MILWAUKEE PUBLIC SCHOOLS

Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2020

MILWAUKEE PUBLIC SCHOOLS

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As of and for the Year Ended June 30, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise Milwaukee Public Schools' 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' 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' 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, 2020 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.

Other Matters

Required Supplementary Information

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

To the Board of Directors
Milwaukee Public Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 21, 2020 on our consideration of Milwaukee Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Milwaukee Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milwaukee Public Schools' internal control over financial reporting and compliance.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
December 21, 2020

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

As of June 30, 2020

		Governmental Activities
Assets and Deferred Outflows of Resources		
Current Assets:		
Cash and investments (note 2)	$	80,286,599
Accounts receivable, net (note 3)		11,262,878
Due from other governments (note 3)		60,467,499
Inventory and other assets (note 1(g))		1,458,761
Prepaid items (note 1(g))		566,482
Total current assets		154,042,219
Noncurrent assets:		
Restricted cash and investments (note 1(d), note 2)		44,610,999
Deposits for self-insurance (note 1(l))		3,113,403
Capital assets not being depreciated (note 5)		33,143,984
Capital assets being depreciated, net (note 5)		630,337,820
Intangible assets not being amortized (note 5A)		421,631
Intangible assets being amoritized, net (note 5A)		3,224,805
Restricted net pension assets WRS (note 9)		76,455,593
Total noncurrent assets		791,308,235
Deferred outflows of resources:		
Deferred loss on refunding		296,968
Deferred cash flow hedges - unrealized loss on derivatives (note 7)		72,604,000
Related to pension - WRS (note 9)		165,191,310
Related to pension - ERS (note 9)		48,270,862
Related to pension - ASC & Teachers Supplementals (note 9)		3,716,713
Related to OPEB (note 10)		29,556,793
Total assets and deferred outflows of resources		1,264,987,100
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and other current liabilities		81,312,563
Accrued interest payable on long-term liabilities		515,760
Current portion of long-term obligations (note 7)		27,513,850
Total current liabilities		109,342,173
Noncurrent liabilities:		
Noncurrent portion of long-term obligations (note 7)		1,116,629,856
Net Pension Liability - ERS (note 9)		111,623,000
Net Pension Liability - ASC & Teachers Supplementals (note 9)		75,634,004
Total noncurrent liabilities		1,303,886,860
Deferred inflows of resources:		
Deferred gain on refunding		75,630
Deferred revenue		4,807,215
Derivative instruments liability (note 7)		72,604,000
Related to pension - WRS (note 9)		230,045,283
Related to pension - ERS (note 9)		33,244,000
Related to pension - ASC & Teachers Supplementals (note 9)		1,676,274
Related to OPEB (note 10)		84,633,951
Total liabilities and deferred inflows of resources		1,840,315,386
Net Position (Deficit)		
Net investment in capital assets (note 1(p))		514,612,123
Restricted for debt service		1,504,629
Restricted for pensions		76,455,593
Restricted for self-insurance deposits		3,113,403
Restricted for long term capital investment fund		8,854,422
Restricted for school nutrition services		1,103,267
Unrestricted (Deficit)		(1,180,971,723)
Total net position (deficit)	$	(575,328,286)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2020

Functions/programs		Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expenses) revenues and changes in net position
Governmental activities:						
Instruction	$	697,882,053	18,626,600	242,886,473	10,409,910	(425,959,070)
Support services:						
Community services		31,999,076	3,510,396	9,257,771	—	(19,230,909)
Pupil and staff services		166,272,237	—	20,024,242	—	(146,247,995)
General, administration, and central services		121,069,716	—	—	—	(121,069,716)
Business services		179,205,970	6,870,391	7,569,890	—	(164,765,689)
School nutrition services		53,890,721	545,040	43,451,940	—	(9,893,741)
Interest on long-term debt		17,947,044	—	—	—	(17,947,044)
Total support services		570,384,764	10,925,827	80,303,843	—	(479,155,094)
Total school district	$	1,268,266,817	29,552,427	323,190,316	10,409,910	(905,114,164)

General revenues:		
Taxes:		
Property taxes levied for general purposes		226,471,228
Property taxes levied for construction		1,511,274
Property taxes levied for debt service		9,680,142
Property taxes levied for community services		25,225,000
Other taxes		51,495
Federal and state aid not restricted to a specific purpose:		
General (equalization aid)		520,297,205
Other		58,483,121
Miscellaneous		2,417,557
Interest and investment earnings		883,444
Total general revenues		845,020,466
Change in net position		(60,093,698)
Net position—Beginning of Year (deficit)		(515,234,588)
Net position—Ending of Year (deficit)	$	(575,328,286)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

As of June 30, 2020

Assets		General	Capital Projects Construction	Special Revenue School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Deposits with the City of Milwaukee and other cash (note 2)	$	80,286,599	—	—	—	80,286,599
Receivables, net:						
Accounts (note 3)		11,062,854	200,024	—	—	11,262,878
Due from other governmental units (note 3)		57,046,420	—	1,002,639	2,418,440	60,467,499
Due from other funds (note 4)		827,956	6,249,907	10,623,503	1,547,049	19,248,415
Total receivables		68,937,230	6,449,931	11,626,142	3,965,489	90,978,792
Restricted cash and investments (note 1(d))		2,020,389	42,590,610	—	—	44,610,999
Inventories and other assets (note 1(g))		1,458,761	—	—	—	1,458,761
Prepaid items (note 1(g))		566,482	—	—	—	566,482
Deposits for self-insurance (note 1(l))		3,113,403	—	—	—	3,113,403
Total assets	$	156,382,864	49,040,541	11,626,142	3,965,489	221,015,036
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	$	56,621,070	2,491,032	815,473	393,293	60,320,868
Accrued salaries and wages		3,385,923	—	—	—	3,385,923
Accrued claims for self-insurance (note 8)		15,393,150	—	—	—	15,393,150
Accrued pension payable (note 9)		2,205,043	—	—	—	2,205,043
Other accrued expenditures		7,579	—	—	—	7,579
Due to other funds (note 4)		16,393,951	827,956	—	2,026,508	19,248,415
Total liabilities		94,006,716	3,318,988	815,473	2,419,801	100,560,978
Deferred inflows of resources (note 1(o))						
Unavailable revenue		19,768,562	—	—	1,545,688	21,314,250
Deferred revenue		4,606,959	200,000	256	—	4,807,215
Total deferred inflow of resources		24,375,521	200,000	256	1,545,688	26,121,465
Fund balances:						
Non-Spendable:						
Noncurrent Receivable		327,053	—	—	—	327,053
Inventories and other assets		1,458,761	—	—	—	1,458,761
Prepaid items		566,482	—	—	—	566,482
Restricted:						
Self-insurance deposits		3,113,403	—	—	—	3,113,403
Debt service		2,020,389	—	—	—	2,020,389
Restricted for capital projects		—	33,736,218	—	—	33,736,218
School Nutrition Services		—	—	1,103,267	—	1,103,267
Long Term Capital Investment Fund		—	8,854,422	—	—	8,854,422
Committed:						
Construction		—	2,930,913	—	—	2,930,913
Assigned for 2021 budget appropriation		5,483,590	—	9,707,146	—	15,190,736
Unassigned		25,030,949	—	—	—	25,030,949
Total fund balances		38,000,627	45,521,553	10,810,413	—	94,332,593
Total liabilities, deferred inflows of resources and fund balances	$	156,382,864	49,040,541	11,626,142	3,965,489	221,015,036

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

As of June 30, 2020

Total fund balances—governmental funds			$	94,332,593
Amounts reported for governmental activities in the statement of net position are different because:				
Refunding of debt (gains)/loss are capitalized at the government-wide level and amortized over the shorter of the remaining life of the old debt or life of the new debt				221,338
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	$	1,313,237,366		
Accumulated depreciation		(649,755,562)		
Net capital assets				663,481,804
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	$	50,728,317		
Accumulated amortization		(47,081,881)		
Net intangible assets				3,646,436
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds				76,455,593
Deferred outflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds				217,178,885
Deferred outflows of resources related to OPEB do not relate to current financial resources and, therefore, are not reported in the funds				29,556,793
Net Pension Liabilities used in the governmental activities are not financial uses and, therefore, are not reported as liabilities in the governmental funds				(187,257,004)
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				21,314,250
Amounts related to derivatives do not relate to current financial resources and, therefore are not reported in the funds				
Deferred inflows - cash flow hedges: unrealized loss on derivatives		72,604,000		
Deferred outflows - derivative instruments liability		(72,604,000)		—
Deferred inflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds				(264,965,557)
Deferred inflows of resources related to OPEB do not relate to current financial resources and, therefore, are not reported in the funds				(84,633,951)
Long-term liabilities 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		(312,599,248)		
Bonds premium and discounts		(3,484,317)		
Discount on capital appreciation bonds		67,880,675		
Capital leases payable		(117,760,309)		
Accrued interest payable		(515,760)		
Compensated absences payable (vacation and sick leave)		(13,336,800)		
Net OPEB liability		(762,277,112)		
Workers' compensation claims payable		(1,480,714)		
Self-insurance claims payable		(300,830)		
Life insurance benefits and other long-term liabilities		(785,051)		
Total long-term debt liabilities				(1,144,659,466)
Total net position—government activities (deficit)			$	(575,328,286)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2020

		General	Capital Projects Construction	Special Revenue School Nutrition Services	Nonmajor governmental funds	Total governmental funds
Revenues:						
Property tax levy	$	251,696,228	1,511,274	—	9,680,142	262,887,644
Other taxes		114,076	246	—	—	114,322
Lunchroom sales		—	—	545,040	—	545,040
Other local sources		34,612,516	1,057,040	250	—	35,669,806
State aid:						
Equalization aid		520,297,205	—	—	—	520,297,205
Special classes		45,536,402	—	—	—	45,536,402
Integration		30,302,079	—	—	—	30,302,079
Other state aid		113,365,019	224	926,081	—	114,291,324
Federal aid:						
Education Consolidation and Improvement Act		63,361,014	—	—	—	63,361,014
School nutrition services		—	—	41,301,576	—	41,301,576
Erate refunds		6,108,522	—	—	—	6,108,522
Other federal aid		40,022,997	—	1,224,033	20,296,237	61,543,267
Miscellaneous		506,353	287,605	39,242	—	833,200
Interest and investment earnings		4,564,359	277,691	—	—	4,842,050
Total revenues		1,110,486,770	3,134,080	44,036,222	29,976,379	1,187,633,451
Expenditures:						
Current:						
Instructional services:						
Undifferentiated curriculum		348,494,552	—	—	—	348,494,552
Regular and other curriculum		132,375,585	—	—	—	132,375,585
Special curriculum		157,051,588	—	—	5,437,953	162,489,541
Total instructional services		637,921,725	—	—	5,437,953	643,359,678
Community services		29,186,475	—	—	—	29,186,475
Pupil and staff services		134,861,344	—	—	16,405,333	151,266,677
General and school building administration		108,716,268	—	—	—	108,716,268
Business services		164,460,358	1,694,289	—	—	166,154,647
School nutrition services		—	—	50,838,777	—	50,838,777
Capital Outlay		8,834,295	18,065,671	185,037	—	27,085,003
Debt Service:						
Principal		—	—	—	18,693,152	18,693,152
Interest		—	—	—	18,404,243	18,404,243
Bond administrative fees		—	—	—	19,323	19,323
Total expenditures		1,083,980,465	19,759,960	51,023,814	58,960,004	1,213,724,243
Excess of revenues over (under) expenditures		26,506,305	(16,625,880)	(6,987,592)	(28,983,625)	(26,090,792)
Other financing sources (uses):						
Transfers In (Out)		(28,983,625)	—	—	28,983,625	—
Insurance proceeds		1,419,412	351,319	—	—	1,770,731
Total other financing sources (uses)		(27,564,213)	351,319	—	28,983,625	1,770,731
Net change in fund balances		(1,057,908)	(16,274,561)	(6,987,592)	—	(24,320,061)
Fund balances:						
Beginning of year		39,058,535	61,796,114	17,798,005	—	118,652,654
End of year	$	38,000,627	45,521,553	10,810,413	—	94,332,593

