



**MILWAUKEE
PUBLIC SCHOOLS**

Milwaukee, Wisconsin

2015

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**



For Year Ended June 30, 2015

156th Edition

156th EDITION

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

BOARD OF SCHOOL DIRECTORS

MILWAUKEE PUBLIC SCHOOLS

5225 West Vliet Street

Milwaukee, Wisconsin

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

MICHAEL BONDS, President

DARIENNE B. DRIVER, Ed.D., Superintendent

Prepared by:

The Office of the Chief Financial Officer

Gerald J. Pace, J.D.

This page intentionally left blank.

MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2015

Table of Contents

I. Introductory Section (Unaudited)

Letter of Transmittal	iii
Board of School Directors and Standing Committees	xii
Milwaukee School Board Districts	xiii
Administrative Officers	xiv
Organization Chart	xv
Certificate of Achievement	xvi

II. Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis (unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet—Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Basic Financial Statements	24
Required Supplementary Information:	
Budgetary Comparison Schedule for the General Fund	89
Budgetary Comparison Schedule for the School Nutrition Services Fund	91
Schedules of Proportionate Share of the Net Pension Asset/Liability and Schedules of Employer Contributions	92
OPEB Schedule of Funding Progress and Schedule of Employer Contributions	93
Notes to Required Supplementary Information	94
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet—Nonmajor Governmental Funds	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances —Nonmajor Governmental Funds	98

MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2015

Table of Contents, Continued

II. Financial Section, Continued

Combining and Individual Fund Statements and Schedules, Continued:

Schedules of Revenues, Expenditures, and Changes in Fund Balance—Budget and

Actual:

Categorically Aided Programs Fund	99
Debt Service Fund	100
Combining Statement of Net Position—Pension and Other Post Employment Benefits Trust Funds	102
Combining Statement of Changes in Net Position—Pension and Other Post Employment Benefits Trust Funds	103
Schedule of Changes in Assets and Liabilities—Agency Fund	104

III. Statistical Section (Unaudited)

Statement of Net Position	106
Changes in Net Position	107
Fund Balance, Governmental Funds	108
Changes in Fund Balance, Governmental Funds, and Debt Service Ratios	109
Assessed and Equalized Valuation-City of Milwaukee	110
Property Tax Rates-Direct and Overlapping Government	111
Tax Rates for School Purposes	112
Principal Property Taxpayers	113
Property Tax Levies and Collections	114
Assessed Value and Estimated Actual Value of Taxable Property	115
Computation of Direct and Overlapping Debt Governmental Activities	116
Ratios of Outstanding Debt by Type	117
Pledged Revenue Coverage	118
Demographic and Economic Statistics	119
Principal Employers	120
Comparative per Capita Cost Statistics	121
Comparative Statement of Annual School Census	122
Annual Enumeration of Children Residing in the City of Milwaukee	123
Government-wide Expenses by Function	124
Government-wide Revenues	125
Governmental Fund Expenditures by Function	126
General Governmental Revenues by Source	127
School Accommodations	128
Number and Distribution of Instructional Staff	129
Population and Pupils Residing in the City of Milwaukee	130
Operating Statistics	131
School District Employees – Full Time Staff & Part Time	132
Nutrition Services – Facts and Figures	133
Capital Asset Information	134



**MILWAUKEE
PUBLIC SCHOOLS**



**MILWAUKEE
PUBLIC SCHOOLS**

Office of the Superintendent
Central Services Building
5225 West Vliet Street
P.O. Box 2181
Milwaukee, Wisconsin 53201-2181

December 21, 2015

Milwaukee Board of School Directors:

We submit to you the Comprehensive Annual Financial Report of the Milwaukee Public Schools (“MPS”), Milwaukee, Wisconsin, for the fiscal year ended June 30, 2015. The Comprehensive Annual Financial Report is management’s financial report to taxpayers, governing board, oversight bodies, voters, employees, and intergovernmental grantors. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District (“District”). To the best of our knowledge and belief, the information presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of MPS. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with that document. The MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

MPS operates within the City of Milwaukee, Wisconsin (“City”). The purpose and responsibility of the District is to provide an efficient and effective educational system for the 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, the District offers comprehensive programs in the areas of special education, early childhood education, and bilingual education. Through its specialty school programs, the District offers advanced educational programs in such areas as language, fine arts, Montessori, International Baccalaureate, STEAM (science, technology, engineering, arts and math), business, and technical trades. In addition, the District provides community recreation and education services through its parks and centers for the elderly.

The City is located 70 miles north of the city of Chicago on the western shores of Lake Michigan. The City has a population estimate of approximately 599,642 based on 2014 U. S. Census Bureau Data. The District operates 170 buildings, has over 77,000 students, and employs over 11,700 educators, administrators, and staff. The Superintendent, appointed by the Board, is the senior official representing MPS.

MPS was established on February 3, 1846, and is operated under Chapter 119 of the Wisconsin Statutes. The District, governed by a nine-member Board, provides education services through grade 12 to residents of the City of Milwaukee and its participating suburban transfer students.

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 financial statements because the District operates with a separate governing board that is not under the control of the City.

LOCAL ECONOMIC ANALYSIS

Milwaukee is the state's largest urban and economic center. The City has a diversified economy with strong service and manufacturing sectors. The area is not dominated by 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.

Based upon the Metropolitan Milwaukee Association of Commerce's August 2015 Economic Trends, August's seasonally unadjusted unemployment rate fell 1.3 percentage points from one year ago to 4.6%. The metro Milwaukee area's jobless rate ranks higher than the state's 3.9% but lower than the 5.2% rates posted nationally.

The City continues to maintain high bond ratings from two of the major agencies. AA from Standard & Poor's Corporation and Aa2 from Moody's Investors Service, Inc. were received on recently issued general obligation bonds of the City.

MAJOR INITIATIVES

During the 2014-15 school year, the Eight Organizational Strategies were developed and continue to provide the overall framework for District efforts to support our students in their academic and personal journeys:

1. Closing the Gap
2. Educating the Whole Child
3. Redefining the MPS Experience
4. Rethinking High Schools
5. Re-envisioning Partnerships
6. Communication & Outreach
7. Workforce Development
8. Organizational Processes

In spring 2015, over 600 stakeholders attended listening sessions designed to inform and gather feedback on the strategies, which are aligned to our District goal areas, which form the basis of the MPS Strategic Plan:

- Student Achievement
- Family and Community Engagement
- Effective and Efficient Operations

An update arranged by goal areas on the work that took place during 2014-15 follows.

Student Achievement

Prior to the start of the 2014-15 school year, systematic approaches were developed to support all aspects of school readiness to include development of a dashboard to assure each school was fully ready to meet students on the first day of school. Areas monitored were facilities and maintenance, staffing, instructional resources, safety and climate, enrollment and transportation. The dashboard was improved to achieve even greater results for yearly school openings and monitoring for the 2015-16 school year.

Careful planning was devoted to the professional development for principals, assistant principals, parent coordinators, new educators and school support teachers. The District started the school year with a solid professional development plan for the entire year that built on the initial sessions for these key school positions.

Our local and national partners worked with us to increase student achievement for all students. Encouraged by the District's leadership and vision, and by the families, students, faculty and community members who continue to work to break the links between race, poverty and academic outcomes for all students, MPS was selected for a Panasonic Foundation Partnership. Panasonic will be supporting MPS on a number of projects through monthly site visits in 2015-16.

Other key partnerships focus on the GE Grant and M³. The GE Foundation supported District efforts at targeted schools in the implementation of the Common Core State Standards (CCSS) and best educational practices. These schools are to serve as a model for others as they look toward implementation of best educational practices that prepare our students for success in becoming college and career ready. The GE Community Service Day celebrated 21 years of helping MPS schools. The M³ partnership is headed by the MPS Superintendent, UWM Chancellor and MATC President and is focused on creating a college and careers road map for students and families; marshaling the resources of the three largest public educational entities that service Wisconsinites; contributing to the good work many are already doing to support education; and positively impacting the Milwaukee population and economy. One example of M³'s efforts is development of an innovative, multi-pronged plan to improve academic and behavioral outcomes at Bradley Tech High School and provide a more sustainable enrollment pipeline.

The District continues to partner with the Wisconsin Department of Public Instruction (DPI) and WestEd and meets on a frequent basis. With their support and approval, MPS completed the District Improvement Plan (DIP), which focuses on four key areas: Teaching and Learning, Professional Development, Educator Effectiveness and Continuous Improvement. In March, approximately 50 central staff provided instructional and assessment support to schools.

Expanding our music and arts educational opportunities in the District remains a priority. The arts curriculum specialist position was upgraded with the goal of raising both the profile and responsibilities for the position. After three years of increasing the number of art, music and physical education teachers in the District by more than 140 positions in total, our commitment to deepen the arts in schools is clear.

MPS continued its commitment to carrying out President Obama's *My Brother's Keeper* initiative with fidelity. Focusing on improving the life outcomes for African American and Latino males, there is great willingness from our local partners, such as the Milwaukee Bucks, the Center for Youth Engagement and the Milwaukee Department of Public Health as well as national organizations such as the National Civic League, College Board and City Year, to become involved. The District is building on efforts that were already underway to support at-risk youth.

MPS examined and improved its efforts to support English Language Learners. The District Multilingual/Multicultural Advisory Committee (DMMAC) was formed and a new manager of bilingual & multicultural education was hired in January. Additionally, efforts are underway to improve District culture to be more inclusive, as evidenced by bilingual signage and translation services at monthly Board meetings.

The following serve to highlight our accomplishments around the goal of academic achievement:

- Advanced Placement classes and International Baccalaureate (IB) opportunities are being expanded for all students to provide access and opportunities for more students of color.
- Participated in the Strategic Actioning Session for High Schools. This GMC-sponsored summit brought together 60 community members to develop strategies to improve outcomes for urban high schools. Now 6 workgroups are meeting and working to coordinate the implementation of those strategies.
- 2,498 students earned recognition based on their performance on the ACT WorkKeys taken in March by all 11th graders. This year, 56% of the 4,475 students earned certificates.
- There were 15 MPS Schools recognized by the State of Wisconsin as Schools of Recognition.
- Two elementary schools received IB certification: AAL (five-year renewal); Lowell (first certification).

- \$31 million in grants were awarded this fiscal year to support our safety nets for students.
- Of the 77 total winners for this year's Dr. Martin Luther King, Jr. Speech Contest sponsored by the Marcus Corporation, 69 were MPS students, including three first place winners.
- Seven professional development institutes were held regularly throughout the year involving staff ranging from principals to parent coordinators.
- The Fresh Coast Classic Basketball Tournament included a strong focus on college fairs, scholarships, preparation to apply to college and the total college experience.
- A Systems Thinking model is being implemented in five District schools and was expanded to include the Office of Finance during the 2015-16 school year.
- The MPS class of 2015 earned more than \$38.9 million in scholarships, up more than \$7 million from the prior year.
- As part of a large District grant, Project Prevent, administrators and support staff were trained on trauma informed care. Teachers are also being invited to attend trainings during the 2015-16 school year.

Student, Family and Community Engagement

Events that showcased Milwaukee Public Schools and invited the community to learn more about what MPS has to offer were abundant. The Council of the Great City Schools conference hosted by MPS was well attended and represented the hard work of many individuals. The regional showcases in the community and at the monthly PACE committee meetings provided a vehicle for District stakeholders to learn more about what the District is doing to increase student achievement and how MPS is working to engage the greater Milwaukee community in those efforts. Parent Coffees with the Superintendent allowed individuals to share ideas and ask questions in an informal and welcoming setting.

The Customer Service Initiative continues to move forward with many accomplishments including enhanced signage, a 24-hour call center, focus groups and an online survey. A goal of the Customer Service Initiative is to provide training to all District employees. Thus far, nearly 1,500 employees have been trained. A short-term goal to place customer comment boxes in all of our schools and buildings to gather feedback from our internal and external partners was accomplished during the 2014-15 school year.

Some of the many foundations and business partners providing support to MPS during the 2014-15 school year and are continuing that support into 2015-16 include the Herzfeld Foundation's support of arts education; Rockwell International's of STEM education; A-B Nicholas Family Foundation and Junior Achievement's support for financial literacy; Northwestern Mutual Foundation; the Brewer's Foundation; the Greater Milwaukee Foundation; Greater Milwaukee Committee; Zilber Foundation; Helen Bader Foundation; Marcus Corporation; Johnson Controls Foundation; We Energies; Harley-Davidson Foundation; Penzey's Spices; and a host of others.

Additional organizations that the District has been working with during this same period of time include Milwaukee Succeeds; the Boys and Girls Club; Council of Small Business Executives (COSBE); Penfield Children's Center; MAWIB Youth Council; Department of Workforce Development; NAACP; the Urban League; the Greater Milwaukee Association of Realtors; the Milwaukee Public Library; Make a Difference Wisconsin; MMAC; Milwaukee Health Department; the Medical College of Wisconsin; Children's Hospital; the Housing Authority; and the YMCA.

