



**MILWAUKEE
PUBLIC SCHOOLS**

MILWAUKEE, WISCONSIN

2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2018

159th EDITION

159th EDITION

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

BOARD OF SCHOOL DIRECTORS

MILWAUKEE PUBLIC SCHOOLS

5225 West Vliet Street

Milwaukee, Wisconsin

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

MARK SAIN, President

KEITH P. POSLEY, Ed.D., Superintendent

Prepared by:

The Office of the Chief Financial Officer

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MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2018

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MILWAUKEE PUBLIC SCHOOLS

Comprehensive Annual Financial Report

Year Ended June 30, 2018

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MILWAUKEE
PUBLIC SCHOOLS



MILWAUKEE PUBLIC SCHOOLS

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

December 21, 2018

Milwaukee Board of School Directors:

We submit to you the Comprehensive Annual Financial Report of the Milwaukee Public Schools (“MPS”), Milwaukee, Wisconsin, for the fiscal year ended June 30, 2018. The Comprehensive Annual Financial Report is management’s financial report to taxpayers, governing board, oversight bodies, voters, employees, and intergovernmental grantors. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District (“District”). To the best of our knowledge and belief, the information presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of MPS. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

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

REPORTING ENTITY

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

The City is located 70 miles north of the city of Chicago on the western shores of Lake Michigan. The City has a population estimate of approximately 595,351 based on 2017 U. S. Census Bureau Data. The District operates 161 schools, has over 75,500 students, and employs over 9,500 educators, administrators, and staff. The Superintendent, appointed by the Board, is the senior official representing MPS.

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

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

organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government. The financial statements of the District are excluded from the City financial statements because the District operates with a separate governing board that is not under the control of the City.

LOCAL ECONOMIC ANALYSIS

Milwaukee is the state's largest urban and economic center. The City has a diversified economy with strong service and manufacturing sectors. The area is not dominated by large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance, and services have more than 500 employees.

Based upon the Metropolitan Milwaukee Association of Commerce's August 2018 Economic Trends, August's seasonally unadjusted unemployment rate fell 0.3 percentage points from one year ago to 3.6%. The metro Milwaukee area's jobless rate ranks higher than the state's 3.1% but lower than the 3.9% rates posted nationally.

The City continues to maintain high bond ratings from two of the major agencies. AA bond rating from Standard & Poor's Corporation and AA from Fitch Ratings were received on recently issued general obligation bonds of the City.

MAJOR INITIATIVES

During the 2017-18 school year, the Milwaukee Public Schools continued to implement the Eight Big Ideas as a framework for district efforts. Additionally, to support our students in their academic and personal journeys, the district unveiled Five Priorities for Success.

The Eight Big Ideas are: 1) Close the Gap; 2) Educate the Whole Child; 3) Redefine the MPS Experience; 4) Rethink High Schools; 5) Re-envision Partnerships; 6) Strengthen Communications Systems & Outreach Strategies; 7) Develop our Workforce; and 8) Improve Organizational Processes.

The Five Priorities for Success are: 1) Increase Academic Achievement and Accountability; 2) Improve District and School Culture; 3) Develop our Staff; 4) Ensure Fiscal Responsibility and Transparency; and 5) Strengthen Communication and Collaboration.

Both the Eight Big Ideas and the Five Priorities for Success align with our district goal areas, which form the basis of MPS strategic planning. The district's three overarching goal areas are:

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

An overview of the work associated with these goals, the Eight Big Ideas, and the Five Priorities for Success during the 2017-18 school year follows.

District staff continued to work on the comprehensive, operational plan to improve student outcomes. The objectives within this plan are reinforced by the district's budget process, and together ensure that key programs and projects are aligned, prioritized, and funded to support positive outcomes for our students.

The first goal, Academic Achievement, includes these strategic objectives:

- Close the Gap: Milwaukee Public Schools is a national symbol of excellence for educating all students, providing a rigorous academic program that ensures equitable opportunities for all children to reach their full potential.
- Educate the Whole Child: Milwaukee Public Schools provides a nurturing, consistent, and validating experience for every child so that both educational and social-emotional needs are met.

- Redefine the MPS Experience: Every school in MPS provides robust co/extracurricular experiences that engage and inspire every child.
- Rethink High Schools: Every MPS student graduates on time with a personalized pathway to success in college, career, and life.

