, Craig, and Fratney debt will be retired in 2026. The amount outstanding at year end 2013 was $5.0 million, down $5,295,000 from the previous year.

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

FUND FINANCIAL STATEMENTS

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

- The year-end General fund balance decreased $17.4 million over the prior year-end. The decrease in the General fund balance is primarily the result of $10 million less Title I revenues, and increases in expenditures including approximately $15 million in payouts for 3% base-building pay increases for teachers and educational staff (approximately $12m) and non-base building payouts to other employees ($3m). There were also increases in amounts paid for retiree severance of approximately $2.7 million because of an unusually large number of retirements. These increases were offset by savings in healthcare.
- The decrease in the Construction fund balance is result of payments for projects using funds previously borrowed through the American Recovery and Reinvestment Act (ARRA). In FY10, MPS, through the city of Milwaukee, issued $48 million of Qualified School Construction Bonds to fund school related projects. During FY13, MPS spent an additional $20 million of Qualified School Construction Bond proceeds on projects.
- The $1,186,798 decrease in the School Nutrition fund balance is attributable to pupil lunch revenues being less than projected and due to Nutrition fund post-employment benefit (OPEB) health costs.

NOTES TO BASIC FINANCIAL STATEMENTS

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

BUDGETARY HIGHLIGHTS

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

In June 2012, the MPS Board of School Directors (the Board) adopted the District's fiscal 2013 budget (July 1, 2012 – June 30, 2013). The adopted budget by necessity used a *projection* of the fiscal 2013 student enrollment. In October 2012, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2012, as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state general aids and property taxes, are predicated on actual MPS enrollment.

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

In October 2012, the Board approved a revised fiscal year 2013 (FY13) General Fund expenditure budget in the amount of $1,145,129,282. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY13 were over 94% of the FY13 revised General Fund budget.

Current Economic Facts and Next Year's Budget

In October 2013, the MPS Board approved a revised FY14 General Fund budget of $1,120,796,280. The FY14 budget includes prior year encumbrances and carryover appropriation authority and is down 2% from the FY13 General Fund Budget. The reduction is due to reduced grant funding.

The state-imposed revenue limit for FY14 increased to $826,790,697, a 0.09% increase above FY13. The $4,000,000 increase is due to:

- a $75 increase in the per pupil amount;
- enrollment remained consistent with the FY13 level.

State general aids increased 1.0% to $534.2 million. The change in equalization and integration aids is attributed to an increase in the State-wide allocation for school aids and a reduction in the levy required for Milwaukee Parental Choice Program (MPCP).

The MPS FY14 Amended Adopted Budget totals $1,178,976,131. This is 1.5% less than the FY13 Final Adopted Budget of $1,196,830,955.

- Categorical grant revenue is projected to decrease by $33.3 million from the FY13 budget. This is as a result of continuing reductions in Federal grants in part due to sequestration.
- State revenues increased by $8.5 million primarily due to an increase in funding outside of the revenue limit.

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

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

The FY14 budget moves the district ahead in a spirit of collaboration and remains committed to the children of Milwaukee by consistently placing their academic needs first. The budget has been strategically crafted to arrange key resources to continue supporting academic achievement for all students assuring they have the necessary skills to realize positive futures. The budget includes:

- A standard of care for every school in the area of art, music or physical education. Every traditional MPS school in FY14 will have a school librarian, art and physical education teacher in their school at least one day per week.
- Continuation of the centralization process that began in FY12. The costs for most school office staff and school librarians will continue to enable all schools to spend the same amount on educating children.
- Continued growth of college and career readiness programs.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

June 30, 2013

		Governmental Activities
Assets		
Currents:		
Assets:		
Cash and investments (note 2)	$	89,619,663
Accounts receivable, net (note 3)		18,094,092
Due from other governments (note 3)		93,457,544
Inventory (note 1(g))		907,073
Prepaid items (note 1(g))		1,388,395
Total current assets		203,466,767
Deferred outflow of resources:		
Deferred cash flow hedges-unrealized loss on derivatives (note 7)		23,383,159
Noncurrent assets:		
Restricted cash and investments (note 1(d))		16,538,432
Deposits for self-insurance (note 1(l))		4,408,669
Capital assets not being depreciated (note 5)		36,223,029
Capital assets being depreciated, net (note 5)		588,915,287
Intangible assets, net (note 5A)		12,550,988
Net Pension assets (note 10)		13,710,948
Bond issuance costs (note 1(m))		2,788,658
Total noncurrent assets		675,136,011
Deferred outflow of resources:		
Deferred cash flow hedges-unrealized loss on derivatives (note 7)		40,763,555
Total assets and deferred outflow of resources		942,749,492
Liabilities		
Current liabilities:		
Accounts payable and other current liabilities		112,641,734
Accrued interest payable on long-term liabilities		3,756,443
Unearned revenue (note 1(j))		14,936,638
Current portion of long-term obligations (note 7)		21,245,764
Total current liabilities		152,580,579
Deferred inflow of resources:		
Derivative instruments liability (note 7)		23,383,159
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		881,082,476
Deferred inflow of resources:		
Derivative instruments liability (note 7)		40,763,555
Total liabilities and deferred inflow of resources		1,097,809,769
Net Position		
Net investment in capital assets		490,235,574
Restricted for debt service		6,866,476
Unrestricted (Deficit)		(652,162,327)
Total net position (deficit)	$	(155,060,277)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2013

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	$	714,036,147	6,135,034	218,784,528	6,491,624	(482,624,961)
Support services:						
Community services		30,536,990	1,789,570	6,689,857	—	(22,057,563)
Pupil and staff services		130,189,957	—	17,344,944	—	(112,845,013)
General, administration, and central services		103,502,882	—	—	—	(103,502,882)
Business services		149,452,181	3,230,905	6,045,771	—	(140,175,505)
School nutrition services		44,945,680	2,933,140	39,875,043	—	(2,137,497)
Interest on long-term debt		16,147,608	—	—	—	(16,147,608)
Loss on disposal of software		260,129	—	—	—	(260,129)
Total support services		475,035,427	7,953,615	69,955,615	—	(397,126,197)
Total school district	$	1,189,071,574	14,088,649	288,740,143	6,491,624	(879,751,158)

General revenues:		
Taxes:		
Property taxes levied for general purposes		269,493,379
Property taxes levied for construction		8,619,687
Property taxes levied for debt service		5,426,145
Property taxes levied for community services		17,065,871
Other taxes		32,559
Federal and state aid not restricted to a specific purpose:		
General (equalization aid)		494,557,826
Other		58,969,122
Miscellaneous		2,624,753
Interest and investment earnings		254,662
Gain on sale of fixed assets		113,881
Total general revenues		857,157,885
Change in net position		(22,593,273)
Net position—Beginning of Year (deficit)		(132,467,004)
Net position—Ending of Year (deficit)	$	(155,060,277)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2013

Assets	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	$ 67,836,199	21,783,464	—	—	89,619,663
Receivables, net:					
Accounts (note 3)	15,159,878	2,703,795	230,419	—	18,094,092
Due from other governmental units (note 3)	71,821,100	—	16,070,512	5,565,932	93,457,544
Due from other funds (note 4)	32,944,130	—	—	—	32,944,130
Total receivables	119,925,108	2,703,795	16,300,931	5,565,932	144,495,766
Restricted cash and investments (note 1(d))	10,855,693	5,682,739	—	—	16,538,432
Inventories (note 1(g))	907,073	—	—	—	907,073
Prepaid items (note 1(g))	1,388,395	—	—	—	1,388,395
Deposits for self-insurance (note 1(l))	4,408,669	—	—	—	4,408,669
Total assets	$ 205,321,137	30,169,998	16,300,931	5,565,932	257,357,998
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 51,672,000	919,132	1,239,952	304,972	54,136,056
Contracts payable	271,140	747,907		—	1,019,047
Accrued salaries and wages	15,811,420	—	—	—	15,811,420
Deferred revenue (note 1(j))	16,930,977	2,770,000	68,075	—	19,769,052
Accrued claims for self-insurance (note 9)	38,004,628	—	—	—	38,004,628
Accrued pension payable (note 10)	3,603,827	—	—	—	3,603,827
Other accrued expenditures	66,756	—	—	—	66,756
Due to other funds (note 4)	—	7,716,532	19,966,638	5,260,960	32,944,130
Total liabilities	126,360,748	12,153,571	21,274,665	5,565,932	165,354,916
Fund balances (deficits):					
Non-Spendable					
Inventories	907,073	—	—	—	907,073
Prepaid items	1,388,395	—	—	—	1,388,395
Noncurrent Advances	4,973,734	—	—	—	4,973,734
Restricted:					
Self-insurance deposits	4,408,669	—	—	—	4,408,669
Debt service	10,599,746	941,258	—	—	11,541,004
Flex Spending	253,825	—	—	—	253,825
Committed:					
Construction	2,122	17,075,169	—	—	17,077,291
Assigned for 2014 budget appropriation	3,104,129	—	—	—	3,104,129
Unassigned	53,322,696	—	(4,973,734)	—	48,348,962
Total fund balances (deficits)	78,960,389	18,016,427	(4,973,734)	—	92,003,082
Total liabilities and fund balances	$ 205,321,137	30,169,998	16,300,931	5,565,932	257,357,998