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, 2020

Net change in fund balances—total governmental funds		$ (24,320,061)
Amounts reported for governmental activities in the statement of activities are different because:		
Costs of issuance associated with refunding bonds are capitalized and amortized over the life of the bonds in the statement of net assets		
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	$ 27,099,983	
Depreciation and amortization expense reported in the statement of activities	(28,516,102)	
Amount by which capital outlays are less than depreciation and amortization in the current period		(1,416,119)
Refunding of debt (gains)/loss amortized in the current period		(126,051)
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		18,753,956
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		76,455,593
Net pension liabilities		134,717,118
Deferred outflows of resources related to pensions		(117,992,732)
Deferred inflows of resources related to pensions		(125,727,506)
Deferred outflows of resources related to OPEB		11,792,214
Deferred inflows of resources related to OPEB		(22,406,519)
Bond, note, and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Repayments:		
Bonds, notes and capital leases		21,601,829
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	21,877	
Accretion of interest on capital appreciation bonds	(3,674,231)	
Amortization of bond premium, discount and refunding deferred	1,326,928	
Net increase in compensated absences payable (vacation and sick pay)	(3,246,647)	
Net decrease in workers' compensation claims payable	526,830	
Net increase in OPEB liability	(26,380,177)	
Net adjustment		(31,425,420)
Change in net position of governmental activities		$ (60,093,698)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2020

Assets		Pension trusts	Other Post Employment Benefits trust	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	$	—	—	—	6,033,380
Investments (note 2)					
Money market accounts		3,610,267	9,915,995	1,675,660	—
Fixed Income		—	64,304,165	—	—
Equity Funds		—	87,904,339	—	—
Mortgage-backed securities		53	—	—	—
Nongovernment obligations		10,315,374	—	—	—
Investment with the State of Wisconsin		198,215,149	—	—	—
Receivables-interest and contributions		16,961	24,779,428	—	—
Total assets		212,157,804	186,903,927	1,675,660	6,033,380
Liabilities					
Accounts payable and accrued expenses		3,458,939	3,005,254	—	—
Due to student organizations		—	—	—	6,033,380
Total liabilities		3,458,939	3,005,254	—	6,033,380
Net Position					
Net Position restricted for:					
Pensions and other post employment benefits trust		208,698,865	183,898,673	—	—
Endowments		—	—	1,675,660	—
Total net position	$	208,698,865	183,898,673	1,675,660	—

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2020

		Pension trusts	Other Post Employment Benefits trust	Private purpose trust
Additions:				
Employer contributions	$	10,943,540	76,674,000	—
Participants contributions		—	4,080,161	—
Private donations		—	—	231,591
Interest income		—	—	19,446
Investment income:				
Net investment from the State of Wisconsin:				
Core Retirement Investment Trust Fund		8,510,230	—	—
Variable Retirement Trust Fund		560,132	—	—
Unrealized Gains/(Loss) on Investments, net		—	(1,586,576)	—
Net investment income from other investments		416,526	9,586,461	—
Total investment income:		9,486,888	7,999,885	—
Investment expenses		(20,458)	—	—
Net investment income		9,466,430	7,999,885	—
Total additions		20,409,970	88,754,046	251,037
Deductions:				
Benefits paid to participant's or beneficiaries		21,703,718	50,230,562	—
Distribution of participant contribution accounts		36,146	—	—
Administrative expenses		204,257	158,999	—
Scholarships and awards		—	—	216,603
Total deductions		21,944,121	50,389,561	216,603
Changes in net position		(1,534,151)	38,364,485	34,434
Net position—beginning of year		210,233,016	145,534,188	1,641,226
Net position—end of year	$	208,698,865	183,898,673	1,675,660

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

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

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

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

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

(b) Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

(c) Measurement Focus and Basis of Accounting

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

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

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

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

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

(d) Restricted Assets

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

(e) Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible accounts is reported at year-end for $949,154.

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

(f) Investments

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

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

(g) Inventories, Other Assets and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

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

(i) Property Taxes

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

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

(j) Deferred Outflows of Resources

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

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

Gain/Loss on Refundings of Debt

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

(k) Compensated Absences

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

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

(1) Insurance Deposits

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a restriction of fund balance aggregating $3,113,403 at June 30, 2020 to provide for payment of future claims.

(m) Bond Premiums and Discounts

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

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

(n) Claims and Judgments

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

(o) Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. The deferred balances consist mainly of unavailable grant revenues of $19.8 million in the General Fund and $1.5 million in the special revenue funds, available grants of $4.6 million in all funds, and a long-term receivable of $200,000 in the Construction Fund.

(p) Net Position

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

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

Net investment in capital assets reported on the government wide Statement of Net Position on June 30, 2020 includes the following:

	Governmental Activities
Net investment in capital assets	
Land	$ 30,449,885
Construction and work in progress	3,115,730
Other capital assets, net of accumulated depreciation/amortization	633,562,625
Less: unamortized debt premium/discount	(3,484,317)
Less: related long-term debt outstanding (net of unspent proceeds of debt)	(145,435,543)
Less: other related liabilities	(3,817,595)
Add: unamortized loss/gain on refunding	221,338
Total net investment in capital assets	$ 514,612,123

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—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—Amounts for which external restrictions have been imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).
- Committed fund balance—Amounts that can only be used for specific purposes because of a formal action (resolution) by the government’s highest level of decision-making authority. Fund balance amounts are committed through a formal action of the District. The formal action must occur prior to the end of the reporting period, but the amount of commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District that originally created the commitment.
- Assigned fund balance—Amounts that are constrained by MPS’ intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom that authority has been given. The District by resolution has given authority to the District’s Chief Financial Officer. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

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

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

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

(r) Use of Estimates

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

(s) Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS), Employees' Retirement System (ERS), Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan, and the Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the plans. 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) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's OPEB Plan's fiduciary net position have been determined on the same basis as reported by the District. For this purpose, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(2) Deposits and Investments

District's Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	$ 81,425,973	$ 70,712,282
Demand Deposits	8,669,667	8,662,057
Commercial Paper	3,900,000	9,976,621
Money Market Funds	48,526,994	49,537,923
Fixed Income Funds	60,469,554	60,469,554
Equity Funds	87,904,338	87,904,338
Bond Funds	3,834,611	3,834,611
Total Cash and Investments	$ 294,731,137	$ 291,097,386

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 80,286,599
Restricted cash and investments	44,610,999
Per statement of net position – Fiduciary Funds	
Private purpose trust	1,675,660
Other post employment benefits trust	162,124,499
Agency	6,033,380
Total Cash and Investments	$ 294,731,137

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

- Time deposits with maturities of not more than 3 years.
- Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- The state of Wisconsin local government pooled investment fund.
- Bonds or securities of any county, city, drainage district, vocational or technical college, village, town or school district in Wisconsin, local exposition district, local professional baseball park district, local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, local cultural arts district, or Wisconsin Aerospace Authority.
- Fully collateralized repurchase agreements.
- Any security that matures within 7 years and has a credit rating which is the highest or second highest rating assigned by Standard & Poor's corporation, Moody's investor service, or other similar nationally recognized rating agencies.

- No-load securities of open-end, registered, management investment companies or investment trusts investing in bonds and securities issued by or guaranteed by the federal government or a commission, board or other instrumentality of the federal government.

The District has funds invested in commercial paper, money market funds, fixed income mutual funds and equity mutual funds. As of June 30, 2020, the District's investment in commercial paper was rated P-1 by Moody's Investor's Service, A-1+ by Standard & Poors, and F1+ by Fitch Ratings. The money market funds are rated from Aaa to AA- (Moody's, Standard & Poors, and Fitch). The pooled fixed income and equity mutual funds are not rated.

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, 2020, the District had the following investments, shown with their maturities.

Maturities (in Years)		
Investment Type	Fair Value	Less Than 1
Commercial Paper	$ 9,976,621	$ 9,976,621
Pooled Fixed Income Funds	60,469,554	60,469,554
Pooled Equity Funds	87,904,338	87,904,338
Pooled Bond Funds	3,834,611	3,834,611
	$162,185,124	$ 162,185,124

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 $8,662,057. Of the $8,662,057 bank balance, $1,016,607 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and $7,645,450 was uninsured. The District is a beneficiary of an irrevocable, unconditional and nontransferable letter of credit (LC) with the Federal Home Loan Bank of Cincinnati (FHLB). The Letter of Credit for $25,000,000 is intended to collateralize deposit accounts that the District has established at US Bank, defined as Public Unit Deposits under applicable laws and regulations of the State of Wisconsin. However, the collateral and posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized. Therefore, $7,645,450 is uninsured and collateralized by securities held by a third party not in the District's name.

The District has $9,976,621 invested in overnight commercial paper that is uninsured and uncollateralized.

The money market funds total $49,537,923 of which $46,483,525 is uninsured and uncollateralized and $2,854,398 is uninsured and collateralized by securities held by a third party not in the District's name.

The remaining investments of fixed income mutual funds and equity mutual funds are also uninsured and 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, 2020.

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

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

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

	June 30, 2020			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Commercial Paper	$ 9,976,621	$ -	$ -	$ 9,976,621
Pooled Fixed Income Funds	60,469,554	-	-	60,469,554
Pooled Equity Funds	87,904,338	-	-	87,904,338
Pooled Bond Funds	3,834,611	-	-	3,834,611
	$ 162,185,124	$ -	$ -	$ 162,185,124

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, 2020, the SWIB Core Fund strategic targets were 48.9% to Global Stocks, 40.6% to Fixed Income, 7.5% to Real Estate, and 13.0% to Alterative Investments. The Strategic target allocations total 110% reflecting the possibility of introducing leverage into the portfolio. On June 30, 2020, the SWIB Variable Fund strategic targets were 70% to U.S. Stocks and 30% to International Stocks.

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

A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2020 and the fair value at SWIB as of June 30, 2020:

Investment	Duration (Years)	Fair Value	
SWIB Core and Variable Funds	Details on the SWIB fixed income investments as of 12/31/19 are included below.	$	44,844,429
Money market accounts (at BMO)	0.08	$	716,738
Mutual Funds (at BMO)	4.10	$	2,331,664
Mortgage Backed Securities	N/A	$	53

SWIB information provided within the accompanying financial statements is as of December 31, 2019. There has been no significant change in SWIB's investment strategies, asset allocations and investment pricing methods from December 31, 2019 to June 30, 2020. Based on SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2019 is a fair representation for June 30, 2020.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2019.

SWIB Investments	Duration (Years)	Fair Value
Asset Backed Securities	1.9	$ 387 Million
Commercial Paper	22 days	$ 251 Million
Corporate Bonds and Private Placements	6.4	$ 10,789 Million
Foreign Gov't/Agency Bonds	6.9	$ 1,890 Million
Municipal Bonds	11.4	$ 195 Million
Repurchase Agreements	2 days	$ 412 Million
U.S. Government Agencies	3.2	$ 287 Million
U.S. TIPS	7.4	$ 16,849 Million
U.S. Treasury Securities	8.4	$ 5,343 Million
Commingled Funds	20 days to 5.9	$ 4,835 Million

Note: On June 30, 2020, SWIB's Core Fund and Variable Fund had $107.8 billion and $8.7 billion in assets, respectively. As of June 30, 2020, 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 on December 31, 2019 and in the separate accounts managed by BMO on June 30, 2020. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2019	BMO 6/30/2020
P-1 or A-1	N/A	N/A
P-2 or A-2	0.6%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	1.2%	24%
AA/Aa	56.5%	N/A
A	6.3%	N/A
BBB/Baa	11.8%	N/A
BB/Ba	4.6%	N/A
B	3.1%	N/A
CCC/Caa	0.6%	N/A
D	N/A	N/A
Commingled Funds & Mutual Funds***	11.7%	76%
Not-Rated	3.6%	0%

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

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

***Additional Information on the Fixed Income Commingled Funds in the SWIB portfolio is in the table labeled "Investments Measured at Net Asset Value". The weighted average quality of the mutual funds in the BMO Portfolio was A (excluding BMO's money market fund which was rated AAA).

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

C. Custodial Credit Risk

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

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling $258.4 million on December 31,

2019. In addition, SWIB held certificates of deposit which were covered by depository insurance with a fair value of $47.4 million on December 31, 2019. In total, these deposits represented 0.26% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2019.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of counterparty to a transaction, SWIB will not be able to recover the value of investments that are in the possession of an outside party. The repurchase agreements held by the fund were 5 agreements totaling $411.5 million as of December 31, 2019. 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 0.35% of the combined assets of the SWIB Core and Variable Funds on December 31, 2019.