The second goal, Student, Family & Community Engagement, includes these strategic objectives:

- Re-envision Partnerships: Milwaukee Public Schools cultivates, and maintains mutually beneficial partnerships and collective impact efforts to maximize resources that promote greater student outcomes.
- Strengthen Communication Systems & Outreach Strategies: The community is engaged in, understands, and supports the work of Milwaukee Public Schools, and families choose our district as a trusted and valued education provider.

The third of these goals, Effective and Efficient Operations, includes the following strategic objectives:

- Develop Our Workforce: As an organization respected for supporting diverse, healthy, highly-skilled and engaged employees, Milwaukee Public Schools is an employer of choice.
- Improve Organizational Processes: Milwaukee Public Schools is a leader in using best practices, systems, and processes equitably and efficiently to align and maximize resources in support of our strategic objectives.

Some of the successes achieved during the 2017-18 school year are detailed below and arranged by goal area:

Academic Achievement

MPS continues to employ a *collective impact* approach to tackle our most entrenched and complex school and community problems. By creating a common agenda with our strategic partners that includes a shared understanding of the problem and a joint approach to solving it, the district will attain measureable results. Through collaboratively developed plans of action, continuous communication and reinforcing activities, our backbone organizations are helping MPS students achieve more accelerated success and support.

An update on the progress realized for this goal area its strategic objectives for school year 2017-18 follows.

STRATEGIC OBJECTIVE 1: Close the Gap

Within Objective 1, the fiscal year 2018 projects continued to focus on equity as a strategy to close gaps in achievement. District policy defines equity as an allocation of district resources, supports and opportunities that is based on the needs of students and staff. To advance and expand the district's equity work, a major part of implementation included education and training for district and school-based staff to increase awareness about what equity is and how equity impacts student achievement.

Efforts to expand the district's equity work included, establishing the first cohort of Culturally Responsive Teacher Fellows, collaborating with the district's violence prevention team, developing Restorative Practices training for school administrators, launching the Education, Equity & Empowerment Speaker Series, and facilitating Culturally Responsive Strategies training at the district's New Educators Institutes and at Customer Service Level III trainings.

In addition to increasing awareness, the district launched the Department of Black and Latino Male Achievement. With a focus on supporting Black and Latino male students, this department created six priority strategies for its first year: 1) Launch Manhood Development Academies; 2) Improve School Design, Culture and Climate; 3) Promote Positive Narratives about Black and Latino Young Men; 4) Develop a Black and Latino Male Mentorship Program; 5) Recruit Black and Latino Male Teachers and Administrators; and 6) Develop a Sustainability Plan and Dashboard.

STRATEGIC OBJECTIVE 2: Educate the Whole Child

To educate our young people toward their full potential, we worked to provide environments that met the educational and social-emotional needs of students. As such we continued to offer nurturing, consistent and validating experiences for every child. Mindfulness training was fully implemented across our schools and supported by social-emotional learning, trauma informed care and Positive Behavioral Interventions and Supports and Response to Intervention (PBIS/RtI) efforts. Additionally, Milwaukee Public Schools became a steering committee member for the City of Milwaukee Office of Violence Prevention.

Continuing to respond to the voice of our students, our School Nutrition department revamped its menus based on feedback from student focus groups (100 students participated), student surveys (16,000 student respondents) and community listening sessions (200 participants). For example, the traditional breakfast menus now feature more protein and fresh fruit options.

To expand early childhood opportunities, the district continued to shift the focus to view our youngest students through a developmentally appropriate lens. Five additional full-day K3 Head Start sites, with a projected enrollment of 1,417, were proposed for the 2018-19 school year.

STRATEGIC OBJECTIVE 3: Redefine the MPS Experience

The Milwaukee Public Schools remains committed to ensuring every student in the district has the opportunity to participate in robust extracurricular experiences. The projects within this objective are focused on expanding fine arts, extracurricular, and extended learning opportunities, as well as increasing equity in recreation.

Over the last year, MPS achieved many milestones:

- Continued to offer MPS Drive, which resulted in more than 1,000 students earning their driver's licenses;
- Completed final designs for revitalization projects at three recreation playfields;
- Served more than 68,000 youths at our evening Twilight Centers;
- Broke ground and started construction on a new athletic stadium at Vincent High School; and,
- Culminated our "Year of the Arts" themed school year with an All-City Arts Festival, which celebrated the arts and featured 120 schools and more than 4,000 students who showcased all art forms offered in MPS.