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

June 30, 2013

Total fund balances—governmental funds			$	92,003,082
Amounts reported for governmental activities in the statement of net assets are different because:				
Bond costs of issuance are capitalized at the government-wide level and amortized over the life of the related bonds				2,788,658
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	$	1,121,445,550		
Accumulated depreciation		(496,307,234)		
Net capital assets				625,138,316
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	$	47,091,783		
Accumulated depreciation		(34,540,795)		
Net capital assets				12,550,988
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds				13,710,948
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 deferred in the funds				4,832,414
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		(424,982,563)		
Bonds premium and discounts		(5,471,128)		
Discount on capital appreciation bonds		93,180,950		
Capital leases payable		(4,950,000)		
Accrued bond interest payable		(3,756,443)		
Compensated absences payable (vacation and sick leave)		(10,274,457)		
OPEB liability		(539,203,697)		
Workers' compensation claims payable		(7,656,218)		
Self-insurance claims payable		(521,024)		
Life insurance benefits and other long-term liabilities		(2,450,103)		
Total long-term debt liabilities				(906,084,683)
Total net position—government activities (deficit)			$	(155,060,277)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2013

	General	Construction	School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property tax levy	$ 286,559,250	8,619,687	—	5,426,145	300,605,082
Other taxes	75,084	—	—	—	75,084
Lunchroom sales	—	—	2,924,898	—	2,924,898
Other local sources	13,666,654	1,022,642	344,323	—	15,033,619
Microsoft Settlement Refunds	4,492,796	—	—	—	4,492,796
State aid:					
Equalization aid	494,557,826	—	—	—	494,557,826
Special classes	51,792,301	—	—	—	51,792,301
Integration	34,178,357	—	—	—	34,178,357
Other state aid	50,161,524	1,345	876,268	—	51,039,137
Federal aid:					
Education Consolidation Improvement Act	96,038,429	—	—	—	96,038,429
School nutrition services	—	—	38,289,523	—	38,289,523
Erate refunds	52,666	—	—	—	52,666
Other federal aid	49,635,541	—	388,817	20,941,452	70,965,810
Miscellaneous	3,190,257	—	—	—	3,190,257
Interest and investment earnings	183,416	35,134	—	—	218,550
Total revenues	1,084,584,101	9,678,808	42,823,829	26,367,597	1,163,454,335
Expenditures:					
Current:					
Instructional services:					
Undifferentiated curriculum	364,488,175	—	—	—	364,488,175
Regular and other curriculum	147,099,479	—	—	—	147,099,479
Special curriculum	165,369,430	—	—	5,082,314	170,451,744
Total instructional services	676,957,084	—	—	5,082,314	682,039,398
Community services	29,146,352	—	—	—	29,146,352
Pupil and staff services	111,575,339	—	—	15,844,009	127,419,348
General and school building administration	101,012,616	—	—	—	101,012,616
Business services	155,818,995	5,650,680	—	—	161,469,675
School nutrition services	—	—	43,938,860	—	43,938,860
Capital Outlay	5,252,233	16,609,406	71,767	15,129	21,948,535
Debt Service:					
Principal	550,000		—	67,310,692	67,860,692
Interest	436,028	—	—	13,876,596	14,312,624
Bond administrative fees	1,000	—	—	527,668	528,668
Total expenditures	1,080,749,647	22,260,086	44,010,627	102,656,408	1,249,676,768
Excess of revenues over (under) expenditures	3,834,454	(12,581,278)	(1,186,798)	(76,288,811)	(86,222,433)
Other financing sources (uses):					
Proceeds from sale of assets	63,500	120,085	—	—	183,585
Transfers In (Out)	(21,287,465)	2,523,168	—	18,764,297	—
Refunding bond debt issued	—	—	—	50,108,810	50,108,810
Premium on debt issued	—	—	—	7,415,704	7,415,704
Total other financing sources (uses), net	(21,223,965)	2,643,253	—	76,288,811	57,708,099
Net change in fund balances	(17,389,511)	(9,938,025)	(1,186,798)	—	(28,514,334)
Fund balances (deficit):					
Beginning of year	96,349,900	27,954,452	(3,786,936)	—	120,517,416
End of year	$ 78,960,389	18,016,427	(4,973,734)	—	92,003,082

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

Year ended June 30, 2013

Net change in fund balances—total governmental funds			$	(28,514,334)
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	$	21,948,535		
Some items reported as capital outlay were not capitalized		(12,642)		
Depreciation and amortization expense reported in the statement of activities		(25,247,117)		
Amount by which capital outlays are less than depreciation and amortization in the current period				(3,311,224)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position				(431,072)
Some revenues will not be collected for several months after the District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds				3,023,940
Some expenses reported in the statement of activities require the use of current financial resources and, therefore, are reported as expenditures in the government funds.				(812,827)
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:				
Refunded debt		(50,108,810)		
premium on refunding		(7,415,704)		
Repayments:				
Bonds and notes		10,846,882		
Refunded debt		57,013,810		
Net adjustment				10,336,178
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		708,658		
Accretion of interest on capital appreciation bonds		(3,260,202)		
Amortization of bond premium, discount and refunding deferred		537,349		
Amortization of bond issuance costs		165,221		
Net decrease in compensated absences payable (vacation and sick pay)		15,405,146		
Net increase in workers' compensation claims payable		(785,504)		
Net increase in OPEB liability		(15,808,764)		
Net decrease in general insurance claims payable		231,345		
Net increase in life insurance benefits payable		(77,183)		
Net adjustment				(2,883,934)
Change in net position of governmental activities			$	(22,593,273)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

June 30, 2013

Assets		Pension and Other Post Employment Benefits trusts	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	$	—	—	5,144,161
Investments (note 2)		—	2,819,066	—
Money market accounts		14,371,311	—	—
Treasury and agency securities		23,975,838	—	—
Mortgage-backed securities		77	—	—
Nongovernment obligations		17,875,468	—	—
Municipal bonds		1,488,163	—	—
Investment in the State of Wisconsin		173,124,261	—	—
Receivables-interest and contributions		17,775,270	—	—
Total assets		248,610,388	2,819,066	5,144,161
Liabilities				
Accounts payable and accrued expenses		5,507,547	—	—
Due to student organizations		—	—	5,144,161
Total liabilities		5,507,547	—	5,144,161
Net Position				
Held in trust for:				
Supplemental benefits		243,102,841	—	—
Endowments		—	2,819,066	—
Total net position	$	243,102,841	2,819,066	—

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

		Pension and Other Post Employment Benefits trusts	Private purpose trust
Additions:			
Employer contributions	$	93,734,510	—
Participants contributions		7,449,378	—
Private donations		—	350,398
Interest income		—	4,262
Investment income (loss):			
Net investment (loss) from the State of Wisconsin:			
Core Retirement Investment Trust Fund		15,431,988	—
Variable Retirement Trust Fund		3,476,302	—
Net investment income from other investments		72,076	—
Total investment income (loss):		18,980,366	—
Investment expenses		(15,571)	—
Net investment income/(loss)		18,964,795	—
Total additions		120,148,683	354,660
Deductions:			
Benefits paid to participant's or beneficiaries	$	85,604,203	—
Realized Losses on Investments		247,929	—
Distribution of participant contribution accounts		55,516	—
Administrative expenses		229,484	—
Scholarships and awards		—	353,199
Total deductions		86,137,132	353,199
Changes in net position		34,011,551	1,461
Net position—beginning of year		209,091,290	2,817,605
Net position—end of year		243,102,841	2,819,066

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 (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government.

The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity 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 is entitled to, or has the ability to otherwise 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 specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. This report does not contain any component units.

(b) Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

(c) Measurement Focus and Basis of Accounting

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

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

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

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

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

(d) Restricted Cash and Investments

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

(e) Receivables

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

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

(f) Investments

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

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

(g) Inventories and Prepaid Items

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

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

(h) Capital Assets and Intangible Assets

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

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

(i) Property Taxes

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

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

(j) Deferred Revenue

Governmental funds deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Deferred revenues include amounts received from grants and other sources that have not yet been earned.

(k) 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.

(l) 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.

(m) 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 $4,408,669 at June 30, 2013 to provide for payment of future claims.

(n) Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(o) 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. There were no significant claims or judgments at year end.

(p) Deferred Inflows of Resources

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

(q) Net Position

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

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

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

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

(r) Fund Balance

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

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

authority to the District's Chief Financial Officer. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

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

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

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

(s) 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 and liabilities 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.

(t) New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows or resources, or current period outflows and inflows. Milwaukee Public Schools will implement this Statement beginning with fiscal year ending June 30, 2014.

In July 2012, the GASB issued *Statement No. 67, Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. The objective of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans. This statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Milwaukee Public Schools will implement this Statement beginning with the fiscal year ending June 30, 2014.

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

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	$ 85,421,830	$ 84,430,946
Demand deposits	9,429,123	18,560,100
Repurchase Agreement	3,000,000	2,631,022
Money market funds	22,047,029	18,647,984
Non-Government Obligations	12,567,440	12,567,440
U.S. Treasury Notes	23,975,838	23,975,838
State and Municipal Notes	1,488,163	1,488,163
Certificate of Deposit	20,000	20,000
Total Cash and Investments	$ 157,949,423	$ 162,321,493

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 89,619,663
Restricted cash and investments	16,538,432
Per statement of net position – Fiduciary Funds	
Private purpose trust	2,819,066
Other post employment benefits trust	43,828,101
Agency	5,144,161
Total Cash and Investments	$ 157,949,423

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

- Time deposits with maturities of not more than 3 years.
- Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- The state of Wisconsin local government pooled investment fund.

- Bonds or securities of any county, city, drainage district, vocational or technical college, village, town, school district in Wisconsin, local exposition district, local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority and the Wisconsin Aerospace Authority.
- Fully collateralized repurchase agreements.
- Any security that matures within 7 years and has a credit rating which is the highest or second highest rating assigned by Standard & Poor's corporation, Moody's investor service, or other similar nationally recognized rating agencies.
- No-load securities of open-end, registered, management investment companies or investment trusts.