Outreach to our local and state leaders continues to be a priority. Since July 2014, this included regular meetings on a variety of topics with Governor Walker, State Superintendent Evers, Mayor Barrett, aldermen, Common Council President Murphy, Police Chief Flynn, County Executive Abele, state representatives and state senators.

A strategic investment that benefits all schools is the addition of parent coordinators. Parent coordinators participate in monthly training. Additionally, their professional development was supplemented with support from a number of external partners. During the 2014-15 school year each school created new family resource centers.

Other accomplishments and events that provided opportunities to increase parental, family and community engagement while highlighting the District and its services include:

- North Division High School was the site of a visit by President Obama.

- iFAIR at Washington High School allowed hundreds of middle and high school students an interactive opportunity to learn more about high-demand IT and engineering career options thanks to the event's more than 20 business and education partners and the workshops those partners hosted.
- First increase in four years for dollars raised (\$254,000) in the annual MPS Combined Giving Campaign.
- Head Start Dental Day at the Marquette University Dental School.
- Ribbon cutting ceremony for the new library at Hmong American Peace Academy.
- Hawthorn Glen Hillside Fen Restoration ribbon cutting ceremony.
- Monthly Research Reviews conducted by the Department of Research and Development.
- In January, the District held its Annual Enrollment Fair at Milwaukee High School of the Arts. Of note was increased attendance and that twice as many families enrolled their children versus the prior year.
- The District experienced a significant increase in the number of backpack giveaway and supply drives.
- The City Review, featuring six high school basketball teams, sold out the UW-Milwaukee Panther's Arena. This success warrants further activities of this type.
- Successful launch of the new MPS website.

Effective and Efficient Operations

Prior to the start of the 2014-15 school year, the Superintendent held transition meetings with all Chiefs to discuss personnel and budget needs, goals and priorities. This was followed by a two-day retreat hosted by Northwestern Mutual at their headquarters. The two days were spent on establishing guiding principles, setting organizational priorities, designing a framework for regional development and analyzing workforce development needs. This provided a strong foundation for our work during the 2014-15 school year.

As a senior team, planning efforts are arranged around bi-weekly meetings for specified groups. Each brings a unique set of skills and expertise forth to effect positive change in the District on behalf of our students. The "A" team focused on academics; the "B" team focused on business functions and ways to gain greater operational efficiencies; and the "C" team focused on improving opportunities for family and community engagement and designed strategies to increase attendance for students in grades K3 through K5, including an attendance campaign.

Efforts to increase communication and collegiality at the District's Central Services included monthly addresses by the Superintendent. Each month, a different office was featured so all employees could learn more about the work that their colleagues are carrying out on a daily basis. The District also featured several individual employees from a variety of areas for the same purpose. Other recognition included Central Services retirees and those who served as leads or team members for the strategic objective papers. One month, the American Heart Association awarded MPS with a Gold designation for their Fit-Friendly Worksite Wellness Program. The Heart Association's Fit-Friendly Program recognizes employers who champion the health of their employees and work to create a culture of physical activity and health in the workplace.

A series of 14 advisories were created by the Superintendent in 2015. They will serve to provide a mechanism for broad communication and feedback from a wide variety of stakeholders and partners. They include local business leaders; Funders Collaborative; Customer Service Bureau; Safety Net Team; Central Services Address; Superintendent's Student Advisory Council; Junior Student Advisory; Parent Roundtable; Teacher Roundtable; Millennial Advisory; Assistant Principal Book Club; Principal Advisory; Operations Advisory; and Problems of Practice for our mid-level management.

The Regional Development Plan that was brought to the Milwaukee Board of School Directors as an information item in December 2014 contained a conceptual overview of potential projects to increase the number of high-performing seats available in the MPS portfolio. The five-year plan includes Pathways Projects, Spotlight Projects and Community Cornerstone Projects. Some of the projects, such as Malcolm X, and efforts to expand Montessori options were approved by the Board and are moving forward. The Outdoor Recreation Facilities Master Plan was also presented to the Board in February 2015 and included many important considerations for future projects. Safety and ADA considerations are strong priorities for the plan.

The following accomplishments supported effective and efficient operations during the 2014-15 school year:

- The complete demolition and construction of a new athletic facility at South Stadium was completed along with the complete modernization of the athletic facility at Custer Stadium. Both venues are ADA accessible, have new concession stands, ticket booths, score boards, sound systems, restrooms and new artificial turf which will increase the number of games that can be played during the season.
- MPS received the Government Finance Officers Association Distinguished Budget Presentation Award for our 2014-15 budget.
- Conducted budget carousels with all schools. They included principals, school support teachers and parent coordinators. This was an important part of the budget process in terms of aligning all of our strategic and budgeting planning.
- Facilities and Maintenance hosted a Blood Drive.
- Continued energy and training around the Lean/Six Sigma Initiative.
- The Outdoor Recreation Facilities Master Plan was completed.
- Created a School Opening Dashboard in collaboration with the District's Office of Accountability and Efficiency.
- Provided Universal breakfast and lunch for all students under the Community Eligibility Program. A total of 16,688,655 meals were served during the 2014-15 school year. This summer, 335,413 meals were served at 97 MPS schools.
- The MPS Employee Wellness Program was launched in 2014-15 with plans for expansion in 2015-16.
- Met the criteria to achieve a WELCOA national Well Workplace Silver designation.
- Since May 2015, three Recreation Department employees received their Certified Park and Recreation Professional certifications.
- Worked with three MPS Child Care Camps to attain a 4-star YoungStar rating in spring 2015. A 4-star rating denotes the camp's ability to meet elevated levels of quality standards.

ACCOUNTING SYSTEM

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions in a single accounting entity. Therefore, from a financial management viewpoint, a governmental unit is a combination of several distinctly different accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund." A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash

and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The District's financial records are maintained on a modified accrual basis of accounting except for the private purpose trust and pension trust funds. Accordingly, revenues are recognized when measurable and available, expenditures when goods or services are received, liabilities are recognized when incurred, and receivables when a legal right to receive exists.

Management of the District is responsible for establishing and maintaining internal controls designed to ensure the assets of the District are protected from loss, theft, or misuse and to ensure that reliable and adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROL

Annual appropriated budgets are adopted for the general, special revenue and debt service funds by June 30th each year. Budgets are adopted for the capital projects fund on a project-length basis. Budgets are considered a management control and planning tool and, as such, are incorporated into the accounting system of the District.

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. Additional budgetary control is maintained through the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders that exceed available budgetary balances are not released until additional funds are transferred to cover the purchase orders.

Board policy requires that all annual appropriations lapse at year-end except for the following: Excess budgetary authority for capital projects funds lapse into the capital projects fund when a specific project is completed; schools, with Board approval, 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%; deficits incurred by schools automatically reduce subsequent year's budget appropriations; and, with Board approval, appropriations for special projects or planned purchases can be carried into the subsequent year. Additionally, at year-end, both encumbrance and budgetary authority necessary to offset the encumbrance may be automatically carried over to the next year. Annual Board approval for carryover of encumbrances is not required.

AUDIT SERVICES

To strengthen internal control, and provide for independent and objective reporting, the Board of School Directors maintains the audit function. The Office of Board Governance - Audit Services reports directly to the Board of School Directors. During the course of the year, the Office of Board Governance - Audit Services conducts fiscal and performance audits on individual funds, offices, divisions, programs, functions, and schools throughout the District. Reports are issued on an ongoing basis.

LONG-TERM FINANCIAL PLANNING

The most precious resource in MPS is our children. The long-term financial plan focuses on those children and on providing every opportunity the District can to help them succeed. Improving educational outcomes for students means focusing collective energy in one place: the classrooms of MPS.

While there was an enrollment increase of 70 students in the 2013-14 school year, enrollment dropped by 1,111 in the 2014-15 school year and the District must work to reverse decades of declining enrollment during the 1990s and 2000s. Based on past experience, MPS expects a 4.03% decrease in enrollment between the FY15 and FY19 fiscal years.

Medical benefits represent the district's second largest expenditure. Specifically, MPS will continue taking the necessary actions to redesign the medical plan for employees and retirees to achieve a sustainable fringe benefit cost for the district while maintaining a competitive portfolio that allows MPS to attract and maintain a skilled and dedicated workforce. Additionally, the district will continue to work with local, state and federal lawmakers to ensure appropriate funding for K-12 education in general and for specific programs including 21st Century Community Learning Centers and special education.

The District was compelled to levy 32.0% of Milwaukee Parental Choice costs in 2014-15. This was the second of 12 years in which the MPS contribution is being reduced. The 38.4 historic required percent is being phased out by 3.2 percentage points each year, until the program is fully state funded in FY25, however enrollment in the program continues to grow.

FINANCIAL POLICIES

In accordance with MPS, Administrative Policy 3.01 (1):

- (a) The superintendent of schools shall prepare an annual operating budget for the MPS consistent with state statutes, Department of Public Instruction regulations, and District policies and goals.
- (b) The purpose of the annual operating budget is to identify adequate financial resources for the educational programs and to provide a basis for accountability in fiscal management.

The State of Wisconsin 2013-2015 Governor's Proposed Budget was issued in February 2013 and was adopted by the state legislative bodies. The 2014-15 budget was built upon the second year of a State biennial budget including a small increase in state funding, following a significant cut in the previous two-year State budget. MPS is committed to directing as many resources as possible to classrooms, and has done so both by decreasing benefit costs and creating greater efficiencies in Central Services. However, state funding remains a critical part of the MPS budget; the small increase in state funding does not cover growing costs. At the federal level, cuts from the "sequester" are ending, but MPS is still feeling the effects of fewer grant opportunities and a decline of funding allocations within federal programs.

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

DEBT ADMINISTRATION

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

INDEPENDENT AUDIT

The financial records of the Milwaukee Board of School Directors have been audited by Baker Tilly Virchow Krause, LLP, independent auditors. The auditors' opinion is unmodified. Such an opinion states the basic financial statements 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 District as of June 30, 2015, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The auditors' report on the basic financial statements and schedules is included in the financial section of this report.

In addition to a financial audit, Baker Tilly Virchow Krause, LLP performed an audit designed to meet the requirements of the Single Audit Act of 1996, and related OMB Circular A-133 and state single audit requirements. Information related to federal and state single audits are disclosed in separate reports.

REPORTING ACHIEVEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Milwaukee Public Schools for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. We believe that our current report conforms to the Certificate program requirements. Accordingly, we are submitting it to GFOA to determine its eligibility for certification.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire staffs of the Office of the Chief Financial Officer, the Office of Board Governance - Audit Services and the Office of Accountability and Efficiency. We would like to express our appreciation to all members of these offices who assisted and contributed to its preparation.

Respectfully submitted,

DARIENNE B. DRIVER, Ed.D.
SUPERINTENDENT OF SCHOOLS

GERALD J. PACE, J.D.
CHIEF FINANCIAL OFFICER

This page intentionally left blank.

BOARD OF SCHOOL DIRECTORS

DISTRICT	NAME	TERM EXPIRES
1	Mark Sain	April, 2019
2	Wendell J. Harris, Sr.	April, 2019
3	Michael Bonds	April, 2019
4	Annie Woodward	April, 2017
5	Larry Miller	April, 2017
6	Tatiana Joseph	April, 2017
7	Claire M. Zautke	April, 2017
8	Carol Voss	April, 2019
At-Large	Terrence Falk	April, 2019

President – Michael Bonds
Vice President – Larry Miller
Superintendent of Schools – Darienne B. Driver, Ed.D.
Director, Office of Board Governance/Board Clerk – Jacqueline Mann