MPS continues to focus on building capacity among the schools that have limited extracurricular offerings. On an ongoing basis, the Administration met with school leaders to identify barriers develop a plan of action to ensure all students have equitable opportunities to access extracurriculars.

STRATEGIC OBJECTIVE 4: Rethink High Schools

The district made progress towards this goal through a number of targeted strategies, such as focusing on high school academics, structures, culture and climate; creating middle school leadership and student learning experiences; utilizing the Academic and Career Planning tool to support college and college readiness; and, offering advanced coursework and dual enrollment opportunities, and expanding summer programming and work-based learning experiences.

The projects within the objective four portfolio established a solid foundation for fall 2018. Our Middle School Collaborative planned professional development specifically tailored for traditional middle schools, and we developed a Culturally Responsive Citizenship curriculum that incorporates a high-quality service learning experience.

Because of our efforts, collaboration among the traditional middle school principals has increased and there has been a significant increase in the number of students participating in youth apprenticeships and internships.

Family and Community Engagement

The district remains committed to increasing meaningful family and community engagement through a variety of avenues. Our Divisions of Strategic Partnerships & Customer Service and Communications and Outreach have been instrumental in accomplishing this goal. We have increased participation in MPS Alumni events and opportunities, and have noted increased involvement in parent engagement including District Advisory Council (DAC) membership.

An update on the progress realized for this goal area and its strategic objectives for school year 2017-18 follows.

STRATEGIC OBJECTIVE 5: Re-envision Partnerships

The district's emphasis on securing partnerships expanded to include faith-based organizations. The Division of Strategic Partnerships & Customer Service established new outreach tools to help potential partners connect with the district. Some of these tools included a new Adopt-a-School database, a new Adopt-a-School postcard, and a new Interactive Partnership Map that shows where all schools are geographically located as well as each school's current partnerships.

The Strategic Partnerships team secured more than \$1.5 million in resources for the district through partnerships and grants. These resources included scholarships, sponsorships, in-kind support, material donations, partnerships and grants. Examples of grant and partnership funding included the Milwaukee Community Schools Partnership, My Very Own Library, and the Families and Schools Together (FAST) grant.

As a result of our efforts, the number of schools without a partner decreased by more than 50 percent during the 2017-18 school year.

STRATEGIC OBJECTIVE 6: Strengthen Communications Systems & Outreach Strategies

Connecting with our families and community stakeholders is essential to improving educational outcomes and to maintaining and growing our enrollment and district resources. Communication is critical to this effort and a key driver in building strong relationships.

As part of the spring 2018 rollout of the Five Priorities for Success, MPS created a survey to get feedback on the priorities and to provide a platform for stakeholders to provide input. This survey served to connect to and guide school programming, feeder patterns, and future communication with the community.

In June 2018, MPS launched an Enrollment Bus Campaign designed to meet families from throughout the city in their neighborhoods, answer questions they may have, and help them enroll their child into the best school choice for their family. As a result, we exceeded our 76,035 enrollment goal, enrolling more than 80,000 students for the 2018-19 school year prior to the start of the academic year.

Effective and Efficient Operations

In order to ensure that the classroom remains the most important place in the district, we continue to identify systems to realize greater operational efficiencies. These efforts have focused on our human resources, particularly on recruitment and retention, as well as improved organizational processes.

An update on the successes realized for the strategic objectives aligned to this goal area for school year 2017-18 follows.

STRATEGIC OBJECTIVE 7: Develop Our Workforce

With a focus on recruitment, retention, evaluation, employee wellness and diversity, the district continued to work towards making Milwaukee Public Schools an employer of choice. To support and encourage a diverse, healthy, highly-skilled, and engaged workforce, MPS implemented several key strategies, such as establishing an employee wellness steering committee, measuring the employee experience, adjusting salary ranges, and increasing recruitment efforts.

Employee wellness is a key strategy for recruiting and retaining staff. Therefore, an employee wellness steering committee was created and, for the second year, a district-wide measure of the employee experience was implemented.

The Workplace Well-being Questionnaire (WWQ) was administered to collect confidential data from our employees to ensure decisions are made to better address employee needs.

In addition to employee wellness, the financial and professional development needs of staff were reviewed. Last year, “The Road to \$15,” a plan designed to move all employees to a minimum hourly wage of \$15.00 per hour was implemented. Salary structures for teachers and educational assistants that have pathways for financial advancement were created. Additionally, pipeline programs—such as tuition assistance for educational assistants—to help current employees become teachers were developed. The “Grow our Own” program was expanded by increasing course offerings through Milwaukee Public Schools University (MPS-U) to provide more resources for current staff needing to obtain professional licenses or degrees.