The District has funds invested in overnight repurchase agreements, money market funds, non-government obligations, and certificates of deposit. The overnight repurchase agreements have underlying securities of U.S. Treasury, Government or agency instruments with an implied AAA (Standard & Poor's) credit rating. All of the $18,647,984 invested in money market funds are triple-A rated. The U.S. Treasury Notes of $23,975,838 are AA+ rated (Standard & Poor's) and AAA rated (Moody) State and Municipal of $1,488,163 are rated AA+ to BBB (Standard and Poor's). The non-government obligations of $12,567,440 range from triple-A rated to BBB.

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

As of June 30, 2013 the District had the following investments, shown with their maturities.

		Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**Less Than 5**	**5-10**	**Over 10**
Repurchase Agreement	$ 2,631,022	$ 2,631,022	-	-	-
Money market funds	18,647,984	18,647,984	-	-	-
U.S. Treasury Notes	23,975,838	-	19,730,362	2,618,711	1,626,765
U.S. Treasury strips	1,488,163	-	1,488,163	-	-
Non-Government obligations	12,567,440	-	9,367,981	2,300,711	898,748
	$59,310,447	21,279,006	30,586,506	4,919,422	2,525,513

Custodial credit risk for *deposits* 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 $21,191,122 of which $2,631,022 was invested in overnight repurchase agreements. Of the $21,191,122 bank balance, $16,341,532 was covered by the

Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $4,849,590 was uninsured, with the bank posting securities at 102% of the value of the repurchase agreements. However, the posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized.

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, 2013.

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 Global Asset Management (BMO), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. For 2013, the SWIB Core Fund asset-mix targets were 25% to U.S. Stocks, 34% to Fixed Income, 25% to International Stocks, 7% to Real Estate, and 13% to Alternative Investments. The target allocations total 103% reflecting the possibility of introducing leverage into the portfolio. For 2013, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, and 30% to International Stocks. 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 displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2013.

Investment	Duration (Years)	Fair Value
SWIB Core and Variable Funds	30% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 10.6 years. Additional detail on the SWIB fixed income investments is included below.	$ 44,079,493
Money market accounts	0.1	$ 1,204,616
U.S. Treasuries, Agencies, and Government Bonds	N/A	$ -
Municipal Bonds	N/A	$ -
Mortgage-backed securities	N/A	$ 77
Non-government obligations	N/A	$ -
Mutual Funds	3.3	$ 3,031,927

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	3.4	$ 31 Million
Commerical Paper	0.2	$ 292 Million
Corporate Bonds and Private Placements	5.3	$ 4,787 Million
Corporate Bonds and Private Placements	N/A	$ 3 Million
Foreign Gov't/Agency Bonds	7.2	$ 3,716 Million
Future Contracts	5.0	$ 2,221 Million
Municipal Bonds	10.6	$ 101 Million
Repurchase Agreements	0.0	$ 1,868 Million
US Government Agencies	2.0	$ 643 Million
US TIPS	7.8	$ 5,988 Million
United States Treasuries	5.5	$ 3,144 Million
Commingled Funds	0.1 to 7.3	$ 9,531 Million

Note: On June 30, 2013, SWIB's Core Fund and Variable Fund had $80.3 billion and $6.2 billion in assets, respectively. As of June 30, 2013, the Plan's assets were invested 77% in the SWIB Core Fund, 14% in the SWIB Variable Fund, and 9% 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 portfolios 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 and in the separate accounts managed by BMO on June 30, 2013. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 2013	BMO 2013
P-1 or A-1	1%	N/A
UST	N/A**	N/A
AGY	N/A**	N/A
AAA/Aaa	2%	28%
AA/Aa	36%	N/A
A	9%	N/A
BBB/Baa	8%	N/A
BB/Ba	2%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Collective Trusts & Mutual Funds	31%	72%
Not-Rated	8%	0%

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

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

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

SWIB's Core Fund's Government/Credit Portfolio shall maintain an average quality rating of A or better. Non-Investment Grade securities shall not exceed 15% of each portfolio's market value. Securities sold to SWIB under Rule 144A may not exceed 20% of the portfolios market value. Financial futures, options, and swaps are permitted for purposes of adjusting duration, taking or modifying credit positions, or investing anticipated cash flows, subject to SWIB's guidelines. For SWIB's Global Bond Portfolio, overall portfolio quality must be maintained at an average rating of A or better. Corporate securities may not exceed 20% of the portfolio's market value. Emerging Market Debt is limited to sovereign debt of countries in the J.P. Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the portfolio's market value. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.

C. Custodial Credit Risk

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

Deposits **-** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling $455.5 million on June 30, 2013 that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $190.6 million on June 30, 2013, all of which were uncollateralized and uninsured. In total, these deposits represented 0.7% of the combined assets of the SWIB Core and Variable Funds, on June 30, 2013.

Investments **-** Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 23 tri-party repurchase agreements totaling $1.9 billion on June 30, 2013. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 2.2% of the combined assets of the SWIB Core and Variable Funds on June 30, 2013.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a fund's investment in a single issuer. SWIB limits concentrations of credit risk by establishing investment guidelines for individual portfolios or groups of portfolios (excluding U.S. Government and Agency Securities) that generally restrict issuer concentrations in any one company or Rule 144A securities to less than 5% of assets. 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 June 30, 2013, $21.2 billion of the SWIB Core and Variable Funds' $87.2 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure.

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

F. Derivative Investments

The Plan holds investments in SWIB Funds, which may enter into a variety of financial contracts, including futures and options, primarily to enhance performance, reduce volatility of the portfolio, and aid in cash flow management. SWIB also enters into foreign exchange positions, such as forward and spot contracts, to obtain or hedge foreign currency exposure. The financial contracts are included in SWIB Variable and Core Investments on the Statement of Plan Net Position. At June 30, 2013, the Plan's interest in the plan net position of the Core Trust was approximately 0.047%, and the Plan's interest in the plan net position of the Variable Trust was approximately 0.106%. 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 June 30, 2013 (in thousands):

	2013
Future contracts	$ 3,348,123
Foreign exchange forward and spot contracts – sold	3,518,828
Foreign exchange forward and spot contracts – purchased	(3,504,781)
Options – puts	(580,427)
Options - calls	107,878

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 Global Asset Management (BMO), with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. For 2013, the SWIB Core Fund asset-mix targets were 25% to U.S. Stocks, 34% to Fixed Income, 25% to International Stocks, 7% to Real Estate, and 13% to Alternative Investments For 2013, 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 displays the duration or weighted average maturity of the investments by type of investment as of June 30, 2013.

Investment	**Duration (Years)**	**Fair Value**
SWIB Core and Variable Funds	30% of the combined SWIB funds are invested in fixed income by investment type with durations ranging from 0.0 to 10.6 years. Additional detail on the SWIB fixed income investments is included below.	$ 129,044,768
Money market accounts	0.1	$ 7,370,035
Mutual Funds	3.2	$ 2,276,101

SWIB Investments	**Duration (Years)**	**Fair Value**
Asset Backed Securities	3.4	$ 31 Million
Commerical Paper	0.2	$ 292 Million
Corporate Bonds and Private Placements	5.3	$ 4,787 Million
Corporate Bonds and Private Placements	N/A	$ 3 Million
Foreign Gov't/Agency Bonds	7.2	$ 3,716 Million
Future Contracts	5	$ 2,221 Million
Municipal Bonds	10.6	$ 101 Million
Repurchase Agreements	0.0	$ 1,868 Million
US Government Agencies	2	$ 643 Million
U.S. TIPS	7.8	$ 5,988 Million
U.S. Treasury Securities	5.5	$ 3,144 Million
Commingled Funds	0.1 to 7.3	$ 9,531 Million

Note: On June 30, 2013, SWIB’s Core Fund and Variable Fund had $80.3 billion and $6.2 billion in assets, respectively. As of June 30, 2013, the Plan’s assets were invested 83% in the SWIB Core Fund, 11% in the SWIB Variable Fund, and 6% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark’s duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index

B. Credit Risk

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

Ratings*	SWIB 2013	BMO 2013
P-1 or A-1	1%	N/A
UST	N/A**	N/A
AGY	N/A**	N/A
AAA/Aaa	2%	76%
AA/Aa	36%	N/A
A	9%	N/A
BBB/Baa	8%	N/A
BB/Ba	2%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Collective Trusts & Mutual Funds***	31%	24%
Not-Rated	8%	0%

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

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

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

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

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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 $455.5 million on June 30, 2013 that were held in foreign currencies in SWIB's custodian's nominee name or in uninsured margin accounts. In addition, SWIB held time deposits with foreign financial institutions with a fair value of $190.6 million on June 30, 2013, all of which were uncollateralized and uninsured. In total, these deposits represented 0.7% of the combined assets of the SWIB Core and Variable Funds, on June 30, 2013.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. SWIB's Retirement Funds held 23 tri-party repurchase agreements totaling $1.9 billion on June 30, 2013. SWIB's securities lending collateral account and cash management account participate in repurchase agreement pools, purchasing only a portion of the repurchase agreement in which the manager of these accounts is the buyer-lender. Since the manager that purchased the repurchase agreement is the counterparty, the securities are not held in SWIB's name. They are held in the counterparty's name and held by the counterparty's agent. These agreements represented 2.2% of the combined assets of the SWIB Core and Variable Funds on June 30, 2013.

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Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2013, $21.2 billion of the SWIB Core and Variable Funds' $87.2 billion in currency exposure was denominated in foreign currency.