STANDING COMMITTEES

STUDENT ACHIEVEMENT AND SCHOOL INNOVATION COMMITTEE

Directors Joseph (Chair), Woodward (Vice-chair), Falk, Harris, Miller

LEGISLATION, RULES AND POLICIES COMMITTEE

Directors Sain (Chair), Woodward (Vice-chair), Bonds, Falk, Miller

ACCOUNTABILITY, FINANCE AND PERSONNEL COMMITTEE

Directors Miller (Chair), Bonds (Vice-chair), Sain, Voss, Zautke

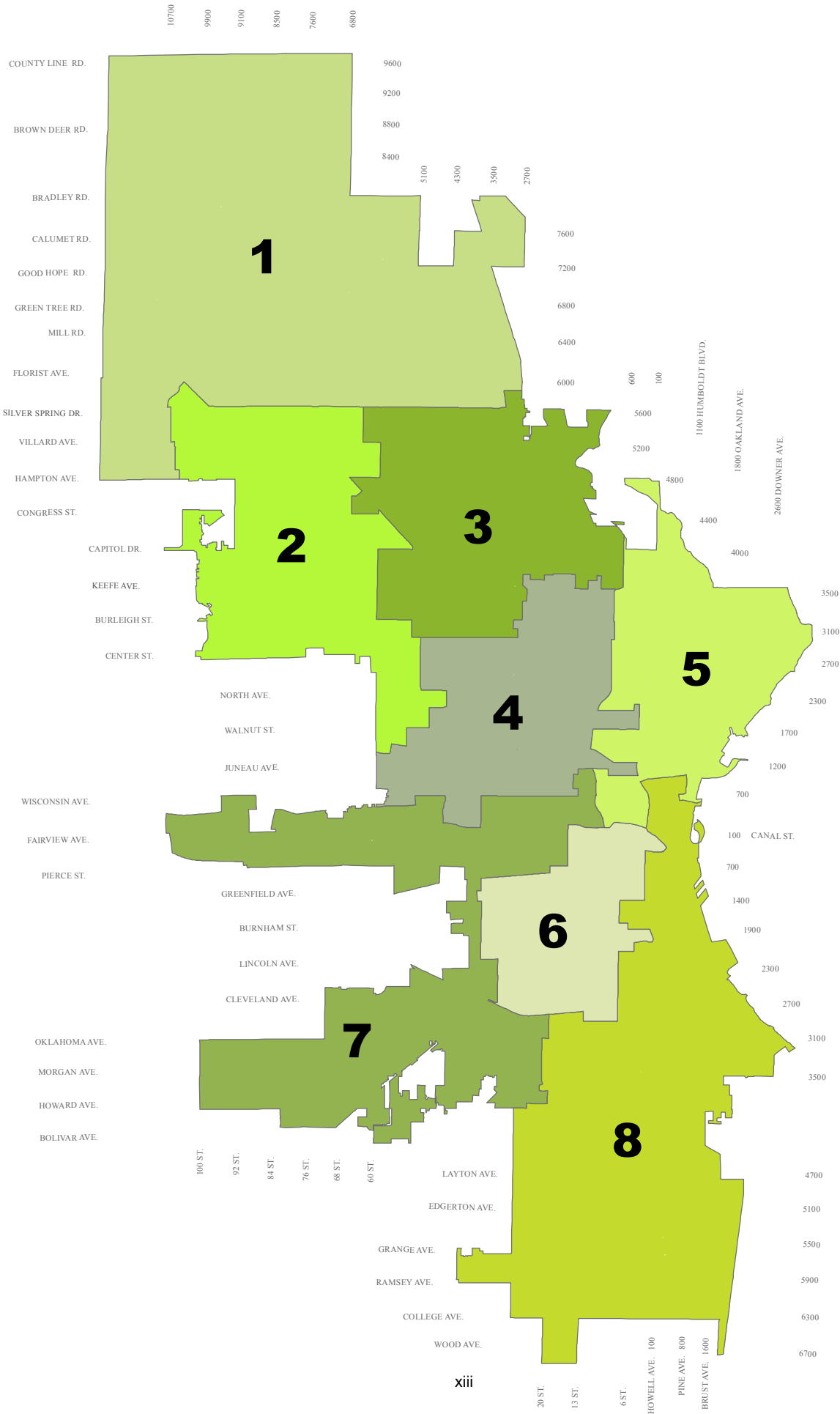
STRATEGIC PLANNING AND BUDGET COMMITTEE

Directors Falk (Chair), Voss (Vice-chair), Bonds, Harris, Joseph, Miller,
Sain, Woodward, Zautke

PARENT AND COMMUNITY ENGAGEMENT COMMITTEE

Directors Zautke (Chair), Harris (Vice-chair), Joseph, Voss, Woodward

MILWAUKEE SCHOOL BOARD DISTRICTS



**MILWAUKEE PUBLIC SCHOOLS
ADMINISTRATIVE OFFICERS**

SUPERINTENDENT OF SCHOOLS

Ms. Darienne B. Driver, Ed.D.

Chief of Staff

Ms. Gina Spang, P.E.

Chief Innovation and Information Officer

Ms. Tonya Adair

Chief Academic Officer

Ms. Ruth Maegli

Chief Human Capital Officer

Mr. Daniel J Chanen, J.D.

Chief Financial Officer

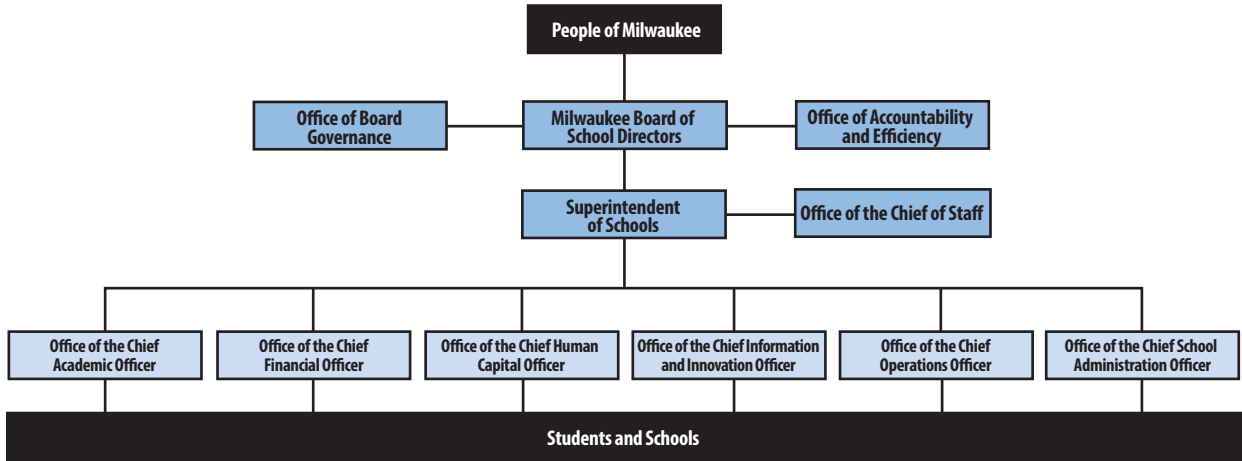
Mr. Gerald J. Pace, J.D.

Chief Operations Officer

Mr. Wendell Willis

Chief School Administration Officer

Mr. Keith Posley, Ed.D.



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Milwaukee Public Schools for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Board of School Director
Milwaukee Public Schools
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



**MILWAUKEE
PUBLIC SCHOOLS**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Directors
Milwaukee Public Schools

Opinions

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

Emphasis of Matter

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

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

Other Matters

Required Supplementary Information

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

To the Board of Directors
Milwaukee Public Schools

Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

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

Baker Tilly Verick & Kruse, LLP

Milwaukee, Wisconsin
December 21, 2015

This page intentionally left blank.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

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

3. Required Supplementary Information (RSI)

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Table 1
Major Features of MPS' Government-wide and Fund Financial Statements

	Government-Wide	Fund Statements	
	Statements	Governmental Funds	Fiduciary Funds
Scope	Entire MPS entity (not including fiduciary funds)	Activities that are not proprietary or fiduciary; e.g. school operations, capital projects, and debt service	Activities where MPS acts as trustee or agent for another; e.g. employee retirement plans
Required financial statements	<ul style="list-style-type: none"> - Statement of net position - Statement of activities 	<ul style="list-style-type: none"> - Balance sheet - Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> - 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.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

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

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Table 2

Condensed Statement of Net Position (Deficit)

(in thousands)

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

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

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

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

Statement of Activities

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Table 3

Schedule of Revenues and Expenses

(in thousands)

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

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

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

Capital Assets

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

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

Table 4
Change in Capital and Intangible Assets
(in thousands)

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Long-term Debt

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

Table 5

Change in Long-term Debt and Capital Lease Obligations

(in thousands)

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

NOTES TO BASIC FINANCIAL STATEMENTS

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

BUDGETARY HIGHLIGHTS

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

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

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

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

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

Current Economic Facts and Next Year's Budget

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

(Unaudited)

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

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

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

REQUESTS FOR INFORMATION

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

**Milwaukee Public Schools
Office of Finance
5225 West Vliet Street
Milwaukee, WI 53208**

Or visit our website at: www.milwaukee.k12.wi.us

**BASIC FINANCIAL
STATEMENTS**

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

As of June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2015

Functions/programs	Expenses	Program revenues		Net (expenses) revenues and changes in net position	
		Charges for services	Operating grants and contributions		
Governmental activities:					
Instruction	\$ 647,364,824	7,144,293	201,995,731	849,132	(437,375,668)
Support services:					
Community services	29,311,872	4,144,116	6,141,526	—	(19,026,230)
Pupil and staff services	131,798,496	—	22,295,180	—	(109,503,316)
General, administration, and central services	98,125,128	—	—	—	(98,125,128)
Business services	160,678,353	5,068,641	7,056,988	—	(148,552,724)
School nutrition services	47,234,192	802,764	49,190,624	—	2,759,196
Interest on long-term debt	16,331,690	—	—	—	(16,331,690)
Total support services	483,479,731	10,015,521	84,684,318	—	(388,779,892)
Total school district	\$ 1,130,844,555	17,159,814	286,680,049	849,132	(826,155,560)
General revenues:					
Taxes:					
Property taxes levied for general purposes					271,012,144
Property taxes levied for construction					9,600,000
Property taxes levied for debt service					4,600,529
Property taxes levied for community services					17,065,872
Other taxes					1,837,208
Federal and state aid not restricted to a specific purpose:					
General (equalization aid)					505,323,745
Other					58,305,357
Miscellaneous					932,736
Interest and investment earnings					2,913,071
Total general revenues					871,590,662
Change in net position					45,435,102
Net position—Beginning of Year (As restated) (deficit)					(116,051,090)
Net position—Ending of Year (deficit)					\$ (70,615,988)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet
Governmental Funds
As of June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund
Balances (Deficits)—Governmental Funds
For the Year Ended June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

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

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

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

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

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

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

(b) Basis of Presentation

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

(c) ***Measurement Focus and Basis of Accounting***

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

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

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

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

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

(d) ***Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. The excess of restricted assets over current liabilities payable from restricted assets will be used to finance project costs or the

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position. Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

(e) Receivables

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

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

(f) Investments

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

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

(g) Inventories and Prepaid Items

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(h) Capital Assets and Intangible Assets

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

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

(i) Property Taxes

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

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

(j) Deferred Outflows of Resources

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

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

Gain/Loss on Refundings of Debt

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(k) *Compensated Absences*

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

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

(l) *Insurance Deposits*

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

(m) *Bond Premiums and Discounts*

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

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

(n) *Claims and Judgments*

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

(o) *Deferred Inflows of Resources*

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(p) *Net Position*

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

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

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

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

(q) *Fund Balance*

Governmental fund balances are displayed as follows:

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

(r) Use of Estimates

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

(s) Pension

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

(t) New Accounting Pronouncements

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(2) **Deposits and Investments**

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	\$ 95,624,059	\$ 95,624,081
Demand deposits	9,584,269	18,558,843
Repurchase Agreement	3,000,000	13,478,240
Money market funds	120,118,171	111,256,605
Non-Government Obligations	15,928,935	15,928,935
U.S. Treasury Notes and Agencies	2,308,079	2,308,079
State and Municipal Notes	23,273,939	23,273,939
Total Cash and Investments	\$ 269,837,452	\$ 280,428,722
Reconciliation to financial statements		
Per statement of net position		
Unrestricted cash and investments	\$ 99,954,055	
Restricted cash and investments	60,987,638	
Per statement of net position – Fiduciary Funds		
Private purpose trust	2,789,037	
Other post employment benefits trust	100,914,933	
Agency	5,191,789	
Total Cash and Investments	\$ 269,837,452	

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

A. Interest Rate Risk

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

B. Credit Risk

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

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

C. Custodial Credit Risk

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

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

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

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

F. Derivative Investments

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The Trustees of the Plan have adopted a Statement of Investment Policy (the “Policy”). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (“SWIB funds”), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. On June 30, 2015, the SWIB Core Fund strategic targets were 26% to U.S. Stocks, 37% to Fixed Income, 24% to International Stocks, 7% to Real Estate, and 14% to Alternative Investments. The strategic target allocations total 107% and 105%, respectively, reflecting the possibility of introducing leverage into the portfolio. On June 30, 2015, the SWIB Variable Fund strategic targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan's investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

A. Interest Rate Risk

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

B. Credit Risk

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

C. Custodial Credit Risk

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

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

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

F. Derivative Investments

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(3) Receivables

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

(4) Interfund Transactions

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(5) Capital Assets

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(5A) Intangible Assets

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

(6) Short-term Borrowings

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

(7) Long-term Obligations

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

Long-term obligations of the District are as follows:

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

Fiscal year ended June 30:

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

Current Refunding

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

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

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

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

Derivative Instruments - Interest Rate Swap Agreements

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

Objective and Terms of Hedging Derivative Instruments

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

Risks of Derivative Instruments

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

(8) Fund Balance

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(8A) Restatement of Net Position

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

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

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

(9) Risk Management

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

(10) Retirement Plans

Wisconsin Retirement System

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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

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

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

The WRS also provides death and disability benefits for employees.