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 Securities 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, 2019, $19.7 billion of the SWIB Core and Variable Funds currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure. The risk definitions noted above are from the Governmental Accounting Standards Board (GASB). 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, 2020, the Plan's interest in the SWIB Core Trust was approximately 0.037% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.053%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at December 31, 2019 (in thousands):

	12/31/2019
Future contracts (Notional)	$ 8,623,289
Foreign currency spot and forward contracts – Receivable (Fair Value)	4,403,986
Foreign currency spot and forward contracts – Payable (Fair Value)	(4,395,670)
OTC Derivative Investments subject to Counterparty Credit Risk-Receivable (Fair Value)	4,987,456
Options – puts (Notional)	(244,597)
Options – calls (Notional)	(244,803)

Fair Value Measurements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the plan has the ability to access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended June 30, 2020.

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

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

The plan sponsor is responsible for the determination of fair value. The plan sponsor has not historically adjusted the prices obtained from pricing services. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments held at BMO at fair value as of June 30, 2020.

	June 30, 2020			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market accounts	$ -	$ 716,738	$ -	$ 716,738
Mortgage-back securities	-	53	-	53
Mutual Funds:				
Short-Term Investment Grade Bond Funds	1,227,192	-	-	1,227,192
Intermediate-Term Investment Grade Bond Funds	1,104,472	-	-	1,104,472
Investments at Fair Value	$ 2,331,664	$ 716,791	$ -	$ 3,048,455

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

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The Trustees of the Plan have adopted a Statement of Investment Policy (the "Policy"). It articulates asset allocation targets, guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios, and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds ("SWIB funds"), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. On June 30, 2020, the SWIB Core Fund strategic targets were 48.9% Global Stocks, 40.6% to Fixed Income, 7.5% to Real Estate, and 13.0% to Alternative Investments. The strategic target allocations total 110% reflecting the possibility of introducing leverage into the portfolio. On June 30, 2020, the SWIB Variable Fund strategic targets were 70% to U.S. Stocks and 30% to International Stocks.

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

A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2020 and at the fair value at SWIB as of June 30, 2020.

Investment	Duration (Years)		Fair Value
SWIB Core and Variable Funds	Details on the SWIB fixed income investments are as of 12/31/19 are included below.	$	153,370,720
Money market accounts and cash equivalents (at BMO)	0.08	$	2,893,529
Mutual Funds (at BMO)	4.10	$	7,973,710

SWIB information provided within the accompanying financial statements is as of December 31, 2019. There has been no significant change in SWIB's Investment strategies, asset allocations and Investment pricing methods from December 31, 2019 to June 30, 2020. Based on the SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2019 is a fair representation for June 30, 2020.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2019.

SWIB Investments	Duration (Years)		Fair Value
Asset Backed Securities	1.9	$	387 Million
Commercial Paper	22 days	$	251 Million
Corporate Bonds and Private Placements	6.4	$	10,789 Million
Foreign Gov't/Agency Bonds	6.9	$	1,890 Million
Municipal Bonds	11.4	$	195 Million
Repurchase Agreements	2 days	$	412 Million
U.S. Government Agencies	3.2	$	287 Million
U.S. TIPS	7.4	$	16,849 Million
U.S. Treasury Securities	8.4	$	5,343 Million
Commingled Funds	20 days to 5.9	$	4,835 Million

Note: On June 30, 2020, SWIB's Core Fund and Variable Fund had $107.8 billion and $8.7 billion in assets, respectively. As of June 30, 2020, 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, 2019 and in the separate accounts managed by BMO on June 30, 2020. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

Ratings*	SWIB 12/31/2019	BMO 6/30/2020
P-1 or A-1	N/A	N/A
P-2 or A-2	0.6%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	1.2%	27%
AA/Aa	56.5%	N/A
A	6.3%	N/A
BBB/Baa	11.8%	N/A
BB/Ba	4.6%	N/A
B	3.1%	N/A
CCC/Caa or below	0.6%	N/A
Commingled Funds & Mutual Funds***	11.7%	73%
Not-Rated	3.6%	0%

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

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

***Additional information on the Fixed Income Fund Commingled funds in the SWIB portfolio is in the table labeled "Investments Measured at Net Asset Value". The weighted average quality of the mutual funds in the BMO portfolio was A (excluding BMO's money market fund which was rated AAA).

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

C. Custodial Credit Risk

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

Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the fund will not be able to recover deposits that are in the possession of an outside party. SWIB had uninsured and uncollateralized deposits totaling $258.4 million on December 31, 2019. In addition, SWIB held certificate of deposit which were covered by depository insurance with a fair value of $47.4 million on December 31, 2019. In total, these deposits represented 0.26% of the combined assets of the SWIB Core and Variable Funds on December 31, 2019.

Investments - Custodial credit risk for investments is the risk that, in the event of the failure of a counter party to a transaction, SWIB will not be able to recover the value of investments that are in the possession of an outside party. The repurchase agreements held by the fund were 5 agreements totaling $411.5 million as of December 31, 2019. 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 0.35% of the combined assets of the SWIB Core and Variable Funds on December 31, 2019.

D. Concentration of Credit Risk

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

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2019, $19.7 billion of the SWIB Core and Variable Funds' was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure.

The risk definitions noted above are from the Governmental Accounting Standards Board (GASB). 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, 2020, the Plan's interest in the plan net position of the SWIB Core Trust was approximately 0.128% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.182%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at December 31, 2019 (in thousands):

	12/31/2019
Future contracts (Notional)	$ 8,623,289
Foreign currency spot and forward contracts – Receivable (Fair Value)	4,403,986
Foreign currency spot and forward contracts – Payable (Fair Value)	(4,395,670)

OTC Derivative Investment subject to Counterparty Credit Risk-Receivable (Fair Value)	4,987,456
Options – puts (Notional)	(244,597)
Options – calls (Notional)	(244,803)

Fair Value Measurements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the plan has the ability to access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended June 30, 2020.

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

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

The plan sponsor is responsible for the determination of fair value. The plan sponsor has not historically adjusted the prices obtained from pricing services. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments held at BMO at fair value as of June 30, 2020.

	June 30, 2020			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market accounts	$ -	$ 2,893,529	$ -	$ 2,893,529
Mutual Funds:				
Short-Term Investment Grade Bond Funds	4,201,953	-	-	4,201,953
Intermediate-Term Investment Grade Bond Funds	3,781,757	-	-	3,781,757
Investments at Fair Value	$ 7,983,710	$ 2,893,529	$ -	$ 10,877,239

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

(3) Receivables

Receivables as of June 30, 2020 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Construction Fund	School Nutrition Services Fund	Nonmajor Fund	Total
Receivables:					
Accounts	$ 12,012,008	200,024	—	—	$ 12,212,032
Intergovernmental-federal	37,725,699	—	1,002,639	2,418,440	41,146,778
Intergovernmental-state	19,320,721	—	—	—	19,320,721
Gross receivables	69,058,428	200,024	1,002,639	2,418,440	72,679,531
Less allowance for uncollectibles	(949,154)	—	—	—	(949,154)
Total receivables, net	$ 68,109,274	200,024	1,002,639	2,418,440	$ 71,730,377

The District expects to collect all receivables within one year except for $527,053.

(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, 2020 represent due to/from balances among all funds:

	Due from other funds				
	General Fund	Construction Fund	School Nutrition Services Fund	Nonmajor Fund	Total
Due to other funds:					
General Fund	$ —	4,223,399	10,623,503	1,547,049	$ 16,393,951
Construction fund	827,956	—	—	—	827,956
Nonmajor funds	—	2,026,508	—	—	2,026,508
Total	$ 827,956	6,249,907	10,623,503	1,547,049	$ 19,248,415

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, 2020 represent transfer in/out balances among all funds:

Fund Transferred To	Fund Transferred From	Amount	Reason
Nonmajor Funds	General Fund		
Debt Service		$27,436,576	To fund current year debt service and other expenditures
Categorically Aided Programs		1,547,049	To fund current year expenditures

(5) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 30,449,885	—	—	30,449,885
Construction in progress	6,843,124	22,908,497	27,057,522	2,694,099
Total capital assets, not being depreciated	37,293,009	22,908,497	27,057,522	33,143,984
Capital assets, being depreciated:				
Buildings	1,180,285,982	27,057,522	—	1,207,343,504
Leasehold improvements	12,219,204	—	—	12,219,204
Furniture and equipment	56,863,041	3,755,018	87,385	60,530,674
Total capital assets, being depreciated	1,249,368,227	30,812,540	87,385	1,280,093,382
Less accumulated depreciation for:				
Buildings	(565,879,535)	(24,095,758)	—	(589,975,293)
Leasehold improvements	(6,980,720)	(540,942)	—	(7,521,662)
Furniture and equipment	(50,698,846)	(1,647,146)	(87,385)	(52,258,607)
Total accumulated depreciation	(623,559,101)	(26,283,846)	(87,385)	(649,755,562)
Total capital assets, being depreciated, net	625,809,126	4,528,694	-	630,337,820
Capital assets, net	$ 663,102,135	27,437,191	27,057,522	663,481,804

Depreciation expense for governmental activities for the year ended June 30, 2020 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	14,713,637
Community services		667,495
Pupil and staff services		3,453,733
General, administration and central services		2,486,341
Business services		3,799,957
School nutrition		1,162,683
Total depreciation	$	26,283,846

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	$ 151,359	436,468	166,196	421,631
Total intangible assets, not being amortized	151,359	436,468	166,196	421,631
Intangible assets, being amortized:				
Software	$ 50,140,490	166,196	—	50,306,686
Total intangible assets, being amortized	50,140,490	166,196	—	50,306,686
Less accumulated amortization for:				
Software	(44,849,625)	(2,232,256)	—	(47,081,881)
Total accumulated amortization	(44,849,625)	(2,232,256)	—	(47,081,881)
Total intangible assets being amortized	5,290,865	(2,066,060)	—	3,224,805
Intangible assets, net	$ 5,442,224	(1,629,592)	166,196	3,646,436

Amortization expense for governmental activities for the year ended June 30, 2020 was charged to functions/programs as follows:

Governmental activities:		
Instruction	$	1,249,612
Community services		56,690
Pupil and staff services		293,321
General, administration and central services		211,162
Business services		322,726
School nutrition		98,745
Total amortization	$	2,232,256

(6) Short-term Borrowings

To finance on an interim basis Milwaukee Public Schools general operating expenses pending receipt of state school aid payments, $50,000,000 was drawn on a line of credit by the City of Milwaukee on August 21, 2019, $24,000,000 was drawn on September 5, 2019 and $55,000,000 was drawn on October 3, 2019 and $74,000,000 was paid on October 18, 2019 and $55,000,000 was paid December 6, 2019. $180,000,000 of Revenue Anticipation Notes (RANs), Series 2019 M7, were issued on October 17, 2019. The RANs mature on September 30, 2020. Interest is paid at maturity. The debt was repaid from the District's equalization aid allocations received from the state government prior to June 30, 2020.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2020 totaled $366,594,819. Of this total, $631,620 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 $365,963,199 represents bonds, promissory notes and capital leases, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations.