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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 Plan Net Position. At June 30, 2013, the Plan's interest in the plan net position of the Core Trust was approximately 0.143%, and the Plan's interest in the plan net position of the Variable Trust was approximately 0.225%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at June 30, 2013 (in thousands):

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Options – puts	(580,427)
Options - calls	107,878

(3) Receivables

Receivables as of June 30, 2013 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	$	15,585,024	2,703,795	230,419	—	18,519,238
Intergovernmental-federal		54,925,423	—	16,002,437	5,565,932	76,493,792
Intergovernmental-state		16,895,677	—	—	—	16,895,677
Intergovernmental-other		—	—	68,075	—	68,075
Gross receivables		87,406,124	2,703,795	16,300,931	5,565,932	111,976,782
Less allowance for uncollectibles		(425,146)	—	—	—	(425,146)
Total receivables, net	$	86,980,978	2,703,795	16,300,931	5,565,932	111,551,636

The District expects to collect all receivables within one year except for $583,578.

Accounts Receivable includes $7.3 million from the settlement of a class action lawsuit with Microsoft Corporation. The settlement will be paid in the form of hardware and software vouchers upon the expenditure of eligible costs. The District has reported $7.3 million of this balance as deferred/unearned revenue pending the future expenditures for eligible costs.

Accounts Receivable includes $2.7 million from a Land Contract property sale. On February 1, 2013, the City of Milwaukee (for the benefit of MPS) entered into a Land Contract to sell the property located at 4601 N. 84th Street to Hmong American Peace Academy, Ltd. (HAPA), an MPS-Non-Instrumentality Charter School.

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

Remaining payments due as of June 30, 2013 are as follows:

		Principal	Interest	Total
Fiscal years:				
2014	$	103,271	80,345	183,616
2015		106,412	77,204	183,616
2016		109,648	73,968	183,616
2017		112,983	70,633	183,616
2018		116,420	67,196	183,616
2019 - 2023		637,419	280,662	918,081
2024 - 2028		740,437	177,644	918,081
2029 - 2033		798,668	58,208	856,876
Totals	$	2,725,258	885,860	3,611,118

(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, 2013 represent due to/from balances among all funds:

		Due from other funds			
		General Fund	**Nonmajor Fund**	**Total**	**Due In More Than One Year**
Due to other funds:					
Construction fund	$	7,716,532	—	7,716,532	—
Nutrition fund		19,966,638	—	19,966,638	4,973,734
Nonmajor funds		5,260,960	—	5,260,960	—
Total	$	32,944,130	—	32,944,130	4,973,734

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, 2013 represent transfer in/out balances among all funds:

Fund Transferred To	**Fund Transferred From**	**Amount**	**Reason**
Construction	General Fund	$ 2,523,168	To fund current year expenditures
Debt Service Fund	General Fund	18,764,297	To fund current year debt service

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 31,494,591	—	—	31,494,591
Construction in progress	5,690,606	18,269,147	19,231,315	4,728,438
Total capital assets, not being depreciated	37,185,197	18,269,147	19,231,315	36,223,029
Capital assets, being depreciated:				
Buildings	1,002,182,338	19,231,315	—	1,021,413,653
Leasehold improvements	12,219,204	—	—	12,219,204
Furniture and equipment	49,706,315	2,210,545	327,196	51,589,664
Total capital assets, being depreciated	1,064,107,857	21,441,860	327,196	1,085,222,521
Less accumulated depreciation for:				
Buildings	(426,125,026)	(20,332,231)	—	(446,457,257)
Leasehold improvements	(3,194,126)	(540,942)	—	(3,735,068)
Furniture and equipment	(44,960,522)	(1,479,449)	(325,062)	(46,114,909)
Total accumulated depreciation	(474,279,674)	(22,352,622)	(325,062)	(496,307,234)
Total capital assets, being depreciated	589,828,183	(910,762)	2,134	588,915,287
Capital assets, net	$ 627,013,380	17,358,385	19,233,449	625,138,316

Depreciation expense for governmental activities for the year ended June 30, 2013 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	13,854,843
Community services		572,220
Pupil and staff services		2,439,575
General, administration and central services		1,939,497
Business services		2,704,269
School nutrition		842,218
Total depreciation	$	22,352,622

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	$ 2,717,231	1,468,841	3,205,804	980,268
Total intangible assets, not being amortized	2,717,231	1,468,841	3,205,804	980,268
Intangible assets, being amortized:				
Software	$ 43,380,288	3,193,160	461,933	46,111,515
Total intangible assets, being amortized	43,380,288	3,193,160	461,933	46,111,515
Less accumulated amortization for:				
Software	(31,679,295)	(2,894,495)	(32,995)	(34,540,795)
Total accumulated amortized	(31,679,295)	(2,894,495)	(32,995)	(34,540,795)
Total intangible assets being amortized	11,700,993	298,665	428,938	11,570,720
Intangible assets, net	$ 14,418,224	1,767,506	3,634,742	12,550,988

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Amortization expense for governmental activities for the year ended June 30, 2013 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	1,794,098
Community services		74,098
Pupil and staff services		315,906
General, administration and central services		251,150
Business services		350,182
School nutrition		109,061
Total amortization	$	2,894,495

(6) Short-term Borrowings

To finance on an interim basis MPS' general operating costs pending receipt of state school aid payments, the City of Milwaukee issued $50,000,000 of commercial paper on October 10, 2012, maturing December 3, 2012 and $50,000,000 of commercial paper on December 6, 2012, maturing December 27, 2012. $120,000,000 of Revenue Anticipation Notes (RANs), Series 2012 M11, were issued October 25, 2012, maturing June 26, 2013. Interest was payable at maturity. The debt was repaid from the District's equalization aid allocations received from the state government prior to June 30, 2013.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2013 totaled $381,914,695. Of this total, $39,691,954 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 $342,222,741 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

Long-term obligations of the District are as follows:

	Original amount	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee:						
American with Disabilities Act loans:						
2002A Refund (Trust Loans & C5, O, R & T)	$ 5,395,000	1,191,970	—	153,304	1,038,666	153,304
4.0 – 5.0%, due in annual installments to September 2017	660,000	219,760	—	219,760	—	—
4.0 – 5.0%, due in annual installments to February 2019	335,000	335,000	—	268,000	67,000	—
4.0 – 5.0%, due in annual installments to February 2014	670,000	134,000	—	67,000	67,000	67,000
4.0 – 5.0%, due in annual installments to September 2020	4,582,676	4,582,676	—	172,358	4,410,318	236,844
2.5 – 3.0%, due in annual installments to Februrary 2019	2,700,000	1,890,000	—	270,000	1,620,000	270,000
5.0%, due in installments to Februrary 2024	1,350,000	1,350,000	—	—	1,350,000	—
5.25%, due August 15th, 2014 to Februrary 2027	443,810	—	443,810	43,952	399,858	43,952
General Obligation Bonds:						
1.5 – 3.0%, due in May 2014	11,020,000	3,965,000	—	3,675,000	290,000	290,000
Plus: Premium on issuance	334,110	4,277	—	4,277	—	—
5.25%, due August 15th, 2014 to Februrary 2027	4,095,000	—	4,095,000	—	4,095,000	
Plus: Premium on Issuance	787,801		787,801	87,533	700,268	—
Qualified School Construction Bonds:						
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	925,000
Less: Discount on issuance	(450,000)	(365,625)	—	(28,125)	(337,500)	—
5.25%, due August 15th, 2014 to Februrary 2027	37,300,000	37,300,000	—	—	37,300,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	92,040,000	45,570,000	56,785,000	80,825,000	4,430,000
Plus: Premium on issuance	1,357,121	206,460	—	49,052	157,408	—
Less: Discount on 2007A issuance	(338,503)	(210,311)	—	(21,427)	(188,884)	—
Less: Deferred amount of refunding	(1,677,174)	(1,042,028)	—	(106,065)	(935,963)	—
Plus: Premium on 2013A issuance	—	—	6,627,903	552,104	6,075,799	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	3,681,039	—	911,318	2,769,721	714,745
Pension debt refinancing:						
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	37,375,000	—	—	37,375,000	1,900,000
Less: Discount	(25,232,986)	(12,702,174)	—	(1,531,244)	(11,170,930)	—
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)	(83,738,978)	—	(1,728,958)	(82,010,020)	—
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 leases-Microsoft and other leases	11,504,297	—	—	—	—	—
Capital lease—CCF	12,415,000	10,245,000	—	5,295,000	4,950,000	575,000
Total intergovernmental cooperation agreement debt		$ 349,836,066	57,524,514	65,137,839	342,222,741	12,055,845

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	$ 349,836,066	57,524,514	65,137,839	342,222,741	12,055,845
Accrued compensated absences	25,679,603	5,014,741	20,419,887	10,274,457	3,800,000
Accrued OPEB Obligation	523,394,933	95,693,459	79,884,695	539,203,697	—
Workers' compensation claims	6,870,714	5,029,079	4,243,575	7,656,218	5,000,000
General insurance claims	752,369	501,191	732,536	521,024	2,800
Life insurance benefits	2,087,869	77,183	—	2,165,052	387,119
Liability for other long-term benefits	285,051	—	—	285,051	—
Total long-term obligations	$ 908,906,605	163,840,167	170,418,532	902,328,240	21,245,764

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

The District has recognized workers' compensation claims liability in the governmental funds of approximately $437,000 as of June 30, 2013. Accordingly, the total liability for workers' compensation claims was approximately $8.1 million.

Aggregate cash flow requirements for the retirement of the intergovernmental cooperation agreement debt (excluding the capital lease obligations) as of June 30, 2013 are as follows:

	Principal	Interest	Total
Fiscal year ended June 30:			
2014	$ 12,380,845	13,758,408	26,139,253
2015	13,336,889	13,227,838	26,564,727
2016	13,345,420	12,978,167	26,323,587
2017	15,219,062	12,662,431	27,881,493
2018	15,087,432	12,287,202	27,374,634
2019 – 2023	88,437,914	54,823,261	143,261,175
2024 – 2028	63,480,000	41,380,564	104,860,564
2029 – 2033	58,240,001	24,118,325	82,358,326
2034 – 2038	80,605,001	15,356,440	95,961,441
2039 – 2043	58,725,001	6,645,513	65,370,514
2044	6,125,000	114,538	6,239,538
Total	$ 424,982,565	207,352,687	632,335,252

Interest on the $130,850,000 variable rate pension debt (index-linked bonds), included in the schedule of future payments above, is based upon the one-month LIBOR rate (the London Interbank Offered Rate) plus 25 basis points (.25%) and is adjusted monthly. The LIBOR interest rate was 0.195050% as of June 30, 2013.