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

Contribution rates as of June 30, 2015 are:

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

<u>Year ended June 30:</u>	<u>Deferred Outflow of Resources</u>
2016	\$ 10,810,291
2017	10,810,291
2018	10,810,291
2019	10,810,291
2020	1,036,593
Thereafter	-

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

Employees' Retirement System of the City of Milwaukee

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

- 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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

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

	Deferred Outflow of Resources
Differences between expected and actual experience	\$ 38,196
Changes in assumptions	19,965
Net differences between projected and actual earnings on pension plan investments	2,441,137
Total	<u>\$ 2,499,298</u>

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ (2,142,105)
Changes in assumptions	-
Net differences between projected and actual earnings on pension plan investments	7,290,107
Total	<u><u>\$ 5,148,002</u></u>

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

Actuarial Assumptions

In February 2012, the Plan actuary performed an experience study based on actuarial valuations for the period July 1, 2006 to July 1, 2011. Based on this study the following assumptions were implemented effective for the July 1, 2012 actuarial valuation. The total pension liability was determined by an actuarial valuation as of July 1, 2014 and data rolled forward to June 30, 2015, above using the following actuarial methods and assumptions:

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Actuarial valuation date	June 30, 2014	June 30, 2014
Measurement date of Net Pension Liability	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal	Entry age normal
Asset Valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return and discount rate	7.5%	7.5%
Inflation	2.8%	0.0%
Salary increases	Certificated participants: In addition to price inflation, service based increases of up to 3.7% per year.	Is no longer needed as Plan was frozen effective July 1, 2013. Therefore salary increases after this date will not be considered pensionable under the Plan.
Mortality rate	Wisconsin Projected Experience Table-2005.	Wisconsin Projected Experience Table-2005.

Long-Term Expected Rate of Return

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

Asset Class

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

Asset Class

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Asset Class

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

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

Single Discount Rate

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

(11) Post-Employment Life and Healthcare Insurance Benefits

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

Effective August 1, 2011, all active employees pay premium contributions for health insurance based on either a percentage of the active premium rate or a percentage of salary in accordance with their collective bargaining agreement and Board Policy. This is as a result of settlement of all union contracts in late 2010 and early 2011. Prior to this, there was no employee premium contribution for most active employees. Certain non-represented employees paid 5 percent of their

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

health plan premium. Board members pay any premium difference between the health plan they selected and the lowest cost health plan. Effective July 1, 2012 or July 1, 2013 upon expiration of labor contracts all employees will pay a percentage of premium for health insurance ranging from 5% to 14 percent based on their annual salary. Effective January 1, 2015, a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) was offered to all active employees with a lower employee premium share ranging from 2% to 9% based on their annual salary.

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

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

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

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

(12) Limitation on District Revenues

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(13) Excess Expenditures Over Appropriations

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

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

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

(14) Commitments and Contingencies

(a) Grants

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(b) Contractual Commitments

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

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

(c) Litigation

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

(d) FCC Channels

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

(15) Subsequent Events

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

For the Year Ended June 30, 2015

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2015

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY

Wisconsin Retirement System

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

Employees' Retirement System

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Wisconsin Retirement System

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

Employees' Retirement System

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

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

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

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

Schedule of Employer Contributions

Postemployment Health Care Plan

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Year ended June 30, 2015

(1) **Budgeting**

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

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

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

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

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

(2) **Wisconsin Retirement System (WRS) Pension**

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

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

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Year ended June 30, 2015

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

(3) **Employees' Retirement System (ERS)**

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

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

Changes of assumptions. There were no changes in the assumptions

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

(4) **Supplemental Retirement Plans**

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

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

Changes of assumptions. There were no changes in the assumptions

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

**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

This page intentionally left blank

MILWAUKEE PUBLIC SCHOOLS

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Debt Service Fund

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

MILWAUKEE PUBLIC SCHOOLS
Combining Balance Sheet—Nonmajor Governmental Funds
As of June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

For the Year Ended June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

For the Year Ended June 30, 2015

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

This page intentionally left blank.

MILWAUKEE PUBLIC SCHOOLS

Fiduciary Funds

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

For the Year Ended June 30, 2015

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

MILWAUKEE PUBLIC SCHOOLS
Agency Fund
Schedule of Changes in Assets and Liabilities
For the Year Ended June 30, 2015

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



**MILWAUKEE
PUBLIC SCHOOLS**

STATISTICAL SECTION

This part of the Milwaukee Public Schools' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	106-109
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	110-115
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	116-118
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	119-123
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	124-134

MILWAUKEE PUBLIC SCHOOLS
Statement of Net Position
Last Ten Fiscal Years

Governmental activities

	<u>2015</u>	<u>2014(a)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net investment in capital assets	\$ 489,612,270	483,025,586	490,235,574	495,794,462	499,760,461	494,531,410	499,644,800	483,877,761	473,612,564	481,469,344
Restricted for debt service	16,570,259	9,914,758	6,866,476	13,472,018	11,247,463	4,699,678	8,351,394	16,045,169	14,472,771	1,796,177
Restricted for pensions	67,124,130									
Unrestricted (Deficit)	<u>(643,922,647)</u>	<u>(641,998,220)</u>	<u>(652,162,327)</u>	<u>(641,733,484)</u>	<u>(637,144,852)</u>	<u>(520,167,556)</u>	<u>(389,665,110)</u>	<u>(249,579,105)</u>	<u>(102,111,255)</u>	<u>(97,025,340)</u>
Total net position	<u>\$ (70,615,988)</u>	<u>(149,057,876)</u>	<u>(155,060,277)</u>	<u>(132,467,004)</u>	<u>(126,136,928)</u>	<u>(20,936,468)</u>	<u>118,331,084</u>	<u>250,343,825</u>	<u>385,974,080</u>	<u>386,240,181</u>

(a) These numbers are reported prior to the GASB #68 restatement.

See accompanying independent auditors' report.

MILWAUKEE PUBLIC SCHOOLS
Changes in Net Position
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:											
Instruction	\$ 647,364,824	666,593,314	714,036,147	685,589,990	863,184,570	887,815,447	864,409,791	826,151,034	676,103,840	664,810,169	652,714,635
Support services:											
Community services	29,311,872	27,612,053	30,536,990	26,041,483	27,499,000	25,538,287	25,574,386	19,658,453	20,110,243	23,270,780	20,560,706
Pupil and staff services	131,798,496	127,673,917	130,189,957	135,648,452	160,715,900	143,517,392	138,220,288	132,463,255	122,202,632	117,138,777	110,034,688
General, administration, and central services	98,125,128	101,276,207	103,502,882	113,952,373	117,817,193	132,145,392	118,454,437	117,404,599	111,430,021	112,657,972	108,742,800
Business services	160,678,353	167,752,510	149,452,181	154,701,665	169,960,141	159,725,009	161,738,970	176,006,641	162,219,265	155,889,203	162,748,023
School nutrition services	47,234,192	43,656,550	44,945,680	44,527,282	44,205,351	40,555,069	40,891,942	40,654,079	36,515,840	32,793,305	32,165,131
Interest on long-term debt	16,331,690	20,088,560	16,147,608	17,790,345	17,926,945	17,166,361	16,181,174	16,771,008	18,130,489	20,176,300	16,245,344
Loss on sale/disposal of assets	-	-	260,129	4,028,012	-	-	-	-	-	-	-
Total support services	\$ 483,479,731	488,059,797	475,035,427	496,689,612	538,124,530	518,647,510	501,061,197	502,958,035	470,608,490	461,926,337	450,496,692
Total expenses	\$ 1,130,844,555	\$ 1,154,653,111	\$ 1,189,071,574	\$ 1,182,279,602	\$ 1,401,309,100	\$ 1,406,462,957	1,365,470,988	1,329,109,069	1,146,712,330	1,126,736,506	1,103,211,327
Program revenues:											
Charges for services:											
Instruction	\$ 7,144,293	7,347,485	6,135,034	4,897,115	5,270,970	4,668,475	5,508,572	9,168,741	8,224,655	9,925,797	3,130,444
Community services	4,144,116	1,904,323	1,789,570	1,844,915	1,981,562	2,022,823	1,994,701	2,333,636	2,934,878	1,906,234	1,930,856
Business services	5,068,641	4,899,266	3,230,905	2,613,852	1,962,560	1,755,862	2,000,182	1,571,882	296,678	103,409	281,329
Nutrition services	802,764	3,127,925	2,933,140	3,027,221	3,233,097	3,900,398	4,186,989	3,915,031	3,991,342	4,391,811	4,747,456
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions:											
Instruction	201,995,731	202,656,277	218,784,528	218,860,380	284,307,386	288,369,454	314,249,488	211,544,865	187,252,284	204,453,803	105,071,902
Community services	6,141,526	5,865,138	6,689,857	6,286,075	6,693,672	7,218,268	8,472,311	6,389,186	6,031,898	9,864,927	7,318,142
Pupil and staff services	22,295,180	20,743,806	17,344,944	27,257,411	16,187,840	15,608,318	15,106,248	10,811,749	3,679,418	3,746,360	3,583,626
General, administration, and central services	-	-	-	-	-	-	-	-	-	-	-
Business services	7,056,988	6,747,421	6,045,771	6,758,686	7,058,695	6,631,649	7,140,808	6,867,633	2,779,926	3,511,831	44,078,275
Nutrition services	49,190,624	41,820,458	39,875,043	39,259,843	39,640,325	37,770,914	34,803,122	32,462,000	30,879,192	25,961,118	25,176,146
Capital grants and contributions:											
Instruction	849,132	3,546,175	6,491,624	3,244,501	11,532,654	11,118,264	1,698,541	10,906,976	5,371,128	9,759,824	20,355,818
General, administration, and central services	-	-	-	-	-	-	-	-	-	-	726,957
Business services	-	-	-	-	-	-	-	-	-	-	-
Total program revenues	\$ 304,688,995	298,658,274	309,320,416	314,049,999	377,868,761	379,064,425	395,160,962	295,971,699	251,441,399	273,625,114	216,400,951
Net (expense)/revenue	\$ (826,155,560)	(855,994,837)	(879,751,158)	(868,229,603)	(1,023,440,339)	(1,027,398,532)	(970,310,026)	(1,033,137,370)	(895,270,931)	(853,111,392)	(886,810,376)
General revenues and other changes in net position:											
Taxes:											
Property taxes levied for general purposes	\$ 271,012,144	270,306,782	269,493,379	270,368,281	259,744,794	274,190,085	257,763,742	223,761,147	192,891,583	183,710,164	180,704,104
Property taxes levied for construction	9,600,000	9,600,000	8,619,687	5,127,012	14,729,342	9,074,793	17,001,718	16,975,373	14,580,539	13,237,040	12,266,054
Property taxes levied for debt service	4,600,529	2,477,582	5,426,145	5,475,630	5,698,454	2,342,002	1,870,414	-	13,546,414	8,843,502	6,469,806
Property taxes levied for community services	17,065,872	17,065,871	17,065,871	16,815,871	13,334,418	10,226,234	11,142,826	10,340,610	9,327,455	8,077,455	8,002,455
Other taxes	1,837,208	53,662	32,559	533,466	1,729,836	59,021	49,468	133,509	2,369,741	-	-
Federal and state aid not restricted to a specific purpose:											
General (equalization aid)	505,323,745	500,659,964	494,557,826	496,690,640	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521	574,203,749
Other	58,305,357	58,682,525	58,969,122	63,378,858	73,161,388	75,412,753	78,351,979	70,601,690	71,253,170	69,325,745	116,147,856
Interest and investment earnings	2,913,071	2,541,815	254,662	224,216	289,979	759,476	1,159,402	2,496,060	3,535,723	2,823,351	1,775,508
Gain on sales of fixed assets	-	111,363	113,881	-	-	-	-	817,921	-	-	10,200
Other	932,736	497,674	2,624,753	3,285,553	4,636,939	1,075,826	1,045,095	-	916,544	-	1,200,921
Total general revenues	\$ 871,590,662	861,997,238	857,157,885	861,899,527	918,239,879	888,130,980	838,297,285	895,938,956	895,004,830	872,515,778	900,778,653
Change in net position	\$ 45,435,102	6,002,401	(22,593,273)	(6,330,076)	(105,200,460)	(139,267,552)	(132,012,741)	(137,198,414)	(266,101)	19,404,386	13,968,277

See accompanying independent auditors' report.

MILWAUKEE PUBLIC SCHOOLS
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund										
Nonspendable										
Inventories	\$ 1,026,248	973,880	907,073	746,342	586,777					
Prepaid expenditures	5,236,234	5,908,136	1,388,395	2,011,198	3,032,231					
Noncurrent advances		2,736,923	4,973,734	3,786,936	2,251,164					
Noncurrent receivables	573,763	671,498								
Restricted										
Self-insurance deposits	7,243,936	5,550,712	4,408,669	4,454,209	3,723,449					
Debt service	20,759,322	10,395,435	10,599,746	16,305,038	15,818,504					
Flex spending	273,097	263,746	253,825	191,658	241,978					
Committed for Construction										
Assigned	2,732,369	2,421,323	3,104,129	4,925,111	1,123,863					
Unassigned	41,791,865	49,871,027	53,322,696	63,927,286	64,820,786					
Reserved						35,081,314	56,034,728	70,201,296	83,119,252	73,378,466
Unreserved						56,933,260	40,610,378	28,063,255	27,510,956	35,971,431
Total general fund	\$ 79,636,834	78,792,680	78,960,389	96,349,900	91,600,874	92,014,574	96,645,106	98,264,551	110,630,208	109,349,897
Other Governmental Funds										
Restricted										
Debt service	\$ 40,228,316	3,657,983	941,258	940,863						
Long term investment fund	250,000									
School Nutrition Services	539,429									
Committed										
Construction	9,207,227	18,002,317	17,075,169	27,013,589	44,604,504					
Assigned										
Unassigned		(2,736,923)	(4,973,734)	(3,786,936)	(2,251,164)					
Reserved						9,341,521	9,191,384	12,494,623	14,210,055	32,798,010
Unreserved										
Construction fund						37,687,706	-	858,122	(1,328,640)	(1,417,829)
Special revenue fund						(2,154,013)	(5,557,534)	(5,628,473)	(4,214,279)	(4,033,184)
Total all other governmental funds	\$ 50,224,972	18,923,377	13,042,693	24,167,516	42,353,340	44,875,214	3,633,850	7,724,272	8,667,136	27,346,997

The District implemented GASB Statement No. 54 for the total governmental fund statements on June 30, 2011; accordingly, prior year data is based on before GASB Statement No. 54.