Long-term obligations activity for the year ended June 30, 2020 was as follows:

	Original amount	July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amount due in one year
General Obligation Bonds:						
5.0%, due in installments to May 2021	$ 4,095,000	1,300,000	—	635,000	665,000	665,000
Plus: Premium on issuance	787,801	175,068	—	87,534	87,534	—
4.0%, due in installments to March 2025	3,175,000	3,175,000	—	—	3,175,000	—
Plus: Premium on Issuance	387,059	160,434	—	45,324	115,110	—
5.0%, due in installments to April 2024	1,236,560	1,236,560	—	247,312	989,248	247,312
2.0 -4.0%, due in installments to to March 2020	3,732,791	702,979	—	702,979	—	—
Qualified School Construction Bonds:						
1.18%, due in annual installments to December 2025	12,000,000	5,550,000	—	925,000	4,625,000	925,000
Less: Discount on issuance	(450,000)	(168,750)	—	(28,125)	(140,625)	—
5.25%, due in annual installments August 15th 2014 to February 2027	37,300,000	22,600,000	—	2,450,000	20,150,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to June 2023	218,570,000	35,545,000	—	8,400,000	27,145,000	8,140,000
Plus: Premium on issuance	1,357,121	—	—	—	—	—
Less: Discount on 2007A issuance	(338,503)	—	—	—	—	—
Plus: Premium on 2013A issuance	6,627,903	2,761,846	—	552,767	2,209,079	—
Plus: Premium on 2017 issuance	3,221,503	1,882,647	—	669,428	1,213,219	—
Pension debt refinancing:						
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	19,060,000	—	4,585,000	14,475,000	4,205,000
Less: Discount	(25,232,986)	(2,531,376)	—	(995,388)	(1,535,988)	—
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)	(69,023,530)	—	(2,678,843)	(66,344,687)	—
Pension bonds, variable interest rate "index-linked", interest due in semi-annual installment, principal due at maturity on October 1, 2043	130,850,000	130,850,000	—	—	130,850,000	—
Capital lease - RACM 2015 - 2017 QSCB, QZAB, QECB, Energy Efficiency	129,118,000	121,416,847	—	3,656,538	117,760,309	3,781,538
Total intergovernmental cooperation agreement debt		$ 385,217,725	—	19,254,526	365,963,199	20,413,850

		Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Amount due in one year
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	$	385,217,725	—	19,254,526	365,963,199	20,413,850
Accrued compensated absences		10,090,153	8,463,953	5,217,306	13,336,800	5,200,000
Net OPEB Liability		735,896,935	171,132,657	144,752,480	762,277,112	—
Net Pension Liability		321,974,122	—	134,717,118	187,257,004	—
Workers' compensation claims		2,007,544	4,522,204	5,049,034	1,480,714	1,400,000
General insurance claims		300,830	—	—	300,830	—
Life insurance benefits		500,000	—	—	500,000	500,000
Liability for other long-term benefits		285,051	—	—	285,051	—
Total long-term obligations	$	1,456,272,360	184,118,814	308,990,464	1,331,400,710	27,513,850

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

The total liability for workers' compensation claims was approximately $1.4 million.

Aggregate scheduled debt service requirements for the retirement of the intergovernmental cooperation agreement debt (excluding capital lease obligations) as of June 30, 2020 are as follows:

		Principal	Interest	Total
Fiscal year ended June 30:				
2021	$	16,632,312	10,567,190	27,199,502
2022		18,777,312	10,161,849	28,939,161
2023		19,277,312	9,738,683	29,015,995
2024		10,682,312	9,350,024	20,032,336
2025		10,530,000	8,958,663	19,488,663
2026 – 2030		53,640,000	31,876,794	85,516,794
2031 – 2035		66,990,000	20,173,794	87,163,794
2036 – 2040		90,145,000	11,429,674	101,574,674
2041 – 2044		25,925,000	2,711,617	28,636,617
Total	$	312,599,248	114,968,288	427,567,536

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 0.16225% as of June 30, 2020.

Starting in 2015, the District entered into seven series of capital leases in the aggregate principal amount of $129,118,000 to fund certain remodeling, renovation and equipping projects at MPS schools. The financing vehicles for the capital leases were lease revenue bonds Series 2015A, 2016A, 2016B, 2016C, 2017, 2017B, and 2017C issued through the Redevelopment Authority of the City of Milwaukee (RACM).

The District is also holding approximately $32.1 million of restricted cash and investments under this capital lease arrangement.

Future maximum lease payments under these capital leases at June 30, 2020 are as follows:

Fiscal year ended June 30:		
2021	$	8,190,701
2022		8,206,526
2023		8,198,426
2024		9,669,801
2025		17,815,426
2026 – 2030		54,815,830
2031 – 2035		47,240,001
2036 – 2040		25,424,453
2041		3,423,479
Total remaining maximum lease payments		182,984,643
Less amount representing interest		65,224,334
Present value of maximum lease payments	$	117,760,309

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 2020 was $31,475,102,300 and the 5% debt limit was $1,573,755,115. No referendum-approved debt is outstanding at June 30, 2020.

The District has pledged future Intradistrict Aid revenues to repay $27,145,000 in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2021 and June 30, 2023. The bonds are payable solely from pledged revenues and are payable to bondholders through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 34.2% of net revenues at the point of the highest bondholder debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2020 is $28,861,450. Principal and interest paid for the year ended June 30, 2020 was $9,702,800 while the Intradistrict Aid revenues were $29,552,215.

Revenue debt payable at June 30, 2020 consists of the following:

	Neighborhood Schools Initiative Bonds		
	Amounts Outstanding		
	Principal	Interest	Total
Fiscal year ended:			
2021	$ 8,140,000	939,750	9,079,750
2022	9,090,000	578,400	9,668,400
2023	9,915,000	198,300	10,113,300
	$ 27,145,000	1,716,450	28,861,450

Derivative Instruments - Interest Rate Swap Agreements

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

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

The following is a summary of the fair values and notional amounts of derivative instruments outstanding as of June 30, 2020 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2020 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2020 Change in Fair Value		Fair Value, End of 2020		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	$19,675	Derivative	($72,604)	$130,850

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the District's hedging derivative instruments outstanding at June 30, 2020, along with the credit rating of the associated counterparty (amounts in thousands).

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	$21,255	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	($11,782)	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.	($27,492)	AA-/Aa2/A+
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.	($33,330)	A/A1/A+
						Total Fair Value	($72,604)	

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

Terms. The bonds and the related swap agreements mature on October 1, 2043 and the swaps' aggregate notional amount of $130,850,000 matches the $130,850,000 par amount of the variable-rate bonds. The swaps were entered into at the same time the bonds were issued in December 2003, and continue to remain in effect after the conversion to index-linked bonds on July 7, 2005. Starting in fiscal year 2024, the notional value of the swap and the principal amount of the bonds decline until the debt is completely retired. Under the swap agreements, the District pays the counterparty a fixed payment of 5.56% and receives a variable payment computed as the 1-month London Interbank Offered rate (LIBOR) plus 20 basis points (.20%). Conversely, the District pays the bond's index linked coupon rate of LIBOR plus 25 basis points (0.25%). The District is monitoring the scheduled discontinuation of LIBOR in 2021, and anticipates amending the financing documents by 2021 to change to the new index.

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, 2020, 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, 2020 the swap's currently have a cumulative negative fair value of $72.604 million.

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

Swap payments and associated debt – Using rates as of June 30, 2020, debt service requirements of the variable-rate index-linked bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (as rates vary, variable rate interest payments and net swap payments will vary):

	Variable-rate bonds		Interest rate	
	Principal	**Interest**	**swaps, net**	**Total**
Fiscal year ended June 30:				
2021	$ —	$ 212,304	$ 7,128,381	$ 7,340,685
2022	—	212,304	7,128,381	7,340,685
2023	—	212,304	7,128,381	7,340,685
2024	6,250,000	208,079	6,986,512	13,444,591
2025	6,325,000	197,888	6,644,326	13,167,214
2026 - 2030	31,250,000	836,973	28,102,445	60,189,418
2031 - 2035	31,250,000	583,458	19,590,336	51,423,794
2036 - 2040	31,050,000	330,564	11,099,110	42,479,674
2041 - 2044	24,725,000	78,424	2,633,193	27,436,617
Totals	$ 130,850,000	$ 2,872,298	$ 96,441,065	$ 230,163,363

(8) Risk Management

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

The District purchases commercial property insurance, auto liability insurance, errors and omissions insurance, fiduciary liability and excess liability insurance. The District assumes a $250,000 self-insured retention for any one loss or occurrence under its self-insured general liability program. The District purchases excess liability insurance for its general liability that provides per-occurrence and general aggregate protection. The District is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance. Settled claims have not exceeded the commercial coverage in any of the past three years. The annual aggregate limit for general liability was reduced from $5,000,000 to $3,000,000 for excess general liability incidents and from $4,000,000 to $3,000,000 for automobile liability incidents for the 2020 policy year.

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

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

Effective January 1, 2015 the District approved providing post-Medicare benefits to eligible retirees through a fully-insured Medicare Advantage plan. This fully-insured Medicare Advantage plan provides comparable benefits to the current self-insured PPO/Indemnity and EPO plans, however 2020 premium rates are 72% lower than the monthly premium for the EPO plan, 71% lower than the monthly premium for the PPO/Indemnity Plan, and 70% lower than the HDHP plan.

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

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

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

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

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

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

		Year ended June 30	
		2020	**2019**
Beginning of year liability	$	20,944,753	20,085,673
Current year claims and changes in estimate		158,457,251	141,561,273
Claim payments		(161,376,108)	(140,702,193)
End of year liability	$	18,025,896	20,944,753

The District has recognized the liability for health and dental benefits, which totaled $15,393,150 and $17,555,818 as of June 30, 2020 and 2019, respectively, in the general fund. The District has also recognized a liability of $66,151 and $295,510 as of June 30, 2020 and 2019, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

(9) Retirement Plans

Wisconsin Retirement System

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

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

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees and 62 for elected officials and executive service retirement plan participants, if hired before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2010	(1.3)%	22.0%
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized $23,341,718 in contributions from the District.

Contribution rates for the plan year ended as reported on June 30, 2020 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.55%	6.55%

At June 30, 2020, the District reported an asset of $76,455,593 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. 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, 2019, the District's proportion was 2.37111563% which was a decrease of .12948334% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of $28,228,896.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 145,130,194	$ 72,627,949
Changes in assumptions	5,957,921	-
Net differences between projected and actual earnings on pension plan investments	-	156,302,414
Changes in proportion and differences between employer contributions and proportionate share of contributions	380,398	1,114,920
Employer contributions subsequent to the measurement date	13,722,797	-
Total	$ 165,191,310	$ 230,045,283

$13,722,797 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, 2021. 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:	Net Deferred Outflows/ (Inflows) of Resources
2021	$ (23,154,821)
2022	(17,503,879)
2023	2,471,775
2024	(40,389,845)

Actuarial assumptions. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability:	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1%-5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*:	1.9%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

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

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49.0 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9.0	6.3	3.5
Private Equity/Debt	8.0	10.6	7.6
Multi-Asset	4.0	6.9	4.0
Total Core Fund	110.0	7.5	4.6
Variable Fund Asset Class			
US Equities	70.0	7.5	4.6
International Equities	30.0	8.2	5.3
Total Variable Fund	100.0	7.8	4.9

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

Single discount rate. A single discount rate of 7.00% 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 7.00% and a long-term bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index' as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the district's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	$ 196,886,814	$ (76,455,593)	$ (280,810,477)

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://etf.wi.gov/publications/cafr.htm.

At June 30, 2020, the District reported a payable to the pension plan of $1,278,048, which represents contractually required contributions outstanding as of the end of the year.

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 – General employees participating prior to January 1, 2014 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; general employees participating on or after January 1, 2014 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, 2019, 2018, and 2017, were $9,575,948, $9,323,012, and $8,235,547, respectively, equal to the required contributions on behalf of the plan members for each year.

At June 30, 2020 the District reported a liability of $111,623,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019, rolled forward to December 31, 2019. 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, 2019 the District's proportion was 11.2345344% which was a decrease of .02500840% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of $40,265,795.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,766,000	$ 5,196,000
Changes in assumptions	33,305,000	-
Net differences between projected and actual earnings on pension plan investments	-	25,712,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,000	2,336,000
Employer contributions subsequent to the measurement date	3,192,862	-
Total	$ 48,270,862	$ 33,244,000

$3,192,862 reported as deferred outflows related to pension resulting from the System employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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:	Net Deferred Outflows (Inflows) of Resources
2021	$ 12,436,669
2022	5,575,722
2023	3,819,815
2024	(9,998,206)

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2019, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2019, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial valuation date	January 1, 2019
Measurement Date of Net Pension Liability	December 31, 2019
Actuarial cost method	Entry age normal-Level Percentage of Pay
Amortization method	Level percent of payroll, closed
Asset Valuation Method	5-year smoothing of difference between expected return on actuarial value and actual return on market value

Actuarial Assumptions:

Investment rate of return and discount rate	7.5% per annum, compounded annually
Projected Salary increases	General City 2.5% - 5.5% Police & Fire 4.0% - 13.4%
Inflation Assumption	2.50%
Cost of living Adjustments	Vary by Employee Group and decrement type as explained in summary of plan provisions
Mortality Table	Pre-retirement mortality rates were based on the RP-2014 Healthy Non-Annuitant Mortality Table, projected generationally with Scale MP-2016. Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table, using 111% of rates for males and 110% of rates for females, projected generationally with Scale MP-2016. Disabled mortality rates were based on RP-2014 Disabled Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally using Scale MP-2016.
Experience Study	The actuarial assumptions used in December 31, 2019 valuation were based on the results of the most recent experience study covering the five-year period ending December 31, 2016. The long-term rate of return is based on analysis performed by Cavanaugh Macdonald and presented to the Board in March 2019.