The District leases land and buildings with a historical cost and accumulated depreciation of $12,415,000 and $2,483,000. In addition, the District has capital leases for computers with a historical cost of $11,504,297 and accumulated depreciation of $11,504,297.

Future minimum lease payments under these capital leases at June 30, 2013 are as follows:

Fiscal year ended June 30:		
2014	$	988,940
2015		-
2016		-
2017		-
2018		-
2019 – 2023		1,969,345
2024 – 2026		2,908,674
Total minimum lease payments		5,866,959
Less amount representing interest		(916,959)
Present value of minimum lease payments	$	4,950,000

The maximum allowable amount of City debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City (Wisconsin State Statute Chapter 67.03). Wisconsin State Statute Chapter 119.49 further authorizes referendum-approved bonding in an additional amount equivalent to 2% of the equalized taxable property for school capital purposes. The total equalized taxable property in the City for calendar year 2013 was $26,076,792,800 and the 5% debt limit was $1,303,839,640. No referendum-approved debt is outstanding at June 30, 2013.

The District has pledged future Intradistrict Aid revenues to repay $109,545,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2004 and June 30, 2024. The bonds are payable solely from pledged revenues and are payable through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 33.6% of net revenues at the point of the highest debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2013 is $103,172,740. Principal and interest paid for the year ended June 30, 2013 was $8,705,504 while the Intradistrict Aid revenues were $31,449,026.

Revenue debt payable at June 30, 2013 consists of the following:

Neighborhood Schools Initiative Bonds

Amounts Outstanding

	Principal	Interest	Total
Fiscal year ended:			
2014	$ 4,430,000	3,675,067	8,105,067
2015	5,130,000	3,192,335	8,322,335
2016	5,550,000	3,004,385	8,554,385
2017	6,010,000	2,773,185	8,783,185
2018	6,530,000	2,498,735	9,019,735
2019	7,120,000	2,148,485	9,268,485
2020	7,740,000	1,776,985	9,516,985
2021	8,390,000	1,404,153	9,794,153
2022	9,030,000	1,030,310	10,060,310
2023	10,015,000	635,500	10,650,500
2024	10,880,000	217,600	11,097,600
	$ 80,825,000	22,347,740	103,172,740

Prior-Year Defeasance of Debt

In prior years, the District defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, $29.3 million of bonds outstanding are considered defeased. The bonds are callable on August 1, 2013.

Current Refunding

On May 6, 2013 the District issued $45,570,000 of Refunding Revenue Bonds Series 2013A with an average interest rate of 1.54% to refund $51,825,000 million of Series 2002A and Series 2003A Neighborhood Schools Initiative bonds that had an average interest rate of 4.48%. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The bonds are callable on August 1, 2013. The refunding gave the District an economic gain of approximately $6.429 million net present value.

Projected cash flow for debt before refunding	$109,601,793
Projected cash flow for debt after refunding	103,172,739
Projected net savings from refunding	$ 6,429,054

On May 15, 2013 the District issued $4,095,000 of GO Series 2013 N2 B3 bonds with an average interest rate of 1.27% to refund $4,745,000 of 2005 RACM bonds that had an average interest rate of 4.3%. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The bonds are callable on August 1, 2013. The refunding gave the District an economic gain of approximately $563,076 net present value.

Projected cash flow for debt before refunding	$12,758,895
Projected cash flow for debt after refunding	12,195,819
Projected net savings from refunding	$ 563,076

Derivative Instruments - Interest Rate Swap Agreements

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

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

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2013 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2013 Change in Fair Value		Fair Value, End of 2013		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	$23,383	Derivative	($40,764)	$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, 2013, along with the credit rating of the associated counterparty (amounts in thousands).

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$21,255	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($6,620)	A2/A/A+
B	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$49,595	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($15,446)	Aa3/AA-/AA-
C	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($18,698)	Baa1/A-/A
						Total Fair Value	($40,764)	

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, 2013 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, 2013 the swap's currently have a cumulative negative fair value of $40.76 million.

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

Swap payments and associated debt – Using rates as June 30, 2013, 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:				
2014	$ —	255,233	7,085,462	7,340,695
2015	—	255,233	7,085,462	7,340,695
2016	—	255,233	7,085,462	7,340,695
2017	—	255,233	7,085,462	7,340,695
2018	—	255,233	7,085,462	7,340,695
2019 – 2023	—	1,276,115	35,427,310	36,703,425
2024 – 2028	25,075,000	1,143,586	31,748,077	57,966,663
2029 – 2033	31,250,000	838,552	23,279,773	55,368,325
2034 – 2038	31,200,000	533,917	14,822,523	46,556,440
2039 – 2043	31,000,000	231,053	6,414,460	37,645,513
2044	12,325,000	3,982	110,555	12,439,537
Totals	$ 130,850,000	5,303,370	147,230,008	283,383,378

(8) Fund Balance

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

The formula established by this action, and the application thereof as of June 30, 2013, is as follows:

General fund unassigned fund balance	$ 53,322,696
Amount required to fund six months of the school operation's property tax levy:	
Subsequent year's school operations school levy ($272,784,364) multiplied by a ratio of subsequent year's tax days from July 1 to December 31 (76) to total calendar school year days (180)	115,175,620
General fund unassigned fund balance deficiency	$ (61,852,924)

(9) Risk Management

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

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

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

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

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

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

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

		Year ended June 30	
		2013	**2,012**
Beginning of year liability	$	38,190,339	47,594,152
Current year claims and changes in estimate		211,172,812	207,342,317
Claim payments		(213,473,802)	(216,746,130)
End of year liability	$	35,889,349	38,190,339

The District has recognized the liability for health and dental benefits, which totaled $24,825,004 and $26,560,853 as of June 30, 2013 and 2012, respectively, in the general fund. The District has also recognized a liability of $437,000 and $1,633,483 as of June 30, 2013 and 2012, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include $12.7 million of other insurance related liabilities. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

(10) Retirement Plans

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

Wisconsin Retirement System—All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for the year ended June 30, 2013 were:

	Employee	Employer
July 1, 2012 – December 31, 2012	5.90%	5.90%
January 1, 2013 – June 30, 2013	6.65%	6.65%

The payroll for District employees covered by the WRS for the year ended December 31, 2012 was $377,858,000; the employer's total payroll was $489,436,000. The total required contribution for the year ended December 31, 2012 was $44,588,000 or 5.9% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were $46,381,000 and $46,395,000, respectively, equal to the required contributions for each year.

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

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

There was no pension related debt for the District as of June 30, 2013.

Employees' Retirement System of the City of Milwaukee

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

Funding Policy – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5% for general employees. 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, 2012, 2011, and 2010, were \$5,878,370, \$15,799,000 and \$14,139,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Plan does not provide for any postretirement increases.

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

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

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

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

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

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

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

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

The aforementioned changes in actuarial assumptions are expected to have an increase effective fiscal year 2013 to the unfunded actuarial accrued liability of approximately $4.2 million and reduce recommended annual contributions by approximately $434,000.

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

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

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

- Price inflation is lowered from 3.00 percent to 2.80 percent.
- Investment return is lowered from 8.0 percent to 7.5 percent.
- No wage, step or lane increases will be assumed for fiscal years ending June 30, 2014 and June 30, 2015. Thereafter, a 2.8 percent wage inflation increase are assumed.
- Normal retirement rates are modified in order to apply higher retirement rates in plan years beginning July 1, 2012 and July 1, 2013 to reflect the potential for accelerated retirements due to changes in post retirement healthcare benefits for individuals who retire during this period.
- Age based termination rates are modified.
- The Mortality Rate is changed from the 1994 Group Annuity Mortality Table, sex distinct, to the Wisconsin Projected Experience Table - 2005 for women and 90 percent of the Wisconsin Projected Experience Table - 2005 for men and post-retirement deaths.
- Disability rates are updated to be the blended rates for males and females from the rates used in the most recent Wisconsin Retirement System valuation.
- The current actuarial cost method, which is the Entry Age Normal Cost method, is maintained.
- Current amortization methods, asset smoothing methods, and dependent assumptions are maintained.
- Decrement timing will be changed to occur at the end of the year for retirement and at mid-year for all other decrements.

The aforementioned changes in actuarial assumptions is expected to have an increase to the unfunded actuarial accrued liability of approximately $6.4 million; however, will not significantly affect the recommended annual contributions. Likewise, management is expecting a significant number of retirees over the next fiscal year due to the expiration of labor contracts and reductions in post-retirement healthcare benefits beginning in the Plan's fiscal year 2014. If the amount of estimated retirements occur, effective fiscal year 2013, the unfunded actuarial accrued liability and annual contribution is projected to approximately increase an additional $5.4 million and $486,000, respectively.