See accompanying independent auditors' report.

MILWAUKEE PUBLIC SCHOOLS
Changes in Fund Balance, Governmental Funds, and Debt Service Ratios
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Property tax levy	\$ 302,278,545	299,450,235	300,605,082	297,786,794	293,507,008	295,833,114	287,778,700	251,077,130	230,345,991	213,803,808
Other taxes	72,837	79,171	75,084	104,824	108,820	97,291	92,608	88,839	291,341	—
Lunchroom sales	802,753	3,112,692	2,924,898	2,943,482	3,226,519	3,853,462	4,180,102	3,774,957	3,875,772	4,391,811
Other local sources	20,881,176	17,998,591	15,033,619	11,680,793	11,836,869	10,288,493	12,686,419	16,967,736	11,729,344	14,656,297
Microsoft Settlement Refunds	—	1,557,605	4,492,796	278,642	6,706,515	6,796,310	—	—	—	—
State aid:										
Equalization aid	505,323,745	500,659,964	494,557,826	496,690,640	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661	586,498,521
Special classes	53,338,018	53,565,720	51,792,301	54,013,275	49,429,225	46,323,816	47,564,912	42,288,233	39,265,952	39,188,603
Integration	32,247,348	33,522,834	34,178,357	35,235,721	39,158,028	40,804,682	41,276,129	41,864,808	45,208,452	43,660,426
Other state aid	60,425,803	52,813,148	51,039,137	48,365,268	72,947,102	73,460,777	76,658,767	55,720,015	51,424,988	53,759,282
Federal aid:										
Education Consolidation Improvement Act	77,649,649	89,387,237	96,038,429	106,765,706	121,910,586	121,231,450	102,207,198	81,727,901	70,566,992	72,246,390
School nutrition services	46,739,199	40,115,810	38,289,523	37,629,945	38,163,553	36,525,598	33,501,200	31,387,925	30,114,964	25,961,118
Erate refunds	—	—	52,666	2,753,269	3,346,923	1,920,868	1,751,957	3,638,805	1,661,683	—
Other federal aid	69,073,018	69,125,693	70,965,810	82,063,530	102,780,085	111,175,815	157,572,767	79,462,513	69,013,674	79,134,117
Intergovernmental aid from the City of Milwaukee	—	—	—	—	—	191,000	—	6,000,000	—	9,240,442
Miscellaneous	1,231,850	567,085	3,190,257	3,346,721	4,533,161	1,222,859	932,475	816,009	916,544	—
Interest and investment earnings	2,913,071	2,541,815	218,550	224,215	289,981	759,476	1,159,402	2,496,060	3,535,721	2,823,350
Total revenues	\$ 1,172,977,012	1,164,497,600	1,163,454,335	1,179,882,825	1,292,859,104	1,265,475,801	1,237,275,277	1,188,123,577	1,144,535,079	1,145,364,165
Expenditures:										
Instructional services:										
Undifferentiated curriculum	\$ 346,521,378	350,611,296	364,488,175	379,231,430	408,281,267	419,013,141	426,468,415	420,350,045	420,196,158	430,564,038
Regular and other curriculum	137,364,946	140,829,291	147,099,479	129,989,610	153,723,073	162,055,281	152,019,378	139,085,524	113,231,381	105,796,528
Special curriculum	162,957,532	167,157,217	170,451,744	158,713,453	169,704,527	158,358,450	141,682,491	128,758,524	126,898,396	113,370,170
Total instructional services	646,843,856	658,597,804	682,039,398	667,934,493	731,708,867	739,426,872	720,170,284	688,194,093	660,325,935	649,730,736
Community services	29,162,858	26,962,332	29,146,352	24,841,805	23,467,701	23,184,162	23,482,483	19,337,638	20,022,461	23,127,716
Pupil and staff services	132,154,096	126,212,196	127,419,348	132,786,434	158,034,350	141,633,899	136,274,148	130,014,574	120,056,089	115,122,913
General and school building administration	99,027,539	99,204,832	101,012,616	111,351,669	118,430,195	128,618,542	118,520,404	112,066,634	109,867,741	111,227,914
Business services	160,159,754	163,583,290	161,469,675	155,497,490	170,709,794	160,335,051	161,983,843	154,214,637	160,817,367	151,129,644
School nutrition services	46,653,985	42,699,913	43,938,860	43,525,912	43,247,754	39,803,908	39,547,617	38,476,566	35,782,244	32,210,593
Capital Outlay	39,116,285	14,690,949	21,948,535	34,504,618	21,847,799	19,371,066	21,845,269	38,476,566	27,701,230	46,591,605
Debt service:										
Principal	21,671,993	12,955,845	67,860,692	11,374,372	14,099,135	18,929,274	11,849,070	11,037,918	14,931,291	18,826,401
Interest	13,523,580	13,963,568	14,312,624	14,528,046	14,176,335	13,261,491	13,407,173	13,698,240	14,426,612	14,646,900
Bond issuance cost	61,999	36,434	528,668	34,769	111,525	2,113,376	33,858	480,561	625,649	—
Other	—	—	—	—	—	—	—	—	—	799,375
Total expenditures	\$ 1,188,375,945	1,158,907,163	1,249,676,768	1,196,379,608	1,295,833,455	1,286,677,641	1,247,114,149	1,205,997,427	1,164,556,619	1,163,413,797
Excess of revenues over (under) expenditures	\$ (15,398,933)	5,590,437	(86,222,433)	(16,496,783)	(2,974,351)	(21,201,840)	(9,838,872)	(17,873,850)	(20,021,540)	(18,049,632)
Other financing sources (uses) (note 7):										
Long-Term Debt Issued	\$ —	—	—	—	—	49,300,000	4,050,000	—	—	—
Proceeds from qualified zone academy bonds	—	—	—	—	—	—	—	—	1,078,100	2,021,000
Proceeds from Sale of Assets	1,406,273	122,538	183,585	3,059,985	38,777	287,395	—	—	—	—
Premium on debt issued	387,058	—	7,415,704	—	—	—	—	—	—	—
Proceeds from capital leases	38,000,000	—	—	—	—	11,504,297	—	—	—	12,415,000
Insurance proceeds	843,560	—	—	—	—	60,980	79,005	2,997,170	1,000,000	—
Refunding bond debt issued	6,907,791	—	50,108,810	—	—	11,020,000	—	—	31,865,000	—
Payment for refunded bond debt	—	—	—	—	—	(14,360,000)	—	—	(30,982,607)	—
Discount on debt issued	—	—	—	—	—	—	—	—	(338,503)	—
Refunding intergovernmental debt issued	—	—	—	—	—	—	—	—	—	—
Payment for refunded intergovernmental debt	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses), net	\$ 47,544,682	122,538	57,708,099	3,059,985	38,777	57,812,672	4,129,005	2,997,170	2,621,990	14,436,000
Net change in fund balance	\$ 32,145,749	5,712,975	(28,514,334)	(13,436,798)	(2,935,574)	36,610,832	(5,709,867)	(14,876,680)	(17,399,550)	(3,613,632)
Debt service as a percentage of noncapital expenditures	3.2%	2.4%	7.2%	2.3%	2.3%	2.8%	2.1%	2.2%	2.7%	3.1%

See accompanying independent auditors' report.

MILWAUKEE PUBLIC SCHOOLS

Assessed and Equalized Valuation—City of Milwaukee

(in thousands)

The assessed and equalized valuations for the past 30 years are shown below.

<u>Assessed Year</u>	<u>Assessed valuation</u>	<u>Assessed valuation increase (decrease) over prior years</u>	<u>Equalized valuation</u>
1985	\$ 11,076,974	\$ 75,011	\$ 11,152,473
1986	11,140,003	63,029	11,181,029
1987	11,303,217	163,214	11,709,716
1988	11,865,999	562,782	12,002,681
1989	12,017,462	151,463	12,648,530
1990	12,614,531	597,069	12,808,708
1991	12,701,237	86,706	13,189,084
1992	13,336,770	635,533	13,279,156
1993	13,345,968	9,198	14,047,985
1994	14,029,734	683,766	14,363,706
1995	13,976,649	(53,085)	14,821,109
1996	14,850,607	873,958	15,041,199
1997	14,914,137	63,530	15,511,857
1998	16,072,114	1,157,977	16,228,218
1999	15,773,850	(298,264)	16,701,225
2000	17,582,995	1,809,145	17,344,251
2001	17,699,784	116,789	19,453,830
2002	19,866,255	2,166,471	20,298,387
2003	21,009,517	1,143,262	21,730,754
2004	22,772,419	1,762,902	23,491,773
2005	25,222,149	2,449,730	26,256,714
2006	28,354,952	3,132,803	30,226,984
2007	29,374,373	1,019,421	31,887,192
2008	30,431,675	1,057,302	32,257,525
2009	28,944,573	(1,487,102)	31,266,329
2010	28,048,464	(896,109)	29,520,783
2011	27,917,642	(130,822)	27,954,670
2012	25,322,101	(2,595,541)	26,421,932
2013	25,034,158	(287,943)	26,089,611
2014	25,024,542	(9,616)	26,138,108

Source: Assessed valuation is determined by the City of Milwaukee, Assessor's Office.
 Equalized valuation is determined by the State of Wisconsin Department of Revenue. Both the
 assessed valuation and the equalized valuation include Tax Incremental Financing Districts.

MILWAUKEE PUBLIC SCHOOLS
Property Tax Rates—Direct and Overlapping Government
Last Ten Years

Budget year	Milwaukee School Board (B)		City of Milwaukee (A)		Milwaukee Area District Board of Vocational, Technical, and Adult Education		County of Milwaukee		State of Wisconsin		Milwaukee Metropolitan Sewerage District		Total (C)		
TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL															
2005	\$ 8.84	34.2 %	\$ 8.52	32.9 %	\$ 2.00	7.7 %	\$ 4.70	18.2 %	\$ 0.21	0.8 %	\$ 1.59	6.2 %	\$ 25.86	100.0 %	
2006	8.35	34.1	8.08	33.0	1.96	8.0	4.43	18.1	0.20	0.8	1.48	6.0	24.50	100.0	
2007	7.48	33.4	7.28	32.5	1.89	8.4	4.18	18.7	0.19	0.8	1.39	6.2	22.41	100.0	
2008	7.96	34.4	7.46	32.2	1.92	8.3	4.22	18.3	0.19	0.8	1.39	6.0	23.14	100.0	
2009	8.75	36.3	7.59	31.6	1.94	8.1	4.20	17.5	0.18	0.8	1.37	5.7	24.03	100.0	
2010	9.41	36.2	8.42	32.4	2.06	8.0	4.48	17.2	0.18	0.7	1.43	5.5	25.98	100.0	
2011	9.49	35.7	8.67	32.6	2.02	7.6	4.69	17.7	0.18	0.7	1.52	5.7	26.57	100.0	
2012	9.69	36.0	8.86	32.9	1.95	7.3	4.72	17.6	0.17	0.6	1.51	5.6	26.90	100.0	
2013	10.73	35.8	9.87	33.0	2.21	7.4	5.26	17.5	0.18	0.6	1.70	5.7	29.95	100.0	
2014	10.86	35.5	10.23	33.4	2.22	7.2	5.35	17.5	0.18	0.6	1.78	5.8	30.62	100.0	

(A) State law prohibits the City from raising property taxes more than 2% plus 60% growth of new development.

(B) Overlapping rates are those of local and county governments that apply to property owners within the City of Milwaukee.