Our employees are the best champions for our organization, and our ability to recruit and retain highly talented, skilled employees is an essential aspect of our ability to serve our schools and students. To address the statewide and national teacher shortage, we expanded our outreach efforts beyond Wisconsin. For example, stronger relationships with Historically Black Colleges and Universities (HBCUs) were built, and recruitment efforts in Puerto Rico and other international areas were expanded.

STRATEGIC OBJECTIVE 8: Improve Organizational Processes

Improving organizational processes requires a true culture shift. In fiscal year 2018, MPS initiated this culture shift by rallying each district office around strategic planning that connected day-to-day actions and project work to the district’s goals. After analyzing the progress of existing projects and initiatives, cross-functional strategic planning teams built projects focused on the Eight Big Ideas and their defined outcomes. This process in turn shifted and changed the culture.

MPS made great progress toward establishing a culture of project management and data-driven decision-making, with numerous examples where improved efficiency, effectiveness and equity through process alignment was achieved. For example, in addition to conducting school budget carousals, school facility carousals were implemented to better understand and prioritize school facility and maintenance needs. This process facilitated productive, two-way conversations between principals and central-office staff, resulting in better resource allocation and infrastructure alignment at both the school and district levels.

The district also advanced efforts to improve capacity, consistency and succession planning by establishing standard operating procedures. To assist in establishing, documenting and maintaining internal processes, we leveraged technology in new and innovative ways. To support this effort, Smartsheet was adopted as a tool for collaboration, information-sharing and process improvement.

ACCOUNTING SYSTEM

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions in a single accounting entity. Therefore, from a financial management viewpoint, a governmental unit is a combination of several distinctly different accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate “fund.” A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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

Management of the District is responsible for establishing and maintaining internal controls designed to ensure the assets of the District are protected from loss, theft, or misuse and to ensure that reliable and adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally

accepted in the United States of America. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROL

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

In accordance with the Wisconsin Department of Public Instruction's reporting requirements, the Board exercises control over budgeted amounts at the responsibility center level within the general, special revenue, and debt service funds. The capital projects fund is controlled at the project level. Additional budgetary control is maintained through the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders that exceed available budgetary balances are not released until additional funds are transferred to cover the purchase orders.

Board policy requires that all annual appropriations lapse at year-end except for the following: Excess budgetary authority for capital projects funds lapse into the capital projects fund when a specific project is completed; schools, with Board approval, are allowed to carry over appropriations into the following year up to a maximum of 1% of the total revised school budget; deficits incurred by schools automatically reduce subsequent year's budget appropriations; and, with Board approval, appropriations for special projects or planned purchases can be carried into the subsequent year. Additionally, at year-end, both encumbrance and budgetary authority necessary to offset the encumbrance may be automatically carried over to the next year. Annual Board approval for carryover of encumbrances is not required.

AUDIT SERVICES

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

LONG-TERM FINANCIAL PLANNING

The district is focused on improving its core business of educating Milwaukee's children. By determined focus on its core mission, the district intends to earn the support of the Milwaukee community and key stakeholders who will join us in ensuring that students in Milwaukee Public Schools receive excellent preparation for their futures. Specific strategies to guard the district's financial viability are as follows:

1. By providing a variety of high-performing educational programs, sensitive to the demand that families are demonstrating in their choices, MPS intends to maintain or grow its enrollment.
2. By continuing to build business and other community partnerships, MPS is leveraging talents and donations (financial and "in-kind") that are available from people who demonstrate care for the city's children.
3. As a school district, our success is entirely dependent on the day-to-day work of staff. Careful recruitment and hiring, well-researched professional development, and competitive compensation will enable retention of talent at all levels.
4. Disciplined budgeting and spending will continue to ensure that the district's fund balance is preserved, and that debt is at a manageable level compared to revenues. Forecasts are developed to adequately prepare for predictable ebbs and flows of resources, and expenditures are authorized to the level of available revenues. Expenditure monitoring and adjustment is part of the culture of MPS, with school and central service leaders

accountable for managing the resources in their scope of responsibility. An internal audit division is in place to guard against fraud or waste of the funds entrusted to MPS's care.