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

(b) Annual Pension Costs and Actuarial Assumptions Used

The District's annual pension costs for the year ended June 30, 2013 and related actuarial assumptions used for the current year and related information for each plan is as follows:

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Contribution rates as a percentage of payroll:			
District		14.84%	4.44%
Plan participants		—	—
Annual required contribution	$	3,519,437	14,365,412
Interest on net pension obligation		(8,217)	(50,135)
Adjustment to annual required contribution		20,840	—
Annual pension cost		3,532,060	14,315,277
Contributions made		3,086,023	13,948,487
Increase (decrease) in net pension obligation		446,037	366,790
Net pension prepayment, beginning of year		(3,232,649)	(11,291,126)
Net pension prepayment, end of year	$	(2,786,612)	(10,924,336)

The funded status of the plans of July 1, 2012, the most recent actuarial valuations date, was as follows:

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial accrued liability(AAL)	$	56,005,138	230,401,333
Actuarial value of plans assets		42,403,148	114,882,834
Unfunded Actuarial Accrued Liability	$	13,601,990	115,518,499
Funded ratio (actuarial value of plan assets/AAL)		75.71%	49.86%
Covered payroll (active plan members)	$	18,745,343	323,922,137
UAAL as a percentage of covered payroll		72.56%	35.66%

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

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	**Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**
Actuarial valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Entry Age Normal	Entry age normal
Amortization method	5-year open period, level dollar	The loss at July 1, 2006, due to the valuation of deferred vested temporary benefits is amortized over a 15-year closed period commencing July 1, 2006, on a level dollar basis. Unfunded liabilities not attributable to the loss due to valuation of deferred vested temporary benefits are amortized using a 25-year closed period, level-dollar amortization commencing July 1, 2007. The resulting amortization period is 19.2 and is in accordance with GASB 25 and 27 requirements.
Actuarial Valuation Method	5-year smoothed market	5-year smoothed market
Investment rate of return	7.5%	7.5%

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

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

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

(c) Three-Year Trend Information

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

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

	Annual pension cost	% of annual pension cost contributed	Net pension obligation
Fiscal year beginning July 1:			
2012	$ 3,532,060	87%	$ (2,786,612)
2011	4,220,473	91%	(3,232,649)
2010	3,582,032	201%	(3,614,364)

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

		Annual pension cost	% of annual pension cost contributed		Net pension obligation
Fiscal year beginning July 1:					
2012	$	14,315,277	97%	$	(10,924,336)
2011		15,764,073	96%		(11,291,126)
2010		15,592,455	176%		(11,961,721)

(11) Post-Employment Life and Healthcare Insurance Benefits

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

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

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

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

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

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

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

In general and in accordance with collective bargaining agreements, Board policy and plan provisions, retirees who meet the age and service requirements for retiree life insurance pay the premium contribution at the group rate until age 65 after which the District pays the premium. Certain collective bargaining units and non-represented employees who meet the age requirement and have 30 or more years of service receive life insurance benefits fully paid by the District. Certain other bargaining units have retiree life insurance benefits that are fully paid by the retiree at the group premium rate. Once retirees attain age 65, the life insurance coverage is reduced by 25 percent of the original coverage for each year following their 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, 2013, the District contributed $79,884,695 (including pre-funding contributions, Medicare Part D and ERRP contributions) to the Retiree Plan. For fiscal year ending June 30, 2013, total member contributions to the Retiree Plan were $7,449,377.

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, 2013, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$110,503,788
Interest on Net OPEB Obligation	23,814,468
Adjustment to annual required contribution	(38,624,797)
Annual OPEB cost	95,693,459
MPS Contributions made	(79,884,695)
Increase in Net OPEB Liability	15,808,764
Net OPEB obligation, beginning of year	523,394,933
Net OPEB obligation, end of year	$539,203,697

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, 2013 and the two preceding years was as follows:

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
6/30/13	$ 95,693,459	83.5%	$539,203,697
6/30/12	$ 95,332,485	97.1%	$523,394,993
6/30/11	$196,701,424	33.2%	$520,600,193

The funded status of the plan as of July 1, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$1,393,486,064
Actuarial value of plan assets	9,368,067
Unfunded Actuarial Accrued Liability (UAAL)	$1,384,117,997
Funded ratio (actuarial value of plan assets/AAL)	0.7 %
Covered payroll (active plan members)	$ 488,996,859
UAAL as a percentage of covered payroll	283.1 %

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, 2013 was based on the assumptions and methods in the July 1, 2011 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 8.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 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 30 year period with an open amortization method. Financial statements of the Other Post Employment Benefits Trust are included on pages 94 and 95.

(12) Limitation on District Revenues

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

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

For the fiscal year ended June 30, 2013, the District met its revenue limitation.

(13) School Nutrition Deficit

The School Nutrition Services Fund had a deficit of $4,973,734. The deficit is anticipated to be funded through future operations.

(14) Excess Expenditures Over Appropriations

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2013:

Fund	Excess Expenditures
General Fund:	
High Schools	$840,522
Middle Schools	935,124
K-8 Schools	386,630
Charter Schools	493,680
Agency Programs	528,630
Home & Hospital Instruction	95,846
Milwaukee County Collaborative	191,107
Contracted Kindergarten	56,273
EEN Itinerant Allied Services	91,213
Department of Recreation & Community Ser	41,320
Musical Festival	6,440
School District Insurances	1,161,924
Debt Services (includes NSI)	1,000
CAMP	4,754,070
Debt Service	15,489,072

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

(15) Commitments and Contingencies

(a) Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 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 $24 million of encumbrances outstanding as of June 30, 2013 of which $19.5 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals of 6/30/13	Contract Commitments at 6/30/13
Major Funds		
General Fund	$ 21,500,935	$ 17,339,836
Construction Fund	2,409,743	2,050,904
Nutrition Fund	84,650	35,310
Total Major Funds	$ 23,995,328	$ 19,426,050
Non-Major Funds	100,674	32,305
Total Encumbrances and Contract Commitments	$ 24,096,002	$ 19,458,355

(c) Litigation

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

(d) FCC Channels

The District has had the 4 FCC channels for a number of years and has the right to sell and or lease these channels. The District must renew the FCC license every twelve years. MPS received $4,200,000 upfront in March 2008, and $55,000 per month initially, which increases 3% each March during the contract period. Clearwire will build a WiMax Network and MPS plans on buying back WiMax broadband internet services from Clearwire. At that time, Clearwire will then pay an additional monthly fee to MPS ranging from $2,000, increasing every five years, to a maximum of $4,023.

(16) Subsequent Events

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, the City of Milwaukee issued $50,000,000 of commercial paper on September 12, 2013 and $50,000,000 of commercial paper on October 10, 2013. $130,000,000 of Revenue Anticipation Notes (RANs), Series 2013 M7, was issued on October 24, 2013. The commercial paper matures on December 11, 2013 and the RANs mature on June 30, 2014. Interest is payable at maturity.

On November 26, 2013, the City of Milwaukee authorized the sale of the Milwaukee Public Schools' (MPS) former Malcolm X Academy under the following terms:

- MPS would sell the site to 2760 Holdings, LLC — a development company formed by James Phelps of JCP Construction, Inc. – for $2.1 million. It is anticipated that the sale will occur in the first quarter of calendar year 2014.
- The redeveloped site would include an International Baccalaureate (IB) "Middle Years Programme" school which is anticipated to open in calendar year 2015.
- Community assets including the gymnasiums and auditorium would be available to the community through partnerships with the MLK Economic Development Corporation.
- A portion of the existing facility would be taken down to separate the school space from the mixed-use development.
- MPS would pay 2760 Holdings to lease the remodeled school space for a term that matches the financing for the full redevelopment project. Lease payments would be based upon the amortized cost of the renovation of the school and the purchase price of the school portion of the property.
- MPS will repurchase the school portion of the property at the conclusion of the lease or during the lease for $1 or the remaining cost of the school site purchase price and school site renovation cost.

REQUIRED SUPPLEMENTARY INFORMATION

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2013

	Budgeted amounts							
		Adopted		Revised		Actual (GAAP basis)		Variance with Revised Budget
REVENUES:								
Property Tax Levy	$	285,761,934	$	286,609,250	$	286,634,334	$	25,084
Equalization & Integration Aids		537,302,540		528,736,183		528,736,183		-
Other State Aids		70,046,247		73,305,230		75,196,091		1,890,861
Federal Aids		12,700,000		14,000,000		8,484,814		(5,515,186)
Other Local Revenues		11,425,731		13,848,981		19,608,138		5,759,157
Applied Surplus		4,582,172		4,925,111		-		(4,925,111)
SCHOOL OPERATIONS & EXTENSION		921,818,624		921,424,755		918,659,560		(2,765,195)
CAMP		-		-		4,626,566		4,626,566
GRANTS		166,483,584		197,060,375		161,297,975		(35,762,400)
Total Revenues		1,088,302,208		1,118,485,130		1,084,584,101		(33,901,029)
EXPENDITURES:								
PROGRAM ACCOUNTS								
High Schools		86,572,211		89,211,316		90,051,838		(840,522)
Middle Schools		22,699,317		19,391,863		20,326,987		(935,124)
K-8 Schools		119,891,427		128,619,367		129,005,997		(386,630)
Elementary Schools		64,471,804		69,413,753		67,541,970		1,871,783
Charter Schools		66,166,196		65,334,653		65,828,333		(493,680)
School To Work Transition		3,110,276		3,031,439		3,030,336		1,103
School Age Parents		611,357		718,656		682,554		36,102
Alternative Schools		4,214,614		5,538,435		5,012,522		525,913
Agency Programs		19,633,694		18,392,763		18,921,393		(528,630)
Home & Hospital Instruction		968,968		831,100		926,946		(95,846)
Milwaukee County Collaborative		969,361		972,116		1,163,223		(191,107)
Contracted Kindergarten		157,465		156,099		212,372		(56,273)
Summer School		3,619,711		3,532,691		3,324,854		207,837
Centralized EEN and Safety		193,234,409		189,866,255		186,198,503		3,667,752
EEN Itinerant Allied Services		5,373,678		5,363,038		5,454,251		(91,213)
School Special and Unallotted		83,835,674		86,125,208		85,868,050		257,158
TOTAL - PROGRAM ACCOUNTS	**$**	675,530,162	**$**	686,498,752	**$**	683,550,129	**$**	2,948,623