(C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

Source: City of Milwaukee

MILWAUKEE PUBLIC SCHOOLS

Tax Rates for School Purposes

Last Ten Years
(per \$1,000 of Assessed Value)

Budget Year	School Operations	Construction	Extension	Total(a)
2006	7.71	0.53	0.32	7.68
2007	6.07	0.43	0.27	6.77
2008	6.60	0.50	0.31	7.41
2009	7.44	0.49	0.32	8.25
2010	8.36	0.53	0.35	8.94
2011	8.18	0.28	0.31	9.05
2012	8.61	0.47	0.42	9.30
2013	9.47	0.30	0.59	10.35
2014	9.61	0.30	0.60	10.51
2015	9.71	0.34	0.61	10.66

112

Tax Levies for School Purposes

Last Ten Years

Budget Year	School Operations	Construction	Extension	Total
2006	192,488,713	13,237,640	8,077,455	213,803,808
2007	206,437,997	14,580,539	9,327,455	230,345,991
2008	223,761,147	16,975,373	10,340,610	251,077,130
2009	259,634,156	17,001,718	11,142,826	287,778,700
2010	276,532,087	9,074,793	10,226,234	295,833,114
2011	265,443,248	14,729,342	13,334,418	293,507,008
2012	275,843,911	5,127,012	16,815,871	297,786,794
2013	274,919,524	8,619,687	17,065,871	300,605,082
2014	272,784,364	9,600,000	17,065,871	299,450,235
2015	275,612,673	9,600,000	17,065,871	302,278,544

(a) Source: City Assessor's Office Tax Rates 1984 to Present Table.

**Milwaukee Public Schools
Principal Property Taxpayers
(Thousands of Dollars)**

Employer	City's Fiscal Year 2014			City's Fiscal Year 2005		
	Assessed Value	Percentage of Total Assessed	%	Assessed Value	Percentage of Total Assessed	%
U.S. Bank	\$ 233,120	0.93	%	\$ 222,500	0.88	%
Northwestern Mutual Life Insurance Company	172,614	0.69		165,461	0.66	
Marcus Corp./Mil. City Center/Pfister	105,713	0.42		99,579	0.39	
Mandel Group	121,806	0.46		—	—	
Metropolitan Associates	93,716	0.37		87,805	0.35	
NNN 411 E. Wisconsin LLC	74,382	0.30		91,034	0.36	
100 E. Wisconsin Ave. Joint Venture	76,468	0.31		58,183	0.23	
Gorman & Co.	65,939	0.23		—	—	
Towne Realty	63,248	0.25		87,902	0.35	
Riverbend Place	58,962	0.24		—	—	
Miller-Coors Brewing	58,079	0.23		66,293	0.26	
M&I Marshall & Ilsley Bank/Metavente Corp	—	—		77,443	0.31	
Geneva Exchange Fund	—	—		57,491	0.23	
	<u>\$ 1,124,047</u>	<u>4.43</u>	<u>%</u>	<u>\$ 1,013,691</u>	<u>4.02</u>	<u>%</u>

Source: City CAFR

MILWAUKEE PUBLIC SCHOOLS
Property Tax Levies and Collections
Last Ten Years
(Amounts expressed in thousands)

Budget Year	Taxes Levied for the Fiscal Year (Original Levy) (D)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy Levy Year (B)		Collections		Total Collections to Date	
				Current Tax Collections	Percent Original Levy Collected	Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
2005	\$ 248,267	\$ 24,047	\$ 272,314	\$ 242,587	97.71 %	\$ 14,992	\$ 14,637	\$ 272,216	99.96 %
2006	261,685	23,643	285,328	255,823	97.76	15,664	13,719	285,206	99.96
2007	265,319	29,201	294,520	257,347	97.00	18,577	18,376	294,300	99.93
2008	286,180	36,088	322,268	277,115	96.83	23,945	20,879	321,939	99.90
2009	276,186	33,434	309,620	265,691	96.20	18,017	24,751	308,459	99.63
2010	291,943	29,913	321,856	281,196	96.32	16,482	22,174	319,852	99.38
2011	295,967	29,872	325,839	284,691	96.19	16,049	21,740	322,480	98.97
2012	301,051	28,917	329,968	288,749	95.91	13,596	20,401	322,746	97.81
2013	304,700	30,725	335,425	293,489	96.32	16,237	12,423	322,149	96.04
2014	307,246	30,930	338,176	295,624	96.22	13,004	-	308,628	91.26

Milwaukee Public Schools		
Budget Year	Total	Percentage of Levy
2005	\$ 213,804	100.00 %
2006	230,346	100.00
2007	251,077	100.00
2008	287,779	100.00
2009	295,833	100.00
2010	293,507	100.00
2011	297,787	100.00
2012	300,605	100.00
2013	299,450	100.00
2014	302,279	100.00

(A) This column includes adjustments. The City purchases delinquent taxes from the other units (Milwaukee County, Metropolitan Sewage District, State, Milwaukee Area Technical College and Milwaukee Public Schools.)

(B) Tax collections begin in December for the succeeding Budget Year.

(C) Collections of (A) in the year purchased.

(D) State law limits levy increases to 2% of economic development for general city purposes.

Source: City of Milwaukee and MPS

Milwaukee Public Schools
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years
(Thousand of Dollars)

Fiscal Year(1)	Real Estate	Personal Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2005	\$24,386,499	\$ 835,650	\$ 25,222,149	\$ 26,256,714	\$ 9.19	96.1 %
2006	27,450,051	904,900	28,354,952	30,226,986	8.75	93.8
2007	28,430,813	943,560	29,374,373	31,887,192	7.99	92.1
2008	29,429,740	1,001,935	30,431,675	32,257,525	8.00	94.4
2009	27,961,413	983,160	28,944,573	31,266,329	8.09	92.6
2010	27,091,120	957,344	28,048,464	29,520,783	8.89	95.0
2011	27,007,839	909,804	27,917,643	27,954,670	9.12	99.9
2012	24,450,181	871,920	25,322,101	26,421,932	9.25	95.8
2013	24,169,993	864,165	25,034,158	26,089,611	10.25	96.0
2014	24,084,276	940,266	25,024,542	26,138,108	10.58	95.7

(1) Corresponds to City of Milwaukee's Budget Year.

Source: City CAFR & 2014 City Assessor's Office

MILWAUKEE PUBLIC SCHOOLS

Computation of Direct and Overlapping Governmental Activities

December 31, 2014

(in thousands)

<u>Name of governmental unit</u>	<u>Net debt outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with property taxes			
Direct debt:			
Milwaukee Public Schools	\$ 366,427	100.00 %	\$ 367,151
Overlapping debt:			
City of Milwaukee	696,614	100.00	696,614
Milwaukee Area Technical College District Board	109,920	37.00	40,670
County of Milwaukee	685,013	44.85	307,228
Milwaukee Metropolitan Sewerage Area	923,728	45.84	423,437
Total overlapping debt			<u>1,467,949</u>
Total district and overlapping debt			<u>\$ 1,835,100</u>

Sources: City of Milwaukee CAFR 2014 except Milwaukee Public Schools based on 6-30-15.

**Milwaukee Public Schools
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	QZAB	Pension Debt		Wisconsin Retirement System (UAAL)	General Bonded Debt Subtotal	Bonded Debt as a Percentage of Equalized Property Value ¹	Bonded Debt Per Capita	Revenue Bonds	Capital Lease	TEACH Loans	Total Debt	Total Debt as a Percentage of Personal Income ²	Total Debt Per Capita
			Capital Appreciation Bonds	Variable Rate Debt										
2006	\$ 14,174,684	\$ 11,248,426	\$ 35,598,442	\$ 130,850,000	-	\$ 191,871,552	0.63 %	322	\$ 113,097,469	\$ 40,087,275	\$ 8,407,726	\$ 353,464,022	1.75 %	599
2007	11,996,044	9,897,583	37,852,753	130,850,000	-	190,596,380	0.60	321	108,180,831	36,759,825	6,511,465	342,048,501	1.62	580
2008	9,804,615	8,369,589	40,250,009	130,850,000	-	189,274,213	0.59	319	106,447,870	33,222,400	4,520,395	333,464,878	1.53	564
2009	12,165,969	7,042,189	42,799,284	130,850,000	-	192,857,442	0.62	330	103,527,948	29,460,000	2,429,771	328,275,161	1.52	562
2010	71,415,847	5,668,324	45,510,230	130,850,000	-	253,444,401	0.86	426	99,607,279	14,625,679	1,659,026	369,336,385	1.64	621
2011	67,042,677	4,560,243	48,393,112	130,850,000	-	250,846,032	0.90	421	95,480,699	10,929,713	849,744	358,106,188	1.53	601
2012	62,607,058	3,681,039	51,458,848	130,850,000	-	248,596,945	0.94	418	90,994,121	10,245,000	-	349,836,066	1.45	588
2013	63,000,610	2,769,721	54,719,050	130,850,000	-	251,339,380	1.00	421	85,933,361	4,950,000	-	342,222,741	1.40	574
2014	61,880,101	2,054,976	56,259,857	130,850,000	-	251,044,934	N/A	N/A	81,869,778	4,375,000	-	337,289,712	N/A	566
2015	63,854,812	1,418,388	56,856,122	130,850,000	-	252,979,322	N/A	N/A	76,171,399	38,000,000	-	367,150,721	N/A	N/A

(1) Equalized Value per the City of Milwaukee.

(2) The data measure for Personal Income changed for FY07 and is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Dept. of Commerce. It reports the income for Milwaukee County versus the City of Milwaukee because the City makes up a substantial portion of Milwaukee County.

**Milwaukee Public Schools
Pledged Revenue Coverage
Last Ten Fiscal Years**

Neighborhood Schools Initiative Bonds

Fiscal Year	Intradistrict Aid	Debt Service		Coverage
		Principal	Interest	
2006	\$ 40,627,588	\$ —	\$ 4,897,374	8.30
2007	42,212,564	—	4,897,374	8.62
2008	38,625,243	1,790,000	4,373,834	6.27
2009	37,965,736	2,980,000	4,308,219	5.21
2010	37,439,086	3,985,000	4,204,253	4.57
2011	36,130,070	4,195,000	4,071,676	4.37
2012	32,120,101	4,555,000	3,919,868	3.79
2013	31,449,026	4,960,000	3,745,504	3.61
2014	31,282,469	4,430,000	3,675,067	3.86
2015	30,325,834	5,130,000	3,192,335	3.64

**MILWAUKEE PUBLIC SCHOOLS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Year	<u>County of Milwaukee</u>					
	Population (A)	Personal Income (Thousands of Dollars) (B)	Per Capita Income (C)	Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
2005	592,765	\$ 31,862,221	\$34,167	30.6	100,262	7.2%
2006	590,370	33,705,644	36,232	30.6	97,509	6.9
2007	590,190	34,610,340	37,157	30.6	87,360	6.9
2008	590,870	35,605,736	38,091	30.6	85,369	6.7
2009	584,000	36,219,621	38,422	30.6	82,444	11.4
2010	580,500	36,453,170	38,437	30.3	81,372	11.9
2011	595,525	37,496,095	39,390	30.3	80,098	10.9
2012	595,425	38,808,170	40,628	33.7	78,461	10.1
2013	596,500	39,213,035	40,628	33.7	78,502	8.7
2014	595,993	Not available	Not available	33.8	77,391	7.2

(A) *The December 31, 2005 through 2014 populations are estimated from the Wisconsin Department of Administration. (The population differs from the Census Bureau).*

(B) *Personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Personal income includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.*

(C) *Per capita personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce and includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.*

(D) *Prior to 2012, Median age of the population was determined only during a census. These figures represent the data collected by the American Community Survey.*

(E) *Annual School Census by Board of School Directors. Represents Milwaukee Public Schools only.*

(F) *Unemployment Rate is the annual average from the Wisconsin's Workforce, Wisconsin Worknet and Labor Market Information System.*

source: City of Milwaukee 2014 CAFR

**MILWAUKEE PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS**
Current Year and Nine Years Ago

<u>Employer</u>	<u>2014 Estimates (1)</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Aurora Health Care	24,462	1	5.47 %	14,247	1	3.35 %
Wheaton Franciscan Healthcare	10,687	2	2.39			
Froedtert Memorial Lutheran Hospital and Community Health	9,028	3	2.02			
Roundy's Supermarkets	9,000	4	2.01			
Medical College of Wisconsin	5,400	5	1.21			
Columbia St. Mary Health System	5,400	6	1.21	5,749	7	1.35
Northwestern Mutual Life	5,000	7	1.12	4,687	8	1.10
ProHealth Care Inc.	4,700	8	1.05			
Childrens Hospital	4,471	9	1.00			
Goodwill Industries	4,055	10	0.91			
U.S. Government (Includes Zablocki V.A. Medical Center)				10,700	2	2.52
Covenant Health Care				9,100	3	2.14
City of Milwaukee				7,306	4	1.72
Milwaukee Public Schools				7,137	5	1.68
M&I Marshall & Ilsley				6,729	6	1.58
University of Wisconsin-Milwaukee				4,307	9	1.01
Medical College of Wisconsin	-		-	4,052	10	0.95
	<u>82,203</u>		<u>18.38 %</u>	<u>74,014</u>		<u>17.40 %</u>

(1) Reflects full-time equivalent employees of businesses and industrial firms.
Note: Data includes all of Milwaukee County and areas contiguous to Milwaukee County.

source: City of Milwaukee CAFR

MILWAUKEE PUBLIC SCHOOLS

Comparative per Capita Cost Statistics

Last Ten Fiscal Years

	<u>Cost per pupil</u>
2005 – 2006	11,808
2006 – 2007	12,174
2007 – 2008	13,055
2008 – 2009	13,783 **
2009 – 2010	14,574 **
2010 – 2011	14,803 **
2011 – 2012	13,911 **
2012 – 2013	14,059
2013 – 2014	13,673
2014 – 2015	14,269