Long-term expected rate of return-The long-term expected rate of return on pension plan investments was reviewed as part of the regular experience study, prepared for the System in October 2017. Additional analysis was performed in early 2019 which resulted in a decrease in the long-term rate of return to 7.5%. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations, as developed by the System's investment consultant, for each major asset class. These ranges were 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 then adding expected inflation. This assumption is intended to be a long-term assumption (30 to 50 years) and is not generally expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimated of arithmetic real rates of return (net of inflation) for each major asset class included in the Retirement System's target asset allocation as of December 31, 2019, are listed in the table below:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return*
Public Equity	47.00%	7.30%
Fixed Income & Cash	25.00%	3.10%
Real Estate	7.70%	5.60%
Real Assets	3.30%	4.50%
Private Equity	8.00%	10.60%
Absolute Return	9.00%	2.90%
	100.00%	

**Rates provided by Cavanaugh Macdonald, arithmetic mean, net of expenses*

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 7.50 percent, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability/(asset) to changes in the discount rate - The following presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1 - percentage-point higher (8.50 percent) than the current rate (in thousands):

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
District proportionate share of the net pension liability	$ 199,189,980	$ 111,623,000	$ 38,744,876

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

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

The plan is a single-employer defined benefit pension plan established to provide benefits after early retirement which will supplement the pension benefits provided by the WRS and the System. Separately issued financial statements on the plan may be obtained by contacting the Pension Office, Department of Pensions and Data Systems, Milwaukee Public Schools, 5225 W. Vliet Street, Room 124, Milwaukee, WI 53208.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Plan does not provide for any postretirement increases.

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

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

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

At June 30, 2020, the district reported a net pension liability of $4,744,910 for the Plan. The net pension liability was measured as of June 30, 2020.

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

The plan is a single-employer defined benefit pension plan established to provide benefits after early retirement, which will supplement the pension benefits provided by the WRS. Separately issued financial statements on the plan may be obtained by contacting the Pension Office, Department of Pensions and Data Systems, Milwaukee Public Schools, 5225 W. Vliet Street, Room 124, Milwaukee, WI 53208.

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

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

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

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

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

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

At June 30, 2020, the district reported a net pension liability of $70,889,094 for the Plan. The net pension liability was measured as of June 30, 2020.

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

For the year ended June 30, 2020, the district recognized pension expense of $396,623.

At June 30, 2020, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	$ 445,148	$ -

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

Year ended June 30:	Net Deferred Outflows/ (Inflows) of Resources
2021	$ (194,653)
2022	181,241
2023	234,985
2024	223,575

Changes in the Net Pension Liability at June 30, 2020:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/19	$ 53,510,190	$ 48,663,871	$ 4,846,319
Changes for the year:			
Service cost	123,418	-	123,418
Interest	3,549,850	-	3,549,850
Difference between expected and actual experience	(732,998)	-	(732,998)
Contributions employer	-	1,153,934	(1,153,934)
Net investment income	-	2,200,589	(2,200,589)
Benefit payments, including refunds	(4,851,914)	(4,851,914)	-
Administrative expense	-	(53,629)	53,629
Assumption changes	259,215	-	259,215
Net changes	$ (1,652,429)	$ (1,551,020)	$ (101,409)
Balance at 6/30/20	$ 51,857,761	$ 47,112,851	$ 4,744,910

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

For the year ended June 30, 2020, the district recognized pension expense of $7,517,597.

At June 30, 2020, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,353,518
Changes in assumptions	3,271,565	-
Net differences between projected and actual earnings on pension plan investments	-	322,756
Total	$ 3,271,565	$ 1,676,274

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

Year ended June 30:	Net Deferred Outflows/ (Inflows) of Resources
2021	$ (83,244)
2022	(52,110)
2023	902,041
2024	828,604

Changes in the Net Pension Liability at June 30, 2020:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/19	$ 238,982,475	$ 161,569,145	$ 77,413,330
Changes for the year:			
Interest	15,836,643	-	15,836,643
Difference between expected and actual experience	(6,441,233)	-	(6,441,233)
Contributions employer	-	9,789,606	(9,789,606)
Net investment income	-	7,265,841	(7,265,841)
Benefit payments, including refunds	(16,887,950)	(16,887,950)	-
Administrative expense	-	(150,628)	150,628
Assumptiom changes	985,173	-	985,173
Net changes	$ (6,507,367)	$ 16,869	$ (6,524,236)
Balance at 6/30/20	$ 232,475,108	$ 161,586,014	$ 70,889,094

Actuarial Assumptions

In March 2019, the Plan actuary performed an experience study based on actuarial valuations for the period July 1, 2012 to July 1, 2017. Based on this study the following assumptions were implemented effective for the July 1, 2019 actuarial valuation. The total pension liability was determined by an actuarial valuation as of July 1, 2019 and data rolled forward to June 30, 2020, using the following actuarial methods and assumptions:

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	**Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers**
Actuarial valuation date	July 1, 2019	July 1, 2019
Measurement date of Net Pension Liability	June 30, 2020	June 30, 2020
Actuarial cost method	Entry Age Normal	Entry age normal
Asset Valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return	7.0% net of investment expenses	7.0% net of investment expenses
Inflation	2.8% per year	0.0%

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
Salary increases	Certificated participants: In addition to price inflation, service-based increases of up to 3.7% per year. Classified Participants: 4.0% to 5.0% per year.	No longer required as the plan is frozen at July 1, 2013. Pay increases received after that date are not pensionable under the Plan.
Mortality rate	Based on RP-2014 White Collar Healthy Annuitant Mortality Table, the scaling factors are 98% for men and 96% for women with generational mortality improvement using MP-2018 2-dimensional mortality improvement scales.	Based on RP-2014 White Collar Healthy Annuitant Mortality Table, the scaling factors are 98% for men and 96% for women with generational mortality improvement using MP-2018 2-dimensional mortality improvement scales.

The Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class as of December 31, 2019 are as follows:

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

Asset Class

SWIB Core Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Global Equities	49.00%	5.10%
Fixed Income	24.50%	2.10%
Inflation Sensitive Assets	15.50%	1.20%
Real Estate	8.00%	3.50%
Private Equity/Debt	9.00%	7.60%
Multi-Asset	4.00%	4.00%
Cash	(10.00)%	0.00%
Portfolio Target Allocation	85.00%	

Asset Class

SWIB Variable Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	70.00%	4.60%
International Equity	30.00%	5.30%
Portfolio Target Allocation	9.00%	
BMO Fund		
Intermediate Fixed Income	100.00%	1.66%
Portfolio Target Allocation	5.00%	
Long-Term Inflation Assumption		2.50%

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Asset Class		
SWIB Core Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Global Equities	49.00%	5.10%
Fixed Income	24.50%	2.10%
Inflation Sensitive Assets	15.50%	1.20%
Real Estate	8.00%	3.50%
Private Equity/Debt	9.00%	7.60%
Multi-Asset	4.00%	4.00%
Cash	(10.00)%	0.00%
Portfolio Target Allocation	85.00%	
SWIB Variable Fund	Actual Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	70.00%	4.60%
International Equity	30.00%	5.30%
Portfolio Target Allocation	10.00%	
BMO Fund		
Intermediate Fixed Income	100.00%	1.61%
Portfolio Target Allocation	5.00%	
Long-Term Inflation Assumption		2.50%

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 7.0% 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 7.0%. The projection of cash flows used to determine this single discount rate assumed that the plan sponsor would make the actuarially determined contribution as defined by the funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.0%, 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 (6.0%) or 1-percentage- point higher (8.0%) for the year ending June 30, 2020:

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

	1% Decrease 6.0%	Current Discount 7.0%	1% Increase 8.0%
Net Pension Liability	$9,344,740	$4,744,910	$790,378

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	1% Decrease 6.0%	Current Discount 7.5%	1% Increase 8.0%
Net Pension Liability	$93,251,711	$70,889,094	$51,864,489

Total Pension Expense

The total pension expense for all plans recognized by the District for the year ended June 30, 2020 was $76,408,911.

(10) Post-Employment Benefits Other Than Pensions (OPEB)

GENERAL INFORMATION ABOUT THE OPEB PLAN

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

Management of the Retiree Plan is vested to the Milwaukee Board of School Directors (“Governing Body”) and its administrative staff (“Staff”). The Staff delegates certain functions to an investment advisor (“Advisor”). The Retiree Plan does not issue a publicly available financial report. Financial statements of the OPEB Trust are included on pages 10 and 11.

Benefits provided. The Retiree Plan provides healthcare and life insurance benefits for eligible retirees and their eligible dependents. Benefits are provided through a third-party insurer for Medicare Eligible retirees and dependents. The District is self-funded for all eligible pre-Medicare retirees and dependents. The District provides a subsidy towards the cost of benefits covered by the plan or depending on prior collective bargaining, for some retirees the full cost of benefits are covered. The authority to establish and amend the benefit terms to the Retiree Plan is established through Board policy of the District’s Governing Body. The District’s Governing Body passed an Early Retirement Window whereby effective with dates of retirement on July 1, 2017 through June 30, 2020, eligible employees and their eligible dependents may qualify for retiree plan benefits.

Plan membership. At June 30, 2020, the Retiree Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	6,768
Active plan members	5,008
	11,776

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

Contributions. The authority to establish and amend the contribution requirements of the Retiree Plan is established through Board policy of the District's Governing Body. The District establishes rates based on an actuarially determined rate. For the year ended June 30, 2020, the District's average contribution rate was 25.58 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

NET OPEB LIABILITY OF THE DISTRICT

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019, projected to a measurement date of June 30, 2020.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Wage Inflation	2.5 percent
Salary increases	Depends on age, service and employer group. Rate ranges from 6.70% at less than 1 year of service to 2.50% at 30 or more years of service. Salary increase includes wage inflation assumption.
Investment rate of return	Short-term account earns 2.75% per year. Long-term account earns 7.00% per year.
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2020, trend starts at 8.00% and gradually decreases to an ultimate trend of 4.25%. Additional trend of 1.98% is added to Medicare trend from 2021 to 2035 to approximate the assumed wear-away of MAPD plan design savings.

Mortality	For retirees and survivor: Based on RP-2014 White Collar Annuitant Mortality Table with scaling factors of: 98% for males and 96% for females in Teachers group, and 99% for males and 96% for females in the ASC group. For active members: Based on RP-2014 White Collar Employee Mortality Table with scaling factors of 97% for males and 99% for females in Teachers group. All tables reflect future mortality improvements using MP-2018 2-dimensional mortality improvement scales.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a phase in of the short-term assumed rate of 2.75% and the long-term rate of 7.00% over the period that the plan is projected to be fully funded. This methodology results in a 17 year period to full funding.