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

MILWAUKEE BOARD OF SCHOOL DIRECTORS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

Year ended June 30, 2013

	Budgeted amounts		Actual	Variance with Revised
	Adopted	Revised	(GAAP basis)	Budget
INDIRECT & SUPPORT SERVICES				
BOARD OF SCHOOL DIRECTORS	$ 394,440	$ 510,453	$ 390,984	$ 119,469
Office of Board Governance	2,530,843	3,398,877	2,413,894	984,983
Office of Accountability and Efficiency	1,355,364	1,967,236	1,573,715	393,521
Office of Superintendent	2,679,434	2,831,077	2,496,227	334,850
Dept. of School Adminstration	3,329,248	3,616,620	3,106,791	509,829
Dept of Academic Support	13,966,240	15,058,541	12,878,248	2,180,293
Office of Innovation	-	67,545	37,740	29,805
Operations Office & Business Services	2,010,557	2,188,857	1,638,815	550,042
Dept. of Recreation & Community Services	4,351,010	4,334,646	4,375,966	(41,320)
Dept. of Facilities & Maintenance	24,725,567	29,030,169	26,647,740	2,382,429
Dept. of Technology	9,605,688	10,611,226	9,201,956	1,409,270
Dept of Finance Services	4,858,598	5,112,084	4,865,390	246,694
Dept of Human Resources	4,836,422	6,803,553	4,869,798	1,933,755
Dept of Family Services	4,247,883	4,442,405	3,594,356	848,049
TOTAL - INDIRECT & SUPPORT	78,891,294	89,973,289	78,091,620	11,881,669
OTHER ACCOUNTS				
Textbook Adoptions	4,300,000	5,790,664	4,206,627	1,584,037
Music Festival	-	1,400	7,840	(6,440)
Teacher Quality Programs	3,167,222	3,168,332	2,224,425	943,907
Partnership Academy	186,832	288,185	177,864	110,321
Safety Supplement	1,107,505	1,408,134	735,997	672,137
Transportation Operations	56,823,995	58,039,218	56,748,966	1,290,252
School District Insurances	10,650,822	10,657,950	11,819,874	(1,161,924)
Technology Initaitives	5,104,502	13,411,326	12,362,995	1,048,331
Debt Service (includes NSI)	986,028	986,028	987,028	(1,000)
Utilities & Leases	58,117,703	55,717,959	54,133,001	1,584,958
Special & Contingent Funds	2,522,163	1,646,029	-	1,646,029
TOTAL - OTHER ACCOUNTS	142,966,772	151,115,225	143,404,617	7,710,608
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	9,322,306	11,142,585	9,127,426	2,015,159
Summer School Wrap-around	5,878,679	8,313,798	5,793,201	2,520,597
Educational Programs	933,026	118,344	52,101	66,243
Community Arts Program	1,500,000	2,297,664	1,371,541	926,123
Partnership for Humanities	-	296,742	221,147	75,595
Other Accounts	4,018,928	6,015,573	2,514,026	3,501,547
District Insurances and Utilities	1,147,678	342,778	342,563	215
Employee Benefits	497,726	497,727	-	497,727
Special & Contingent Fund	400,000	400,000	-	400,000
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	23,698,343	29,425,211	19,422,005	10,003,206
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES	(8,943,919)	(8,943,570)	(10,460,202)	1,516,632
SCHOOL OPERATIONS & EXT. FUND	912,142,652	948,068,907	914,008,169	34,060,738
CAMP	-	-	4,754,070	(4,754,070)
GRANTS	166,483,584	197,060,375	161,987,408	35,072,967
Total Expenditures	1,078,626,236	1,145,129,282	1,080,749,647	64,379,635
Excess of revenues over (under) expenditures	9,675,972	(26,644,152)	3,834,454	(30,478,606)
Transfer In (Out)	(9,675,972)	(2,799,901)	(21,287,465)	18,487,564
Proceeds from sale of assets	-	-	63,500	(63,500)
Change in Fund Balance	$ -	$ (29,444,053)	(17,389,511)	$ 12,054,542
Fund balance-beginning of year			96,349,900	
Fund balance-end of year			$ 78,960,389	

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

Year ended June 30, 2013

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
Revenues:				
Lunchroom sales	$ 4,080,000	$ 4,080,000	$ 2,924,898	$ (1,155,102)
Other local sources	—	—	344,323	344,323
State aid:				
School nutrition aid	967,378	967,378	876,268	(91,110)
Federal aid:				
School nutrition aid	35,506,691	35,506,691	38,289,523	2,782,832
Other federal aid	2,448,000	2,942,650	388,817	(2,553,833)
Total revenues	43,002,069	43,496,719	42,823,829	(672,890)
Expenditures:				
Current operating:				
School Nutrition Services	42,479,069	42,973,719	43,938,860	(965,141)
Capital Outlay	523,000	523,000	71,767	451,233
Total expenditures	43,002,069	43,496,719	44,010,627	(513,908)
Excess of revenues over(under) expenditures	—	—	(1,186,798)	(1,186,798)
Net change in fund balances	$ —	—	(1,186,798)	(1,186,798)
Fund deficit—beginning of year			(3,786,936)	
Fund deficit—end of year			$ (4,973,734)	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Year ended June 30, 2013

Schedules of Funding Progress

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

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/2012	$ 42,403,148	$ 56,005,138	$ 13,601,990	75.71 %	$ 18,745,343	72.56 %
7/1/2011	42,744,856	52,975,446	$ 10,230,590	80.69	19,365,117	52.83
7/1/2010	42,306,659	52,695,253	10,388,594	80.29	26,473,931	39.24

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Total underfunded AAL	Funded ratio	Annual covered payroll	Underfunded AAL as a percentage of covered payroll
7/1/2012	$ 114,882,834	$ 230,401,333	$ 115,518,499	49.86 %	$ 323,922,137	35.66 %
7/1/2011	110,184,768	$ 236,343,774	126,159,006	46.62	333,480,915	37.83
7/1/2010	102,968,116	228,417,032	125,448,916	45.08	342,784,884	36.60

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

Fiscal year beginning	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
7/1/2012	$ 3,519,437	100 %	$ 3,232,649
7/1/2011	4,210,948	100	3,614,364
7/1/2010	3,595,479	100	-
7/1/2009	3,242,746	100	2,500,000
7/1/2008	2,482,200	100	2,319,939
7/1/2007	2,576,104	100	2,532,824

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Fiscal year beginning	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
7/1/2012	$ 14,365,412	100 %	$ 11,291,126
7/1/2011	15,797,043	100	11,961,721
7/1/2010	15,645,398	100	187,428
7/1/2009	15,641,408	100	11,447,452
7/1/2008	15,235,493	100	15,276,218
7/1/2007	15,408,267	100	15,375,539

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

MILWAUKEE PUBLIC SCHOOLS
Required Supplementary Information
Year Ended June 30, 2013

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
7/1/2011	$ 9,368,067	$1,393,486,064	$1,384,117,997	0.7%	$ 488,996,859	283.1%
7/1/2009	-	$2,398,129,645	$2,398,129,645	0%	$ 507,339,126	472.7%
7/1/2007	n/a	$2,222,673,800	$2,222,673,800	0%	$ 501,134,000	443.5%

Note: The District is required to present the above information for the three most recent actuarial studies. The first study was performed as of July 1, 2007.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Postemployment Health Care Plan

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

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

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

(1) Budgeting

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

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

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

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

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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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

June 30, 2013

		Special Revenue		
Assets		**Categorically Aided Programs**	**Debt Service**	**Total**
Receivables due from other governmental units	$	5,565,932	—	5,565,932
Total assets	$	5,565,932	—	5,565,932
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$	304,972	—	304,972
Due to other funds		5,260,960	—	5,260,960
Total liabilities		5,565,932	—	5,565,932
Fund balances:				
Restricted		—	—	—
Total fund balances		—	—	—
Total liabilities and fund balances	$	5,565,932	—	5,565,932

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2013

	Special Revenue		
	Categorically Aided Programs	Debt Service	Total
Revenues:			
Property taxes	$ —	5,426,145	5,426,145
Federal aid:			
Other federal aid	20,941,452	—	20,941,452
Total revenues	20,941,452	5,426,145	26,367,597
Expenditures:			
Instructional services— special curriculum	5,082,314	—	5,082,314
Pupil and staff services	15,844,009	—	15,844,009
Capital Outlay	15,129	—	15,129
Debt service:			
Principal	—	67,310,692	67,310,692
Interest	—	13,876,596	13,876,596
Bond administrative fees	—	527,668	527,668
Total expenditures	20,941,452	81,714,956	102,656,408
Excess of revenues over (under) expenditures	—	(76,288,811)	(76,288,811)
Other financing sources (uses):			
Refunding bond issued debt	—	50,108,810	50,108,810
Premium on refunded debt issued	—	7,415,704	7,415,704
Transfers In	—	18,764,297	18,764,297
Total other financing sources (uses), net	—	76,288,811	76,288,811
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

Year ended June 30, 2013

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Federal aid:			
Other federal aid	$ 30,697,885	30,546,310	20,941,452
Total revenues	30,697,885	30,546,310	20,941,452
Expenditures:			
Current operating:			
Special curriculum	7,450,119	7,413,332	5,082,314
Pupil and staff services	23,225,589	23,110,910	15,844,009
Capital Outlay	22,177	22,068	15,129
Total expenditures	30,697,885	30,546,310	20,941,452
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