**Cost per pupil is restated from published in 2012 CAFR.

MILWAUKEE PUBLIC SCHOOLS
 Comparative Statement of Annual School Census
 Children Between 4 and 19 Years of Age
 Residing in the City of Milwaukee

122

Fiscal year	Total number of children	Increase or (decrease) over prior year	Males	Increase or (decrease) over prior year	Females	Increase or (decrease) over prior year	Attending public schools	Attending private schools	Total attending schools	Percent attending schools
1980	133,639	132	68,245	(246)	65,394	378	91,069	25,436	116,505	87.2
1981	130,215	(3,424)	66,550	(1,695)	63,665	(1,729)	82,520	31,238	113,758	87.4
1982	131,748	1,533	67,085	535	64,663	998	80,683	29,623	110,306	83.7
1983	134,734	2,986	68,642	1,557	66,092	1,429	83,148	31,149	114,297	84.8
1984	140,729	5,995	71,689	3,047	69,040	2,948	87,243	31,601	118,844	84.4
1985	147,347	6,618	75,066	3,377	72,281	3,241	93,406	31,464	124,870	84.7
1986	148,768	1,421	75,391	325	73,377	1,096	96,520	30,961	127,481	85.7
1987	145,593	(3,175)	73,844	(1,547)	71,749	(1,628)	94,744	30,997	125,741	86.4
1988	148,416	2,823	75,196	1,352	73,220	1,471	98,438	31,140	129,578	87.3
1989	150,714	2,298	76,520	1,324	74,194	974	99,988	29,988	129,976	86.2
1990	150,723	9	76,382	(138)	74,341	147	99,079	29,346	128,425	85.2
1991	* 128,540	(22,183)	65,230	(11,152)	63,310	(11,031)	86,407	27,012	113,419	88.2
1992	144,452	15,912	73,180	7,950	71,272	7,962	100,017	28,346	128,363	88.9
1993	145,499	1,047	73,772	592	71,727	455	100,728	27,956	128,684	88.4
1994	149,545	4,046	75,893	2,121	73,652	1,925	103,452	28,196	131,648	88.0
1995	151,541	1,996	76,471	578	75,070	1,418	106,886	27,816	134,702	88.8
1996	151,710	169	76,778	307	74,932	(138)	106,910	27,931	134,841	88.9
1997	151,027	(683)	76,429	(349)	74,598	(334)	107,121	27,455	134,576	89.1
1998	153,227	2,200	77,533	1,104	75,694	1,096	108,786	27,723	136,509	89.1
1999	154,328	1,101	78,141	608	76,187	493	111,712	27,207	138,919	90.0
2000	154,977	649	78,599	458	76,378	191	110,397	28,342	138,739	89.5
2001	150,256	(4,721)	76,048	(2,551)	74,208	(2,170)	107,905	26,479	134,384	89.4
2002	149,992	(264)	76,142	94	73,850	(358)	109,852	25,066	134,918	90.0
2003	162,011	12,019	82,187	6,045	79,824	5,974	122,631	23,760	146,391	90.4
2004	164,641	2,630	83,399	1,212	81,242	1,418	128,862	21,829	150,691	91.5
2005	165,279	638	85,193	1,794	82,596	1,354	130,664	22,879	153,543	92.9
2006	159,414	(5,865)	81,024	(4,169)	78,390	(4,206)	111,685	27,171	138,856	87.1
2007	153,233	(6,181)	77,570	(3,454)	75,663	(2,727)	107,950	26,507	134,457	87.7
2008	152,244	(989)	75,897	(1,673)	76,347	684	102,648	27,847	130,495	85.7
2009	152,323	79	75,840	(57)	76,483	136	104,316	28,010	132,326	86.9
2010	151,232	(1,091)	74,710	(1,130)	76,522	39	102,707	28,398	131,105	86.7
2011	148,293	(2,939)	74,624	(86)	73,669	(2,853)	100,101	27,395	127,496	86.0
2012	146,741	(1,552)	74,476	(148)	72,265	(1,404)	97,900	27,065	124,965	85.2
2013	144,870	(1,871)	74,017	(459)	70,853	(1,412)	95,602	26,799	122,401	84.5
2014	** 146,929	2,059	74,075	58	72,854	2,001	103,291	27,350	130,641	88.9
2015	** 146,940	11	73,852	(223)	73,088	234	103,399	31,228	134,627	91.6

* Data collection method was not consistent with prior years and may not have produced accurate data.

** The U.S. Census Bureau methodology was used to estimate student population residing in the City of Milwaukee.

MILWAUKEE PUBLIC SCHOOLS

Annual Enumeration of Children Residing
in the City of Milwaukee

As of June 30, 2015

Ages**	Males	Females	Total**	Attended public school	Attended parochial or private school	Did not attend school
Under 4	24,378	23,750	48,128	18,433	2,456	27,239
4 to 9	27,862	26,294	54,156	35,862	12,613	5,681
10 to 14	21,597	21,752	43,349	33,986	8,697	666
15 to 17	13,171	13,609	26,780	21,906	3,937	937
18 to 19	11,222	11,433	22,655	11,645	5,981	5,029
20	5,518	5,809	11,327	— *	— *	— *
Grand total	<u>103,748</u>	<u>102,647</u>	<u>206,395</u>	<u>121,832</u>	<u>33,684</u>	<u>39,552</u>

*Unavailable.

** The U.S. Census Bureau methodology was used to estimate student population residing in the City of Milwaukee.

MILWAUKEE PUBLIC SCHOOLS
 Government-wide Expenses by Function
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal year	Instruction	Community services	Pupil and staff services	General administrative and central services	Business services	School Nutrition Services	Interest on long-term debt	Loss on sale/disposal of buildings/software	Total
2006	\$ 664,810	23,271	117,139	112,658	155,889	32,793	20,176	-	1,126,736
2007	676,103	20,110	122,203	111,430	162,219	36,516	18,130	-	1,146,711
2008	826,151	19,658	132,463	117,405	176,007	40,654	16,771	-	1,329,109
2009	864,410	25,574	138,220	118,454	161,739	40,892	16,181	-	1,365,471
2010	887,815	25,538	143,517	132,145	159,725	40,555	17,166	-	1,406,463
2011	863,185	27,499	160,716	117,817	169,960	44,205	17,927	-	1,401,309
2012	685,590	26,042	135,649	113,952	154,702	44,527	17,790	4,028	1,182,280
2013	714,036	30,537	130,190	103,503	149,452	44,946	16,148	260	1,189,072
2014	666,593	27,612	127,674	101,276	167,753	43,657	20,089	-	1,154,653
2015	647,365	29,312	131,799	98,125	160,678	47,234	16,332	-	1,130,845

MILWAUKEE PUBLIC SCHOOLS

Government-wide Revenues

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal year	Charges for services	Operating grants and contributions	Capital grants and contributions	Property taxes	Federal and state aid not restricted to a specific purpose	Interest and investment earnings	Miscellaneous	Total
2006	\$ 16,327	247,538	9,760	213,868	655,825	2,823	-	1,146,141
2007	15,447	230,623	5,371	232,716	657,837	917	3,535	1,146,446
2008	16,989	268,075	10,907	251,211	641,415	2,496	818	1,191,911
2009	13,690	379,772	1,699	287,828	548,265	1,159	1,045	1,233,459
2010	12,348	355,599	11,118	295,892	590,404	759	1,076	1,267,195
2011	12,448	353,888	11,533	295,237	618,076	290	4,637	1,296,109
2012	12,383	298,422	3,245	298,320	560,070	224	3,286	1,175,950
2013	14,089	288,740	6,492	300,637	553,527	255	2,738	1,166,478
2014	17,279	277,833	3,546	299,505	559,342	2,542	609	1,160,656
2015	17,160	286,680	849	304,116	563,629	2,913	933	1,176,280

MILWAUKEE PUBLIC SCHOOLS
 Governmental Fund Expenditures by Function
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal year	Instruction	Community services	Pupil & staff services	General and school building administration	Business services	School Nutrition Services	Capital outlay	Debt service	Other	Total
2006	\$ 649,731	23,128	115,123	111,228	151,130	32,211	46,591	33,473	799	1,163,414
2007	660,326	20,022	120,056	109,868	160,818	35,782	27,701	29,984	—	1,164,557
2008	688,194	19,337	130,014	112,067	169,020	38,477	23,671	25,217	—	1,205,997
2009	720,170	23,483	136,274	118,520	161,984	39,548	21,845	25,290	—	1,247,114
2010	739,427	23,184	141,634	128,619	160,335	39,804	19,371	34,304	—	1,286,678
2011	731,709	23,468	158,034	118,430	170,710	43,248	21,848	28,387	—	1,295,834
2012	667,935	24,842	132,786	111,352	155,497	43,526	34,505	25,937	—	1,196,380
2013	682,039	29,146	127,419	101,013	161,470	43,939	21,949	82,702	—	1,249,677
2014	658,598	26,962	126,212	99,205	163,583	42,700	14,691	26,956	—	1,158,907
2015	646,844	29,163	132,154	99,028	160,160	46,654	39,116	35,257	—	1,188,376

MILWAUKEE PUBLIC SCHOOLS
 General Governmental Revenues by Source
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal year	Property tax levy	Lunchroom sales	Other local sources	State aid	Federal aid	Intergovernmental aid	Other federal aid	Miscellaneous	Interest and investment earnings	Total
2006	\$ 213,804	4,392	14,656	723,107	177,342	9,240	—	—	2,823	1,145,364
2007	230,346	3,876	12,020	722,482	171,358	—	—	917	3,536	1,144,535
2008	251,077	3,775	17,056	710,686	196,218	6,000	—	816	2,496	1,188,124
2009	287,779	4,180	12,779	635,413	295,033	—	—	932	1,159	1,237,275
2010	295,833	3,853	17,182	675,581	270,854	191	—	1,223	759	1,265,476
2011	293,507	3,227	18,652	706,449	266,201	—	—	4,533	290	1,292,859
2012	297,787	2,943	12,065	634,305	229,212	—	—	3,347	224	1,179,883
2013	300,605	2,925	19,601	631,567	205,347	—	—	3,190	219	1,163,454
2014	299,450	3,113	19,635	640,562	198,629	—	—	567	2,542	1,164,498
2015	302,279	803	20,954	651,335	193,461	—	—	1,232	2,913	1,172,977

MILWAUKEE PUBLIC SCHOOLS

School Accommodations

Last Thirty-six Years

	Instructional staff (a)	Number of school buildings (b)	Average school year daily membership	
1979 – 1980	5,679	150	87,679	(c)
1980 – 1981	5,313	150	84,379	(c)
1981 – 1982	5,167	150	82,632	(c)
1982 – 1983	5,019	150	82,353	(c)
1983 – 1984	5,026	144	82,667	
1984 – 1985	5,126	143	84,443	
1985 – 1986	5,380	145	86,836	
1986 – 1987	5,474	144	87,283	
1987 – 1988	5,581	145	87,949	
1988 – 1989	5,675	146	89,675	
1989 – 1990	5,791	146	90,595	
1990 – 1991	5,920	149	90,487	
1991 – 1992	6,872	154	91,071	
1992 – 1993	6,811	156	94,694	
1993 – 1994	6,817	155	96,496	
1994 – 1995	6,816	155	98,312	
1995 – 1996	6,682	154	99,278	
1996 – 1997	6,785	154	101,622	
1997 – 1998	7,005	157	102,914	
1998 – 1999	7,187	157	102,097	
1999 – 2000	7,114	157	100,682	
2000 – 2001	7,128	158	99,332	
2001 – 2002	7,154	164	99,302	
2002 – 2003	7,137	164	99,054	
2003 – 2004	7,266	168	98,323	
2004 – 2005	6,512	173	96,874	
2005 – 2006	6,420	177	94,973	
2006 – 2007	6,033	177	92,224	
2007 – 2008	6,010	178	89,110	
2008 – 2009	5,961	178	87,137	
2009 – 2010	5,853	177	85,239	
2010 – 2011	5,501	174	84,422	
2011 – 2012	5,267	173	82,982	
2012 – 2013	4,959	175	81,754	
2013 – 2014	5,385	168	81,744	
2014 – 2015	5,298	169	80,437	

(a) Including principals.

(b) Includes leased sites.