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

The following was the Board's adopted asset allocation policy as of June 30, 2020:

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

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

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.23 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total OPEB liability was 5.33 percent. The projection of cash flows used to determine the discount rate assumed that the District will contribute the pay-as-you-go contributions, plus an additional pre-funding contribution equal to 5% of expected employer paid claim costs. On average three months of pay-as-you go costs are held in a short-term account and all other assets are held in a long-term account. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CHANGES IN THE NET OPEB LIABILITY

Changes in the Net OPEB Liability at June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at 6/30/19	$ 881,431,123	$ 145,534,188	$ 735,896,935
Changes for the year:			
Service Cost	5,337,504	-	5,337,504
Interest	42,693,860	-	42,693,860
Benefit terms	101,807,196	-	101,807,196
Difference between expected and actual experience	21,294,097	-	21,294,097
Changes assumptions	(59,720,979)	-	(59,720,979)
Employer Contributions	-	77,190,616	(77,190,616)
Net investment income	-	7,840,885	(7,840,885)
Benefit payments, including refunds	(46,667,016)	(46,667,016)	-
Net changes	$ 64,744,662	$ 38,364,485	$ 26,380,177
Balance at 6/30/20	$ 946,175,785	$ 183,898,673	$ 762,277,112

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.33 percent) or 1-percentage-point higher (6.33 percent) than the current discount rate:

	1% Decrease (4.33%)	Discount Rate (5.33%)	1% Increase (6.33%)
Net OPEB liability	$ 873,693,067	$ 762,277,112	$ 668,558,704

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 3.25 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.25 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% Decreasing to 3.25%)	Healthcare Cost Trend Rates (8.0% Decreasing to 4.25%)	1% Increase (9.0% Decreasing to 5.25%)
Net OPEB liability	$ 685,747,803	$ 762,277,112	$ 845,364,471

OPEB plan fiduciary net position. 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, 2020, the District contributed $86,036,250 (including pre-funding contributions) to the Retiree Plan. For fiscal year ending June 30, 2020, total member contributions to the Retiree Plan were $3,647,328.

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2020, the district recognized OPEB expense of $114,185,097. At June 30, 2020, the district reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,211,670	$ 4,439,339
Changes in assumptions	-	80,194,612
Net differences between projected and actual earnings on OPEB plan investments	2,345,123	-
Total	$ 29,556,793	$ 84,633,951

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

Year ended June 30:	Net Deferred Outflows/ (Inflows) of Resources
2021	$ (24,906,971)
2022	(21,260,447)
2023	(9,490,863)
2024	581,123

(11) 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, 2020, the District met its revenue limitation.

(12) Excess Expenditures Over Appropriations

The following funds and departments had an excess of actual expenditures over appropriations for the year ended June 30, 2020:

Fund	Excess Expenditures
General Fund:	
Charter Schools	$ 4,206,033
Grant Transitional	87,727
School Nurses	772,111
Substitute Costs	2,425,580
School Office Staff & Support	132,771
Allied Health	871,036
School Special Funds	1,275,386
Office of Academics	668,592
Bldg Ops-Sites	952,143
Special & Contingent Funds	8,100,949

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

(13) 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, 2020 may be impaired. In the opinion of District management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

(b) Contractual Commitments

The District has $114.3 million of encumbrances outstanding as of June 30, 2020 of which $87.5 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals at 6/30/2020	Contract Commitments at 6/30/2020
Major Funds		
General Fund	$ 101,567,966	$ 76,222,868
Construction Fund	11,198,358	10,135,744
Nutrition Fund	1,397,967	1,039,568
Total Major Funds	$ 114,164,291	$ 87,398,180
Non-Major Funds	129,412	109,780
Total Encumbrances and Contract Commitments	$ 114,293,703	$ 87,507,960

(c) Litigation

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

(d) FCC Channels

The District has for a number of years held a license issued by the Federal Communications Commission (FCC) for Educational Broadband Service (ESB) station KHF80 on 4 channels in the Milwaukee area. The District must renew the FCC license every 10 years, with the next renewal scheduled to take place in 2028. The FCC permits excess capacity of these stations to be leased, and MPS entered into a long-term lease of the station in 2008. MPS received $4,166,667 upfront in March 2008, and $55,000 per month initially, with monthly payment increases 3% each March during the contract period.

(14) Subsequent Events

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, $50,000,000 was drawn on a line of credit by the City of Milwaukee on September 3, 2020, and $22,000,000 was drawn on September 17, 2020. $72,000,000 was repaid on October 16, 2020. $180,000,000 of Revenue Anticipation Notes (RANs), Series 2020 M8, was issued on October 15, 2020. The RANs mature on July 1, 2021. Interest is payable at maturity.

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

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

- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

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

REQUIRED SUPPLEMENTARY INFORMATION

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MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2020

	Budgeted amounts Adopted	Budgeted amounts Revised	Actual (GAAP basis)	Variance with Revised Budget
REVENUES:				
Property Tax Levy	$ 242,377,846	$ 251,696,228.00	$ 251,696,228	$ -
Equalization & Integration Aids	574,595,619	564,422,664	564,422,664	-
Other State Aids	108,287,528	116,470,104	116,987,139	517,035
Federal Aids	9,832,421	9,750,095	17,435,400	7,685,305
Other Local Revenues	21,993,254	19,198,294	27,964,150	8,765,856
Applied Surplus	5,483,590	5,483,590	-	(5,483,590)
SCHOOL OPERATIONS & EXTENSION	962,570,258	967,020,975	978,505,581	11,484,606
CAMP	-	17,547,732	7,559,374	(9,988,358)
GRANTS	152,596,881	162,745,603	124,421,815	(38,323,788)
Total Revenues	1,115,167,139	1,147,314,310	1,110,486,770	(36,827,540)
EXPENDITURES:				
Schools				
High Schools	53,595,986	53,740,026	51,862,161	1,877,865
Middle Schools	13,367,688	13,093,854	12,900,535	193,319
K-8 Schools	99,991,460	100,523,287	97,373,116	3,150,171
Multilevel Schools	17,055,445	16,265,360	16,066,240	199,120
Elementary Schools	60,740,792	60,778,223	58,036,473	2,741,750
Charter Schools	80,087,480	79,040,414	83,246,447	(4,206,033)
MPS Alternative Schools/Programs	4,417,403	4,462,107	3,450,390	1,011,717
Partnership Alternative Schools/Programs	8,633,712	8,667,240	7,921,901	745,339
School Accounts				
Supplemental School Support	2,079,240	2,351,705	1,688,639	663,066
ADA	100,000	100,388	76,099	24,289
Advanced Studies	975,820	1,583,076	735,145	847,931
Advanced Academic Studies (AP, IB)	712,745	752,417	495,609	256,808
Allied Health	4,456,530	4,557,612	5,428,648	(871,036)
Assessment	1,675,600	2,701,301	1,378,649	1,322,652
Bldg Ops-Sites	29,735,130	31,698,385	32,650,528	(952,143)
Equity Access Inclusion	393,069	399,113	345,173	53,940
Art, Music, Physical Education, Library	24,156,056	24,591,100	23,071,270	1,519,830
Central Guidance Positions	9,611,689	9,686,405	8,827,238	859,167
School Office Staff & Support	50,865,573	50,709,618	50,842,389	(132,771)
College Access Centers	850,657	911,641	819,648	91,993
Common School Fund	2,805,080	5,123,553	4,600,771	522,782
Credit Recovery	1,831,685	1,888,848	1,823,354	65,494
Educational Maintenance	396,686	707,115	49,445	657,670
Grant Transitional	821,096	-	87,727	(87,727)
Interscholastic Athletics & Academics	4,912,562	5,039,254	3,590,067	1,449,187
Intervention Resources	286,125	287,538	55,276	232,262
Milwaukee County Collaborative	407,000	408,581	405,164	3,417
MPS Drive	649,090	740,434	406,158	334,276
Newcomer Center	691,476	694,161	678,353	15,808
Non-MPS Costs (3-year-old screening)	570,045	572,259	372,089	200,170
Positive Behavior Intervent. & Support	34,330	34,463	30,280	4,183
School Improvement Performance	-	2,998,686	2,016,451	982,235
School Nurses	3,093,913	3,326,782	4,098,893	(772,111)
School Safety Operations	14,542,653	15,021,113	13,858,648	1,162,465
School Special Funds (Open Enrollment & SSF)	43,540,488	50,186,845	51,462,231	(1,275,386)
Special Services	179,701,772	181,021,805	176,128,146	4,893,659
Substitute Costs	10,864,736	10,907,262	13,332,842	(2,425,580)
Summer School	4,684,619	5,274,091	2,071,314	3,202,777
Textbook Adoption	2,015,679	2,360,334	2,127,551	232,783
Tech-Licenses & Equip	11,474,266	14,579,815	9,355,048	5,224,767
Transportation Operations	63,299,324	63,994,008	62,226,847	1,767,161
World Languages	7,448,977	7,524,641	5,628,905	1,895,736
TOTAL - PROGRAM ACCOUNTS	$ 817,573,677	$ 839,304,860	$ 811,621,858	$ 27,683,002

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2020

	Budgeted amounts Adopted	Budgeted amounts Revised	Actual (GAAP basis)	Variance with Revised Budget
INDIRECT & SUPPORT SERVICES				
Board/Office of Board Governance	$ 3,203,850	$ 4,054,253	$ 3,290,605	$ 763,648
Office of Superintendent	2,012,113	2,025,717	1,867,670	158,047
Office of School Administration	7,565,596	8,523,336	8,077,768	445,568
Office of Academics	8,689,930	9,228,121	9,896,713	(668,592)
Office of Finance	4,611,212	4,767,604	4,635,625	131,979
Office of Communication & School Performance	13,541,448	13,862,139	12,551,174	1,310,965
Dept. of Facilities & Maintenance	22,638,419	27,937,999	26,821,722	1,116,277
Office of Human Resources	5,438,819	5,603,849	5,258,805	345,044
TOTAL - INDIRECT & SUPPORT	67,701,387	76,003,018	72,400,082	3,602,936
OTHER ACCOUNTS				
Tenant Costs, Utilities	26,709,011	27,104,898	22,182,029	4,922,869
Regional Development Plan	-	50,015	7,766	42,249
District Insurance & Judgements	8,937,399	10,874,499	7,645,439	3,229,060
Special & Contingent Funds	(4,769,446)	(7,759,215)	341,734	(8,100,949)
Technology Licenses & Equipment	2,090,133	10,105,644	5,772,863	4,332,781
TOTAL - OTHER ACCOUNTS	32,967,097	40,375,841	35,949,831	4,426,010
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	20,569,298	28,387,073	16,842,814	11,544,259
Summer School Wrap-around	5,708,288	7,990,013	3,062,023	4,927,990
Educational Programs	751,792	937,840	432,842	504,998
Partnership for the Arts/Humanities	2,088,023	3,131,835	1,418,678	1,713,157
Facilities	2,072,852	2,469,887	1,617,997	851,890
Insurance and Utilities	590,406	590,406	449,450	140,956
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	31,780,659	43,507,054	23,823,804	19,683,250
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES	(10,518,736)	(10,589,728)	(5,477,136)	(5,112,592)
SCHOOL OPERATIONS & EXT. FUND	907,723,425	945,093,991	914,494,635	30,599,356
CAMP	-	17,547,732	6,058,940	11,488,792
GRANTS	147,046,066	189,395,667	139,603,086	49,792,581
Total Expenditures	1,086,550,150	1,195,544,444	1,083,980,465	111,563,979
Excess of revenues over (under) expenditures	28,616,989	(48,230,134)	26,506,305	74,736,439
Transfer In (Out)	(26,435,077)	(27,257,640)	(28,983,625)	(1,725,985)
Insurance Proceeds	-	-	1,419,412	(1,419,412)
Change in Fund Balance	$ 2,181,912	$ (75,487,774)	(1,057,908)	$ 74,429,866
Fund balance-beginning of year			39,058,535	
Fund balance-end of year			$ 38,000,627	

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, 2020

	Budgeted amounts		Actual	Variance with
	Adopted	Revised	(GAAP basis)	Revised Budget
Revenues:				
Lunchroom sales	$ 650,000	$ 650,000	$ 545,040	$ (104,960)
Other local sources	—	250	250	—
State aid:				
School nutrition aid	980,000	980,000	926,081	(53,919)
Federal aid:				
School nutrition aid	49,626,000	49,626,000	41,301,576	(8,324,424)
Other federal aid	1,208,750	1,372,652	1,224,033	(148,619)
Miscellaneous	—	—	39,242	39,242
Applied Surplus	3,673,900	3,673,900	—	(3,673,900)
Total revenues	56,138,650	56,302,802	44,036,222	(12,266,580)
Expenditures:				
Current operating:				
School Nutrition Services	55,973,650	56,647,008	50,838,777	5,808,231
Capital Outlay	165,000	222,354	185,037	37,317
Total expenditures	56,138,650	56,869,362	51,023,814	5,845,548
Excess of revenues over(under) expenditures	—	(566,560)	(6,987,592)	(6,421,032)
Net change in fund balances	$ —	$ (566,560)	(6,987,592)	$ (6,421,032)
Fund balance—beginning of year			17,798,005	
Fund balance—end of year			$ 10,810,413	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2020