Year ended June 30, 2013

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Property taxes	$ 5,426,145	5,426,145	5,426,145
Total revenues	5,426,145	5,426,145	5,426,145
Expenditures:			
Current operating:			
Debt service	15,102,117	8,226,046	81,714,956
Total expenditures	15,102,117	8,226,046	81,714,956
Excess of revenues over (under) expenditures	(9,675,972)	(2,799,901)	(76,288,811)
Other financing sources (uses)			
Refunding bond issued debt	—	—	50,108,810
Premium on refunded debt issued	—	—	7,415,704
Transfers In (Out)	9,675,972	2,799,901	18,764,297
Total other financing sources (uses), net	9,675,972	2,799,901	76,288,811
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

June 30, 2013

		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	$	1,204,616	7,370,035	5,796,660	14,371,311
U.S. treasury and agency securities		—	—	23,975,838	23,975,838
Mortgage-backed securities		77	—	—	77
Nongovernmental obligations		3,031,927	2,276,101	12,567,440	17,875,468
Municipal Bonds		—	—	1,488,163	1,488,163
Investment in the State of Wisconsin		44,079,493	129,044,768	—	173,124,261
Receivables-interest and contributions		4,741	3,557	17,766,972	17,775,270
Total assets		48,320,854	138,694,461	61,595,073	248,610,388
Liabilities					
Liabilities:					
Accounts payable and accrued expenses		537,137	1,394,337	3,576,073	5,507,547
Total liabilities		537,137	1,394,337	3,576,073	5,507,547
Net Position					
Held in trust for supplemental pension benefits	$	47,783,717	137,300,124	58,019,000	243,102,841

MILWAUKEE PUBLIC SCHOOLS

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

Year ended June 30, 2013

		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	$	3,086,023	13,948,487	76,700,000	93,734,510
Participants contributions		—	—	7,449,378	7,449,378
Investment income (loss):					
Net investment (loss) from the State of Wisconsin:					
Core Retirement Investment Trust Fund		3,863,355	11,568,633	—	15,431,988
Variable Retirement Trust Fund		1,083,750	2,392,552	—	3,476,302
Net investment income from other investments		(2,725)	74,801	—	72,076
Total investment income (loss):		4,944,380	14,035,986	—	18,980,366
Investment expenses		(5,480)	(10,091)	—	(15,571)
Net investment income/(loss)		4,938,900	14,025,895	—	18,964,795
Total additions		8,024,923	27,974,382	84,149,378	120,148,683
Deductions:					
Benefits paid to participant's or beneficiaries		5,229,924	15,298,434	65,075,845	85,604,203
Realized Losses on Investments		—	—	247,929	247,929
Distribution of participant contribution accounts		55,516	—	—	55,516
Administrative expenses		53,282	128,856	47,346	229,484
Total deductions		5,338,722	15,427,290	65,371,120	86,137,132
Changes in net position		2,686,201	12,547,092	18,778,258	34,011,551
Net Position—Beginning of Year		45,097,516	124,753,032	39,240,742	209,091,290
Net Position—Ending of Year	$	47,783,717	137,300,124	58,019,000	243,102,841

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Schedule of Changes in Assets and Liabilities

Year ended June 30, 2013

Assets		**Balance July 1, 2012**	**Additions**	**Deductions**	**Balance June 30, 2013**
Cash and cash equivalents	$	5,338,240	10,606,670	(10,800,749)	5,144,161
Total assets	$	5,338,240	10,606,670	(10,800,749)	5,144,161
Liabilities					
Liabilities:					
Due to student organizations	$	5,338,240	10,606,670	(10,800,749)	5,144,161
Total liabilities	$	5,338,240	10,606,670	(10,800,749)	5,144,161

APPENDIX B

Draft Form of Legal Opinion

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October 23, 2014

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 $125,000,000 aggregate principal amount of School Revenue Anticipation Notes, Series 2014 M4 (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on June 24, 2014.

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 23, 2014, mature (without option of prior redemption) on June 30, 2015 and bear interest from their date at the rate of __________ per centum (________%) per annum payable at maturity.

In our opinion, the Notes are valid and legally binding limited obligations of the City; payment of the principal of the Notes is secured by an irrevocable pledge of all School Operations Fund revenues for the 2014-2015 fiscal year that are due and not yet paid to the City and which are not otherwise pledged or applied through June 30, 2015; and payment of the interest on the Notes is secured by a pledge of surplus revenues of the Debt Service Fund of the City. The Notes are not general obligations of the City and neither the full faith and credit nor the general taxing power of the City is pledged as security for the payment of the principal of or interest on the Notes. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

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

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

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

Respectfully submitted,

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APPENDIX C

Form of Continuing Disclosure Certificate

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MASTER CONTINUING DISCLOSURE CERTIFICATE

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

ARTICLE I - Definitions

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

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

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

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

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

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

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

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

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

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

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

(viii) bond calls, if material;

(ix) defeasances;

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

(xi) rating changes;

(xii) tender offers;

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

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

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

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

(7) “Material Event Notice” means notice of a Material Event.

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II - The Undertaking

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

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

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

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

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

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

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

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

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

ARTICLE III - Operating Rules

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

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

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

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

ARTICLE IV - Termination, Amendment and Enforcement

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF MILWAUKEE, WISCONSIN

By: ____
Comptroller

ADDENDUM DESCRIBING REPOSITORY AND SID

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

Repositories

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

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

SID (State Information Depository)

None.

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

CITY OF MILWAUKEE, WISCONSIN

By: ______________________________________
Comptroller

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

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

Obligor: The City of Milwaukee, Wisconsin

<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:

$125,000,000 School Revenue Anticipation Notes, Series 2014 M4

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

Date of Issue:

________________, 2014

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 _________ day of ________________, 2014.

CITY OF MILWAUKEE, WISCONSIN

By: ____
Comptroller

MM:RL

APPENDIX D

Official Notice of Sale and Bid Form

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OFFICIAL NOTICE OF SALE AND OFFICIAL BID FORM

FOR

$125,000,000

CITY OF MILWAUKEE, WISCONSIN SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2014 M4 (Not a general obligation of the City)

"Bids for Series 2014 M4 Notes"

Sale Data:

SALE DATE AND TIME:

Wednesday, October 8, 2014
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

$125,000,000

CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2014 M4
(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 Wednesday, the

8th DAY OF OCTOBER, 2014

at the Office of the City Comptroller, in said City, for the purchase of One Hundred Twenty Five Million Dollars ($125,000,000) School Revenue Anticipation Notes, Series 2014 M4 (the “Notes”). Sealed bids should be delivered to City Hall, Room 404, 200 E. Wells St., Milwaukee, Wisconsin. Electronic bids must be submitted via PARITY through its competitive bidding application BidComp. Sealed bids will be opened, electronic bids will be retrieved, and all bids will be publicly announced in City Hall, Room 404, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event PARITY is not accessible during the 30 minutes prior to the time bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the City’s Public Debt Commission scheduled for 4:00 P.M. Central Time on October 8, 2014. *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 23, 2014 (the “Expected Date of Delivery”). The Notes will be dated as of the Expected Date of Delivery, will bear interest payable at maturity, and will mature on June 30, 2015. 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 $25,000,000 principal amount at a particular interest rate will be entertained, and all bids must be in multiples of $25,000,000. 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 103.0% 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 23, 2014, or as soon thereafter as the Notes may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

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

Issue Price Certificate

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

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

Minority Participation

The Commission has been disappointed with the degree of minority underwriter participation in the bidding for City Notes and Bonds. The Commission, under its stated policy, strongly desires that a minimum of 5% of the Notes are underwritten by firms which are certified by the State of Wisconsin as being minority-owned. The Commission urges prospective bidders to include minority-owned firms in their bidding group. The Commission further strongly desires certified minority-owned firms to submit bids directly and to assemble bidding groups for the submission of bids. Minority participation in bids is strongly encouraged by the Commission, but is not a requirement for submitting a bid.

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, 2015. 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, 2015 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 October 1, 2014 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). Within seven days of the award of the Notes, each successful bidder will be provided with an electronic copy of the Final Official Statement in pdf format and up to 10 printed copies of the Final Official Statement without cost. It is anticipated that CUSIP identification numbers will be included on the Notes, but neither the failure to include such numbers on any Notes nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Note or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Notes, to provide in a timely manner notice of certain events with respect to the Notes. Notice of the occurrence of certain events with respect to the Notes will be provided to the Municipal Securities Rulemaking Board.

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

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

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

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

By order of the Commissioners of the
Public Debt of the City of Milwaukee
CRAIG KAMMHOLZ, Chairperson
KENNETH C. KREI, Member
PETER ARMBRUSTER, Member

COMMISSIONERS OF THE PUBLIC DEBT

October 1, 2014

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

$125,000,000
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2014 M4
(Not a general obligation of the City)

October 8, 2014

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 2014 M4 (the "Notes") of the City of Milwaukee, Wisconsin, in the principal amount(s) set forth below, described in the Official Notice of Sale, dated October 1, 2014 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:

	Maturity Date	Principal Amount ($25,000,000 minimum)*	Interest Rate**	Premium *** (if any)
Bid A:	June 30, 2015	$____________	_____._____%	$__________________
Bid B:	June 30, 2015	$____________	_____._____%	$__________________
Bid C	June 30, 2015	$____________	_____._____%	$__________________
Bid D:	June 30, 2015	$____________	_____._____%	$__________________
Bid E:	June 30, 2015	$____________	_____._____%	$__________________

* Bids in excess of $25,000,000 must be in multiples of $25,000,000.
** Interest rate must be no greater than 5.0%, and in multiples of 1/8 or 1/20 of one percent.
*** Not to exceed 3.0% (103.0% price) of the Principal Amount.

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

By: ____

Phone Number: ________________________________

____
Company Name

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

CITY OF MILWAUKEE

WIS.

INCORPORATED JAN. 31 1846