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

MILWAUKEE PUBLIC SCHOOLS

Number and Distribution of Instructional Staff

Last Ten Fiscal Years

Classifications	2005 – 2006	2006 – 2007	2007 – 2008	2008 – 2009	2009 – 2010	2010 – 2011	2011 – 2012	2012 – 2013	2013 – 2014	2014 – 2015
Senior high and middle schools:										
Principals	31	29	32	30	29	25	22	18	20	18
Assistant principals	82	99	74	71	76	61	52	52	54	51
Teachers	1,915	1,724	1,701	1,464	1,404	1,432	1,510	1,406	1,425	1,204
Total	2,028	1,852	1,807	1,565	1,509	1,518	1,584	1,476	1,499	1,273
Elementary schools:										
Principals	105	100	110	101	104	96	96	84	92	88
Assistant principals	66	54	59	68	61	55	34	34	55	52
Teachers	3,575	3,497	3,425	3,678	3,610	3,452	2,987	2,616	2,898	2,961
Total	3,746	3,651	3,594	3,847	3,775	3,603	3,117	2,734	3,045	3,101
Special schools and classes:										
Principals	4	2	3	3	4	2	5	10	7	8
Assistant principals	11	7	4	4	7	4	6	7	8	9
Teachers	631	521	602	542	558	374	555	323	363	374
Total	646	530	609	549	569	380	566	340	378	391
Summary:										
Principals	140	131	145	134	137	123	123	112	119	114
Assistant principals	159	160	137	143	144	120	92	93	117	112
Teachers	6,121	5,742	5,728	5,684	5,572	5,258	5,052	4,345	4,686	4,539
Total	6,420	6,033	6,010	5,961	5,853	5,501	5,267	4,550	4,922	4,765
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors	428	415	418	420	421	406	416	409	463	476
Grand total	6,848	6,448	6,428	6,381	6,274	5,907	5,683	4,959	5,385	5,241

MILWAUKEE PUBLIC SCHOOLS

Population and Pupils
Residing in the City of Milwaukee
Last Ten Fiscal Years

	<u>2005- 2006</u>	<u>2006- 2007</u>	<u>2007- 2008</u>	<u>2008- 2009</u>	<u>2009- 2010</u>	<u>2010- 2011</u>	<u>2011- 2012</u>	<u>2012- 2013</u>	<u>2013- 2014</u>	<u>2014- 2015</u>
Total number of school age children according to city-wide child census	159,414	153,233	152,244	152,323	151,232	148,293	146,741	144,870	160,214	158,267 **
Enrollment for state aid:*										
Third Friday	98,209	95,332	91,947	90,053	87,914	87,157	85,886	84,725	84,597	83,126
Summer school	322	329	428	430	374	382	115	107	163	155
Total	<u>98,531</u>	<u>95,661</u>	<u>92,375</u>	<u>90,483</u>	<u>88,288</u>	<u>87,539</u>	<u>86,001</u>	<u>84,832</u>	<u>84,760</u>	<u>83,281</u>
Average number enrolled:										
Senior high	27,438	28,966	28,466	27,839	27,308	26,660	25,337	24,769	24,516	23,957
Junior high/middle	21,048	20,698	19,233	18,204	17,469	17,492	17,649	17,201	17,064	16,603
Elementary	48,042	47,845	46,273	46,218	45,269	45,262	44,932	44,762	45,259	44,419
Total	<u>96,528</u>	<u>97,509</u>	<u>93,972</u>	<u>92,261</u>	<u>90,046</u>	<u>89,414</u>	<u>87,918</u>	<u>86,732</u>	<u>86,839</u>	<u>84,979</u>
Average number attending:										
Senior high	22,046	22,916	22,205	22,958	22,469	23,172	21,111	21,010	20,807	20,771
Junior high/middle	18,736	18,413	17,047	16,015	15,623	15,737	16,037	15,682	15,491	15,531
Elementary	44,311	44,087	42,465	42,363	41,793	41,737	41,254	41,076	41,753	41,561
Total	<u>85,093</u>	<u>85,416</u>	<u>81,717</u>	<u>81,336</u>	<u>79,885</u>	<u>80,646</u>	<u>78,402</u>	<u>77,768</u>	<u>78,051</u>	<u>77,863</u>

* Non-resident and choice students not included.

** The U.S. Census Bureau methodology was used to estimate student population residing in the City of Milwaukee which includes 20 year olds.

**Milwaukee Public Schools
Operating Statistics
Last Ten Years**

Fiscal Year	Enrollment For State Aid	Operating Expenses	Cost Per Pupil	Teaching Staff	Pupil/Teacher Ratio
2015	83,281	\$1,130,844,555	\$ 13,579	5,649	14.74:1
2014	84,760	1,154,653,111	13,623	5,545	15.29:1
2013	84,832	1,189,071,574	14,017	5,591	15.17:1
2012	86,001 (a)	1,182,279,602	13,747 (a)	5,505	15.62:1 (a)
2011	87,539 (a)	1,401,309,100	16,008 (a)	6,134	14.27:1 (a)
2010	88,288 (a)	1,406,462,957	15,930 (a)	6,602	13.37:1 (a)
2009	90,483 (a)	1,365,470,988	15,091 (a)	6,819	13.27:1 (a)
2008	92,375	1,329,109,069	14,388	6,944	13.30:1
2007	95,661	1,146,712,330	11,987	6,780	14.11:1
2006	98,531	1,126,736,506	11,435	6,974	14.13:1

(a) Corrections made to prior enrollment counts for state aid previously reported.

Milwaukee Public Schools
School District Employees - Full Time Staff & Part Time
Last Ten Years

Year Ending June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Supervisory										
Officials, Admin., Mgrs.	96	103	93	91	79	52	56	54	94	66
Principals	117	120	114	124	122	137	134	142	139	136
Part time profess/Ins.	511	419	317	396	361	439	682	574	556	601
Total supervisory	<u>724</u>	<u>642</u>	<u>524</u>	<u>611</u>	<u>562</u>	<u>628</u>	<u>872</u>	<u>770</u>	<u>789</u>	<u>803</u>
Instruction										
Asst. Prin. - Teach	114	116	101	91	118	144	143	165	142	153
Elementary Clsrn. Teach	2,922	2,867	2,960	3,003	3,264	3,610	3,678	3,697	3,658	3,673
Secondary Clsrn. Teach	1,142	1,173	1,412	1,396	1,546	1,404	1,464	1,680	1,584	1,717
Other Clsrn. Teach	643	648	343	441	499	558	542	589	452	498
Other Prof. Staff	463	390	417	358	354	494	484	397	441	406
Teacher Aides	365	351	358	216	353	392	508	416	503	527
Total instruction	<u>5,649</u>	<u>5,545</u>	<u>5,591</u>	<u>5,505</u>	<u>6,134</u>	<u>6,602</u>	<u>6,819</u>	<u>6,944</u>	<u>6,780</u>	<u>6,974</u>
Student Services										
Guidance	93	94	88	76	70	56	48	49	48	51
Psychological	137	128	135	139	150	163	152	145	159	150
Librarian/Audiovisual	33	30	25	27	36	44	39	32	36	44
Consultants/Supervisors	117	72	61	97	95	96	96	80	94	86
Technicians	94	64	52	70	71	65	71	64	70	71
Total student services	<u>474</u>	<u>388</u>	<u>361</u>	<u>409</u>	<u>422</u>	<u>424</u>	<u>406</u>	<u>370</u>	<u>407</u>	<u>402</u>
Support and Administration										
Clerical/Secretarial	359	353	388	350	435	491	520	583	529	550
Service Workers	397	387	397	572	573	416	415	415	415	426
Craft Workers - Skilled	312	354	362	339	351	352	382	448	393	408
Laborers - Unskilled	53	69	13	52	55	67	80	95	77	88
All other Part-time	3,820	3,710	4,081	3,928	4,396	4,107	4,961	4,786	4,801	4,848
Total support and administration	<u>4,941</u>	<u>4,873</u>	<u>5,241</u>	<u>5,241</u>	<u>5,810</u>	<u>5,433</u>	<u>6,358</u>	<u>6,327</u>	<u>6,215</u>	<u>6,320</u>
Total	<u><u>11,788</u></u>	<u><u>11,448</u></u>	<u><u>11,717</u></u>	<u><u>11,766</u></u>	<u><u>12,928</u></u>	<u><u>13,087</u></u>	<u><u>14,455</u></u>	<u><u>14,411</u></u>	<u><u>14,191</u></u>	<u><u>14,499</u></u>

**Milwaukee Public Schools
Nutrition Services - Facts and Figures
Last Ten Years**

Year Ending June 30,

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of schools participating in:										
Lunch - regular schedule	158	163	164	158	164	171	175	170	173	185
Breakfast program	158	163	164	152	155	161	158	158	160	167
Snack program	70	93	83	65	82	85	100	99	68	78
Student lunches served:										
Free	9,570,975	7,928,445	7,784,596	8,005,894	7,876,717	7,686,178	7,246,531	7,176,603	7,288,629	7,327,709
Reduced	-	368,321	436,303	482,170	537,693	776,288	901,725	954,705	959,040	944,894
Fully paid	-	684,351	773,741	884,638	1,078,221	1,207,742	1,380,135	1,381,187	1,353,199	1,559,910
Total	9,570,975	8,981,117	8,994,640	9,372,702	9,492,631	9,670,208	9,528,391	9,512,495	9,600,868	9,832,513
Non-federal program meals served:	288,695	301,692	152,376	175,783	187,634	194,135	213,691	227,208	275,091	264,314
Student breakfasts/snacks served:										
Free	6,434,123	5,365,033	5,220,603	4,636,128	4,680,041	4,436,904	3,981,425	3,864,927	4,185,851	2,887,277
Reduced	-	177,137	207,954	223,890	253,677	355,182	379,262	384,493	339,181	139,254
Fully paid	-	364,781	392,529	407,651	504,831	498,973	517,415	484,573	405,121	189,842
Total	6,434,123	5,906,951	5,821,086	5,267,669	5,438,549	5,291,059	4,878,102	4,733,993	4,930,153	3,216,373
Number of serving days:										
Regular schedule	204	204	213	225	234	250	262	225	221	204
Average daily participation:										
Student lunch	46,917	44,025	42,228	41,656	40,567	38,681	40,720	42,278	43,443	48,199
Adult lunch	1,415	1,479	715	781	802	777	913	1,010	1,245	1,296
Student breakfast	29,197	26,278	26,060	22,417	22,157	19,744	19,226	19,331	17,906	11,837
Student snacks	2,178	2,108	2,184	2,184	2,856	2,773	3,588	3,331	2,868	3,930
September 15 pupil count	83,126	84,597	84,725	87,157	87,914	90,053	87,392	90,825	93,516	95,600
Percentage of students daily eating school lunch	56.44%	52.04%	49.84%	47.79%	46.14%	42.95%	46.59%	46.55%	46.46%	50.42%

*Starting with Fiscal Year 2015, MPS became eligible for the Community Eligibility Provision which receives reimbursement 100% of eligible meals at the free rate.

**Milwaukee Public Schools
Capital Asset Information
Last Ten Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Elementary Schools										
Number of Buildings	120	119	119	119	121	121	122	121	121	121
Square Footage	8,349,586 (a)	8,028,355	8,028,355	8,028,355	8,201,800	8,217,917	8,282,172	8,479,854	8,479,854	8,479,854
Capacity	58,399 (a)	65,751	65,751	65,751	66,923	67,095	67,316	66,416	66,416	66,416
Enrollment	46,944	47,605	48,011	48,305	49,689	50,007	50,457	50,275	51,389	52,211
Middle Schools										
Number of Buildings	9	7	7	7	8	13	10	14	14	16
Square Footage	1,500,105 (a)	1,343,877	1,343,877	1,343,877	1,462,631	2,362,648	1,753,494	2,403,230	2,403,230	2,782,081
Capacity	7,586 (a)	5,900	5,900	5,900	6,620	11,480	8,300	12,420	10,620	12,420
Enrollment	4,098	4,559	5,198	5,993	6,286	6,343	6,841	8,213	9,651	11,370
High Schools										
Number of Buildings	12	13	13	13	13	11	12	14	14	14
Square Footage	3,961,021 (a)	3,621,282	3,621,282	3,621,282	3,621,282	3,253,455	3,548,890	4,080,365	4,080,365	4,080,365
Capacity	15,403 (a)	18,138	18,138	18,138	18,138	15,370	17,370	20,539	20,539	20,539
Enrollment	17,793	18,344	18,960	19,906	20,754	21,590	22,252	23,193	23,863	23,692
Other Schools										
Number of Buildings	19	22	22	22	22	16	17	12	11	9
Square Footage	2,972,413 (a)	3,833,312	3,833,312	3,833,312	3,833,312	3,419,216	3,668,680	2,373,065	2,297,767	1,918,916
Capacity	13,671 (a)	17,507	17,507	17,507	17,507	16,289	17,290	10,673	10,430	8,630
Enrollment	8,556	7,994	6,292	5,894	4,643	4,504	5,819	5,679	6,022	6,243
Administrative/Service										
Number of Buildings	56	56	56	56	56	58	58	55	55	55
Square Footage	833,650	833,650	833,650	833,650	832,871	838,839	838,839	705,268	705,268	705,268
Athletics										
Football Fields*	35	35	35	35	35	35	35	35	35	35
Soccer Fields**	21	21	21	21	21	21	21	21	21	21
Running Tracks	12	13	13	13	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72	72	72	72
Swimming Pools	22	22	22	22	22	22	13	13	13	13
Playgrounds	141	144	144	144	147	147	147	147	147	147

(a) A different method was used
 *22 Recreation+13 High School
 **8 Recreation+13 High School
 ***All Recreation

Note: Excludes leased sites