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

Wisconsin Retirement System

Plan Year end date	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
12/31/2019	2.37111563%	$ (76,455,593)	$ 356,237,425	21.46%	102.96%
12/31/2018	2.50059897	88,963,473	361,540,334	24.61	96.45
12/31/2017	2.61711819	(77,705,344)	377,568,441	20.58	102.93
12/31/2016	2.65129650	21,852,710	374,885,669	5.83	99.12
12/31/2015	2.69497853	43,792,878	382,623,535	11.45	98.20
12/31/2014	2.73277092	(67,124,330)	369,586,810	18.16	102.74

Employes' Retirement System

Plan Year end date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
12/31/2019	11.2345344000%	$ 111,623,000	$ 65,347,130	170.82%	84.83%
12/31/2018	11.2595428000	150,751,000	64,674,138	233.09	78.71
12/31/2017	12.6474151000	45,852,000	72,802,070	62.98	93.70
12/31/2016	13.1496289000	56,030,000	76,787,258	72.97	91.98
12/31/2015	12.7771027471	53,735,000	68,459,972	79.30	91.87
12/31/2014	12.3564611222	14,021,000	65,481,707	20.92	102.74

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

Plan Year end date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2020	100%	$ 4,744,910	$ 9,935,480	47.76%	90.85%
6/30/2019	100	4,846,319	12,167,822	39.83	90.94
6/30/2018	100	3,252,869	13,574,881	23.96	93.58
6/30/2017	100	3,807,895	14,255,879	26.71	92.58
6/30/2016	100	6,562,190	15,674,128	41.87	87.54
6/30/2015	100	4,502,572	17,917,354	25.13	91.66
6/30/2014	100	2,144,312	18,483,299	11.60	96.06

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Plan Year end date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net PensionLiability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2020	100%	$ 70,889,094	$ 180,168,964	39.35%	69.51%
6/30/2019	100	77,413,330	199,988,240	38.71	67.61
6/30/2018	100	72,069,547	221,227,773	32.57	68.33
6/30/2017	100	79,576,751	236,655,777	33.62	65.45
6/30/2016	100	91,636,673	250,768,000	36.54	60.70
6/30/2015	100	87,715,155	262,424,327	33.42	62.70
6/30/2014	100	85,447,415	288,512,864	29.62	64.12

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2020

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Wisconsin Retirement System

District Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2020	$ 24,284,073	$ 24,284,073	$ -	$ 356,237,425	6.82%
6/30/2019	23,700,168	23,700,168	-	358,455,572	6.61
6/30/2018	24,823,615	24,823,615	-	367,925,012	6.75
6/30/2017	24,975,348	24,975,348	-	377,535,204	6.62
6/30/2016	26,030,471	26,030,471	-	369,669,464	7.04
6/30/2015	25,878,102	25,878,102	-	369,580,747	7.00

Employes' Retirement System

District Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2020	$ 8,586,101	$ 8,586,101	$ -	$ 65,347,130	13.14%
6/30/2019	9,392,260	$ 9,392,260	-	64,674,138	14.52
6/30/2018	10,261,027	10,261,027	-	72,802,070	14.09
6/30/2017	9,199,639	9,199,639	-	76,787,258	11.98
6/30/2016	9,574,716	9,574,716	-	68,459,972	13.99
6/30/2015	9,719,624	9,719,624	-	65,481,707	14.84

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

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
6/30/2020	$ 1,608,219	$ 1,153,934	$ 454,285	$ 9,935,480	16.20%
6/30/2019	1,930,542	2,868,167	(937,625)	12,167,822	15.90
6/30/2018	1,274,784	1,115,710	159,074	13,574,881	9.40
6/30/2017	1,477,690	1,209,134	268,556	14,255,879	10.40
6/30/2016	1,618,641	1,498,910	119,731	15,674,128	10.30
6/30/2015	2,346,545	1,710,809	635,736	17,917,354	13.10
6/30/2014	3,214,623	2,451,003	763,620	18,483,299	17.40
6/30/2013	3,519,437	3,073,400	446,037	23,710,188	14.80
6/30/2012	4,210,948	3,829,233	381,715	25,014,230	16.80
6/30/2011	3,595,479	7,209,843	(3,614,364)	33,781,612	10.60

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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
6/30/2020	$ 10,245,574	$ 9,789,606	$ 455,968	$ 180,168,964	5.7%
6/30/2019	10,390,406	11,911,441	(1,521,035)	199,988,240	5.2
6/30/2018	9,385,392	8,906,670	478,722	221,227,773	4.2
6/30/2017	9,791,544	9,456,955	334,589	236,665,777	4.1
6/30/2016	9,897,438	9,888,196	9,242	250,768,000	3.9
6/30/2015	10,329,340	9,540,139	789,201	262,424,327	3.9
6/30/2014	11,168,472	10,954,526	213,946	288,512,864	3.9
6/30/2013	14,365,412	13,998,622	366,790	323,922,137	4.4
6/30/2012	15,797,043	15,126,448	670,595	333,480,915	4.2
6/30/2011	15,645,398	27,419,691	(11,774,293)	342,784,884	4.6

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

MILWAUKEE PUBLIC SCHOOLS
Early Retirement Supplement and Benefit Improvement Plan
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
As of June 20, 2020

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ 123,418	$ 154,532	$ 187,143	$ 226,072	$ 283,894	$ 276,863	$ 267,144
Interest on the total pension liability	3,549,850	3,661,182	3,703,571	3,753,201	3,855,014	3,949,902	3,988,475
Differences between expected and actual experience	(732,998)	(524,750)	341,949	(352,172)	(297,565)	383,007	-
Changes of assumptions	259,215	4,400,130	-	-	-	200,199	-
Benefit payments, including refunds	(4,851,914)	(4,825,569)	(4,879,716)	(5,008,339)	(5,164,498)	(5,238,295)	(5,487,407)
Net Change in Total Pension Liability	(1,652,429)	2,865,525	(647,053)	(1,381,238)	(1,323,155)	(428,324)	(1,231,788)
Total Pension Liability - Beginning	53,510,190	50,644,665	51,291,718	52,672,956	53,996,111	54,424,435	55,656,223
Total Pension Liability - Ending (a)	$ 51,857,761	$ 53,510,190	$ 50,644,665	$ 51,291,718	$ 52,672,956	$ 53,996,111	$ 54,424,435
Plan Fiduciary Net Position							
Contributions - employer	$ 1,153,934	$ 2,868,167	$ 1,115,710	$ 1,209,134	$ 1,498,910	$ 1,710,809	$ 2,451,003
Net investment income	2,200,589	3,292,912	3,728,578	5,238,182	345,326	799,276	7,589,400
Benefit payments, including refunds	(4,851,914)	(4,825,569)	(4,879,716)	(5,008,339)	(5,164,498)	(5,238,295)	(5,487,407)
Administrative expense	(53,629)	(63,435)	(56,599)	(65,920)	(62,511)	(58,374)	(56,590)
Net Change in Plan Fiduciary Net Position	(1,551,020)	1,272,075	(92,027)	1,373,057	(3,382,773)	(2,786,584)	4,496,406
Plan Fiduciary Net Position - Beginning	48,663,871	47,391,796	47,483,823	46,110,766	49,493,539	52,280,123	47,783,717
Plan Fiduciary Net Position - Ending (b)	$ 47,112,851	$ 48,663,871	$ 47,391,796	$ 47,483,823	$ 46,110,766	$ 49,493,539	$ 52,280,123
Net Pension Liability - Ending (a) - (b)	$ 4,744,910	$ 4,846,319	$ 3,252,869	$ 3,807,895	$ 6,562,190	$ 4,502,572	$ 2,144,312
Plan fiduciary net position as a percentage of the total Pension liability	90.85%	90.94%	93.58%	92.58%	87.50%	91.70%	96.10%
Covered payroll	$ 9,935,480	$ 12,167,822	$ 13,574,881	$ 14,255,879	$ 15,674,128	$ 17,917,354	$ 18,483,299
Net Pension liability as a percentage of covered payroll	47.76%	39.83%	23.96%	26.71%	41.87%	25.13%	11.60%

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

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

MILWAUKEE PUBLIC SCHOOLS
Supplemental Early Retirement Plan for Teachers
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
As of June 20, 2020

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest on the total pension liability	15,836,643	16,182,472	16,436,072	16,635,125	16,846,685	17,001,811	17,203,578
Differences between expected and actual experience	(6,441,233)	(695,436)	(3,160,017)	(3,241,431)	(2,247,617)	(2,929,293)	-
Assumption changes	985,173	12,396,147	-	-	-	-	-
Benefit payments, including refunds	(16,887,950)	(16,477,649)	(16,013,508)	(16,244,782)	(16,607,340)	(17,037,741)	(16,891,272)
Net Change in Total Pension Liability	(6,507,367)	11,405,534	(2,737,453)	(2,851,088)	(2,008,272)	(2,965,223)	312,306
Total Pension Liability - Beginning	238,982,475	227,576,941	230,314,394	233,165,482	235,173,754	238,138,977	237,826,671
Total Pension Liability - Ending (a)	$ 232,475,108	$ 238,982,475	$ 227,576,941	$ 230,314,394	$ 233,165,482	$ 235,173,754	$ 238,138,977
Plan Fiduciary Net Position							
Contributions - employer	$ 9,789,606	$ 11,911,441	$ 8,906,670	$ 9,456,955	$ 9,888,196	$ 9,540,139	$ 10,954,526
Net investment income	7,265,841	10,779,925	12,028,603	16,153,487	964,012	2,410,365	21,504,411
Benefit payments	(16,887,950)	(16,477,649)	(16,013,508)	(16,244,782)	(16,607,340)	(17,037,741)	(16,891,272)
Administrative expense	(150,628)	(151,966)	(152,014)	(156,826)	(174,658)	(145,726)	(176,226)
Net Change in Plan Fiduciary Net Position	16,869	6,061,751	4,769,751	9,208,834	(5,929,790)	(5,232,963)	15,391,439
Plan Fiduciary Net Position - Beginning	161,569,145	155,507,394	150,737,643	141,528,809	147,458,599	152,691,562	137,300,123
Plan Fiduciary Net Position - Ending (b)	$ 161,586,014	$ 161,569,145	$ 155,507,394	$ 150,737,643	$ 141,528,809	$ 147,458,599	$ 152,691,562
Net Pension Liability - Ending (a) - (b)	$ 70,889,094	$ 77,413,330	$ 72,069,547	$ 79,576,751	$ 91,636,673	$ 87,715,155	$ 85,447,415
Plan fiduciary net position as a percentage of the total Pension liability	69.51%	67.61%	68.33%	65.45%	60.70%	62.70%	64.12%
Covered payroll	$ 180,168,964	$ 199,988,240	$ 221,227,773	$ 236,655,777	$ 250,768,000	$ 262,424,327	$ 288,512,864
Net Pension liability as a percentage of covered payroll	39.35%	38.71%	32.57%	33.62%	36.54%	33.42%	29.62%

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

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

MILWAUKEE PUBLIC SCHOOLS
Required Supplementary Information
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
As of June 30, 2020

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 5,337,504	$ 3,214,967	$ 3,415,121	$ 4,101,247
Interest on the total OPEB liability	42,693,859	42,385,765	42,630,800	45,599,496
Changes of benefit terms	101,807,197	-	-	-
Differences between expected and actual experience	21,294,097	(8,091,913)	30,739,181	2,563,048
Changes of assumptions	(59,720,979)	-	(96,779,146)	-
Benefit payments	(46,667,016)	(44,135,647)	(47,544,292)	(52,906,009)
Net Change in Total OPEB Liability	64,744,662	(6,626,828)	(67,538,336)	(642,218)
Total OPEB Liability - Beginning	881,431,123	888,057,951	955,596,287	956,238,505
Total OPEB Liability - Ending (a)	$ 946,175,785	$ 881,431,123	$ 888,057,951	$ 955,596,287
Plan Fiduciary Net Position				
Contributions - employer	$ 77,190,615	$ 58,235,819	$ 53,242,638	$ 33,755,421
Net investment income	7,840,886	8,355,586	8,512,126	3,910,328
Benefit payments	(46,667,016)	(44,135,647)	(47,544,292)	(52,906,009)
Net Change in Plan Fiduciary Net Position	38,364,485	22,455,758	14,210,472	(15,240,260)
Plan Fiduciary Net Position - Beginning	145,534,188	123,078,430	108,867,958	124,108,219
Plan Fiduciary Net Position - Ending (b)	$ 183,898,673	$ 145,534,188	$ 123,078,430	$ 108,867,959
Net OPEB Liability - Ending (a) - (b)	$ 762,277,112	$ 735,896,935	$ 764,979,521	$ 846,728,328
Plan fiduciary net position as a percentage of the total OPEB liability	19.44%	16.51%	13.86%	11.39%
Covered payroll *(1)*	$ 301,739,000	$ 323,210,126	$ 355,843,000	$ 387,681,000
Net OPEB liability as a percentage of covered payroll	252.63%	227.68%	214.98%	218.41%

Notes to Schedule:
The District implemented GASB Statement No. 74 in fiscal year 2017 and GASB Statement No. 75 in fiscal year 2018. Information prior to fiscal year 2017 is not available.

(1) Estimated payroll for fiscal year end 2017 and 2018, based on prior fiscal year end payroll adjusted by wage inflation assumption of 3.00 percent. For fiscal year end 2019, estimate based on expected payroll using the results of the Actuarial Valuation as of July 1, 2017.

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

MILWAUKEE PUBLIC SCHOOLS
Post-Employment Life and Healthcare Insurance Benefits
Required Supplementary Information
SCHEDULE OF EMPLOYER CONTRIBUTIONS
As of June 30, 2020

	2020	2019	2018	2017
Actuarially contractual determined contribution	$ 94,430,221	$ 90,020,711	$ 88,022,745	$ N/A
Contributions in relation to the actuarially determined contribution	$ 77,190,616	$ 58,235,819	$ 53,242,638	$ 33,755,421
Contribution deficiency (excess)	$ 17,239,605	$ 31,784,892	$ 34,780,107	$ N/A
Covered payroll	$ 301,739,000	$ 323,210,100	$ 355,843,000	$ 387,681,000
Contributions as a percentage of covered payroll	25.58%	18.02%	14.96%	8.71%

Notes to Schedule

Valuation date:	July 1, 2019
Measurement date:	June 30, 2020

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

Methods and assumptions used to determine actuarial liability and contributions:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Wage Inflation	2.5%
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2020, trend starts at 8.00% and gradually decreases to an ultimate trend of 4.25%. Additional trend of 1.98% is added to Medicare cost from 2021 to 2035 to approximate the assumed wear-away of MAPD plan design savings.
Salary increases	Depends on age, service and employer group. Rate ranges from 6.70% at less than 1 year of service to 2.50% at 30 or more years of service. Salary increase includes wage inflation assumption.
Investment rate of return	Short-term account earns 2.75% per year. Long-term account earn 7.00% per year.
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	For retirees and survivor: Based on RP-2014 White Collar Annuitant Mortality Table with scaling factors of: 98% for males and 96 for females in Teachers group, and 99% for males and 96% for females in the ASC group. For active members: Based on RP-2014 White Collar Employee Mortality Table wiht scaling factors of 97% for males and 99% for females in Teachers group. All tables reflect future mortality improvements using MP-2018 2-dimensional mortality improvement scales.

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

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

MILWAUKEE PUBLIC SCHOOLS
Post-Employment Life and Healthcare Insurance Benefits
Required Supplementary Information
SCHEDULE OF INVESTMENT RETURNS
As of June 30, 2020

Fiscal Year Ending June 30	Annual Money-Weighted Rate of Return, Net of Investment Expenses
2017	3.30%
2018	7.55%
2019	6.46%
2020	5.23%

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

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

(1) Budgeting

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

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

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

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

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

(2) Wisconsin Retirement System (WRS) Pension

The amounts presented in relation to the schedule of employer's proportionate share of the net pension (asset)/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 Wisconsin Retirement System in relation to the District as a whole.

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

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

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

See Independent Auditor's report.

(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 ERS.

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.

Covered payroll reported is as of December 31 for each year presented. Data as of June 30 is not available.

(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. The scaling factor for determining the mortality rate for men was changed from 98% to 99% in the Early Retirement Supplement and Benefit Improvement Plan.

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.

(5) Other Postemployment Benefits (OPEB)

The amounts presented in relation to the schedule of employer's net OPEB (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. Eligibility requirements for employees hired prior to July 1, 2013 were permanently changed as of July 1, 2020. To be eligible for retiree health and life insurance coverage, upon retirement, members must be age 55 or older, have 20 or more years of eligible MPS service and have accumulated at least 70% of the maximum sick leave balance.

Changes of assumptions. A bi-annual actuarial valuation is performed for the plan. An updated actuarial valuation as of June 30, 2019, was performed using census, healthcare-related assumptions, pension-related assumptions and plan provisions as of June 30, 2019. See Note 11 for more information on the specific assumptions for the plan. The following assumptions were changed the last valuation as of July 1, 2017:

- The wage inflation was changed from 2.8% to 2.5%.
- The assumed future salary increases were changed from 7.00% at less than one year of service to 2.80% at 34 or more years of service, to 6.70% at less than one year of service to 2.50% at 30 or more years of service.

- The investment rate of return for the short-term account was changed from 3.00% per year to 2.75% per year and for the long-term account from 7.25% per year to 7.00% per year.
- The healthcare cost trend rate was changed from 8.00% with a gradual decrease to 4.50% with an additional trend rate of .45% added on to non-Medicare costs on and after 2024 to 8.00% with a gradual decrease to 4.25%.
- The table used for determining mortality rates was changed from RP-2000 projected to RP-2009 with a six-year set back and mortality improvements based on Project Scale AA to RP-2014 with mortality improvements based on MP-2018-2 dimensional mortality improvement scales. The following scaling factors are now applied: 98% for males and 96% for females in the Retired Teachers group, 99% for males and 96% for females in the Retired ASC group and 97% for males and 99% for females in the active Teachers group.
- The discount rate was changed from 4.93% to 5.33%.

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.

See Independent Auditor's report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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, 2020

		Special Revenue		
Assets		**Categorically Aided Programs**	**Debt Service**	**Total**
Receivables due from other governmental units	$	2,418,440	—	2,418,440
Due from other funds		1,547,049	—	1,547,049
Total assets	$	3,965,489	—	3,965,489
Liabilities, Deferred inflow of resources and Fund Balances				
Liabilities:				
Accounts Payable	$	393,293	—	393,293
Due to other funds		2,026,508	—	2,026,508
Total liabilities		2,419,801	—	2,419,801
Deferred inflows of Resources - unearned revenue (note 1(o))		1,545,688	—	1,545,688
Fund balances:				
Unassigned		—	—	—
Total fund balances		—	—	—
Total liabilities, deferred inflows of resources and fund balances	$	3,965,489	—	3,965,489

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2020

		Special Revenue		
		Categorically Aided Programs	Debt Service	Total
Revenues:				
Property taxes	$	—	9,680,142	9,680,142
Other federal aid		20,296,237	—	20,296,237
Total revenues		20,296,237	9,680,142	29,976,379
Expenditures:				
Instructional services—special curriculum		5,437,953	—	5,437,953
Pupil and staff services		16,405,333	—	16,405,333
Debt service:				
Principal		—	18,693,152	18,693,152
Interest		—	18,404,243	18,404,243
Bond administrative fees		—	19,323	19,323
Total expenditures		21,843,286	37,116,718	58,960,004
Excess of revenues over (under) expenditures		(1,547,049)	(27,436,576)	(28,983,625)
Other financing sources:				
Transfers In		1,547,049	27,436,576	28,983,625
Total other financing sources		1,547,049	27,436,576	28,983,625
Net changes in fund balances		—	—	—
Fund balances:				
Beginning of year		—	—	—
End of year	$	—	—	—

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

For the Year Ended June 30, 2020

	Budgeted amounts		Actual
	Adopted	**Revised**	**(GAAP basis)**
Revenues:			
Federal aid:			
Other federal aid	$ 25,392,464	$ 20,296,237	$ 20,296,237
Total revenues	25,392,464	20,296,237	20,296,237
Expenditures:			
Instructional services—			
Special curriculum	5,213,932	5,052,810	5,437,953
Pupil and staff services	20,178,532	15,243,427	16,405,333
Total expenditures	25,392,464	20,296,237	21,843,286
Excess of revenues over (under) expenditures	—	—	(1,547,049)
Other financing sources:			
Transfers In			1,547,049
Net change in fund balance	$ —	$ —	—
Fund balance—beginning of year			—
Fund balance—end of year			$ —

MILWAUKEE PUBLIC SCHOOLS

Debt Service Fund

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

For the Year Ended June 30, 2020

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Property taxes	$ 9,680,142	9,680,142	9,680,142
Total revenues	9,680,142	9,680,142	9,680,142
Expenditures:			
Current operating:			
Debt service	36,937,782	36,937,782	37,116,718
Total expenditures	36,937,782	36,937,782	37,116,718
Excess of revenues over (under) expenditures	(27,257,640)	(27,257,640)	(27,436,576)
Other financing sources			
Transfers In	27,257,640	27,257,640	27,436,576
Total other financing sources	27,257,640	27,257,640	27,436,576
Net changes in fund balances	$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			$ —

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.

Agency Fund

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

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Net Position—Pension Trust Funds

As of June 30, 2020

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
Assets				
Investments				
Money market accounts	$	716,738	2,893,529	3,610,267
Mortgage-backed securities		53	—	53
Nongovernmental obligations		2,331,664	7,983,710	10,315,374
Investment with the State of Wisconsin		44,844,429	153,370,720	198,215,149
Receivables-interest		3,817	13,144	16,961
Total assets		47,896,701	164,261,103	212,157,804
Liabilities				
Accounts payable and accrued expenses		783,850	2,675,089	3,458,939
Total liabilities		783,850	2,675,089	3,458,939
Net Position				
Net position restricted for pensions	$	47,112,851	161,586,014	208,698,865

MILWAUKEE PUBLIC SCHOOLS

Combining Statement of Changes in Net Position—Pension Trust Funds

For the Year Ended June 30, 2020

		Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Total
Additions:				
Employer contributions	$	1,153,934	9,789,606	10,943,540
Investment income:				
Net investment from the State of Wisconsin:				
Core Retirement Investment Trust Fund		1,983,608	6,526,622	8,510,230
Variable Retirement Trust Fund		125,272	434,860	560,132
Net investment income from other investments		96,253	320,273	416,526
Total investment income:		2,205,133	7,281,755	9,486,888
Investment expenses		(4,544)	(15,914)	(20,458)
Net investment income		2,200,589	7,265,841	9,466,430
Total additions		3,354,523	17,055,447	20,409,970
Deductions:				
Benefits paid to participant's or beneficiaries		4,815,768	16,887,950	21,703,718
Distribution of participant contribution accounts		36,146	—	36,146
Administrative expenses		53,629	150,628	204,257
Total deductions		4,905,543	17,038,578	21,944,121
Changes in net position		(1,551,020)	16,869	(1,534,151)
Net Position—Beginning of Year		48,663,871	161,569,145	210,233,016
Net Position—Ending of Year	$	47,112,851	161,586,014	208,698,865

MILWAUKEE PUBLIC SCHOOLS

Agency Fund

Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2020

Assets		Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Cash and cash equivalents	$	6,353,816	4,221,500	(4,541,936)	6,033,380
Total assets	$	6,353,816	4,221,500	(4,541,936)	6,033,380
Liabilities					
Liabilities:					
Due to student organizations	$	6,353,816	4,221,500	(4,541,936)	6,033,380
Total liabilities	$	6,353,816	4,221,500	(4,541,936)	6,033,380

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MILWAUKEE PUBLIC SCHOOLS

Schedule of Charter School Authorizer Operating Costs

For the Year Ended June 30, 2020

OPERATING ACTIVITY		COST
Employee Salaries	$	324,336
Employee Benefits		177,736
Purchased Services		4,413
Supplies		1,765
TOTAL	**$**	**508,250**