5. A proactive and enterprise-wide risk management strategy is in place to limit financial exposures for the district.
6. The district has a formal process of setting priorities for lobbying. Since public school districts are funded primarily through governmental funds, the Board, superintendent, and others work in concert to make sure legislators are aware of the special challenges of providing education in a high-poverty urban setting.
7. The administration is actively seeking ways to improve the efficiency and effectiveness of operations. MPS looks to other school districts and other industries for best-practice methodologies that will allow for meeting the needs of students with available resources.
8. The facilities master plan will be used as an action plan for maximizing the use of resources and for planning capital investment for improved programming and enhanced instructional delivery.

Strong efforts in community engagement and communications are planned to ensure that parents and other stakeholders are fully participating with MPS schools to meet the challenges of guaranteeing access, equity and opportunity for Milwaukee's children. The administration will continue to budget conservatively so as to have resources available when unexpected costs are incurred.

FINANCIAL POLICIES

The Board and administration have adopted policies and procedures that ensure effective and efficient use of the district's financial resources.

The following are key policies that ensure sound fiscal management:

MPS Administrative Policy 3.01 (1)

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

MPS Administrative Policy 3.01 (2) (a)

The following deadlines have been established by law:

1. Annually before adopting its budget for the next fiscal year and at least five days before transmitting its completed budget, the board shall hold a public hearing on the proposed budget.
2. At least one week before the public hearing, the board will publish a notice of the public hearing.
3. The board shall transmit its completed budget to the Common Council on or before the first Monday in August of each year on forms furnished by the auditing officer of the City of Milwaukee.

MPS Administrative Policy 3.03 (2)

Use of the unassigned fund balance shall require a two-thirds majority vote of the board and shall not impair interim financing (cash-flow borrowing) arrangements. Fund balance is a critical factor in the district's financial planning and budget process. The board will strive to maintain a fiscally responsible fund balance.

A sufficient fund balance shall be maintained in order to:

- avoid excessive borrowing;
- accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs; and
- demonstrate financial stability and therefore preserve or enhance the district's bond rating, thereby lowering debt issuance costs.

DEBT ADMINISTRATION

The City school bonds, notes and capital lease obligations outstanding at June 30, 2018 totaled \$409,575,178. Of this total, \$6,740,691 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 \$402,834,487 represents bonds, promissory notes and capital leases, the debt service of which is being reimbursed by the District from the District's property tax levy and pledged revenues. 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.

INDEPENDENT AUDIT

The financial records of the Milwaukee Board of School Directors have been audited by Baker Tilly Virchow Krause, LLP, independent auditors. The auditors' opinion is unmodified. Such an opinion states the basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The auditors' report on the basic financial statements and schedules is included in the financial section of this report.

In addition to a financial audit, Baker Tilly Virchow Krause, LLP performed an audit designed to meet the requirements of the Uniform Guidance and the state single audit guidelines. Information related to federal and state single audits are disclosed in separate reports.

REPORTING ACHIEVEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Milwaukee Public Schools for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. We believe that our current report conforms to the Certificate program requirements. Accordingly, we are submitting it to GFOA to determine its eligibility for certification.

ACKNOWLEDGMENTS

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

Respectfully submitted,

KEITH P. POSLEY, Ed.D.
SUPERINTENDENT OF SCHOOLS

MARTHA KREITZMAN
INTERIM CHIEF FINANCIAL OFFICER

BOARD OF SCHOOL DIRECTORS

DISTRICT	NAME	TERM EXPIRES
1	Mark Sain	April, 2019
2	Wendell J. Harris, Sr.	April, 2019
3	Vacant	April, 2019
4	Annie Woodward	April, 2021
5	Larry Miller	April, 2021
6	Luis A. (Tony) Báez	April, 2021
7	Paula Phillips	April, 2021
8	Carol Voss	April, 2019
At-Large	Terrence Falk	April, 2019

President – Mark Sain
Vice President – Larry Miller
Superintendent of Schools – Keith P. Posley, Ed.D.
Director, Office of Board Governance/Board Clerk – Jacqueline M. Mann, Ph.D.

STANDING COMMITTEES

STUDENT ACHIEVEMENT AND SCHOOL INNOVATION COMMITTEE

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

LEGISLATION, RULES AND POLICIES COMMITTEE

Directors Báez (Chair), Woodward (Vice-chair), Falk, Phillips, Sain

ACCOUNTABILITY, FINANCE AND PERSONNEL COMMITTEE

Directors Phillips (Chair), Sain (Vice-chair), Báez, Harris, Miller

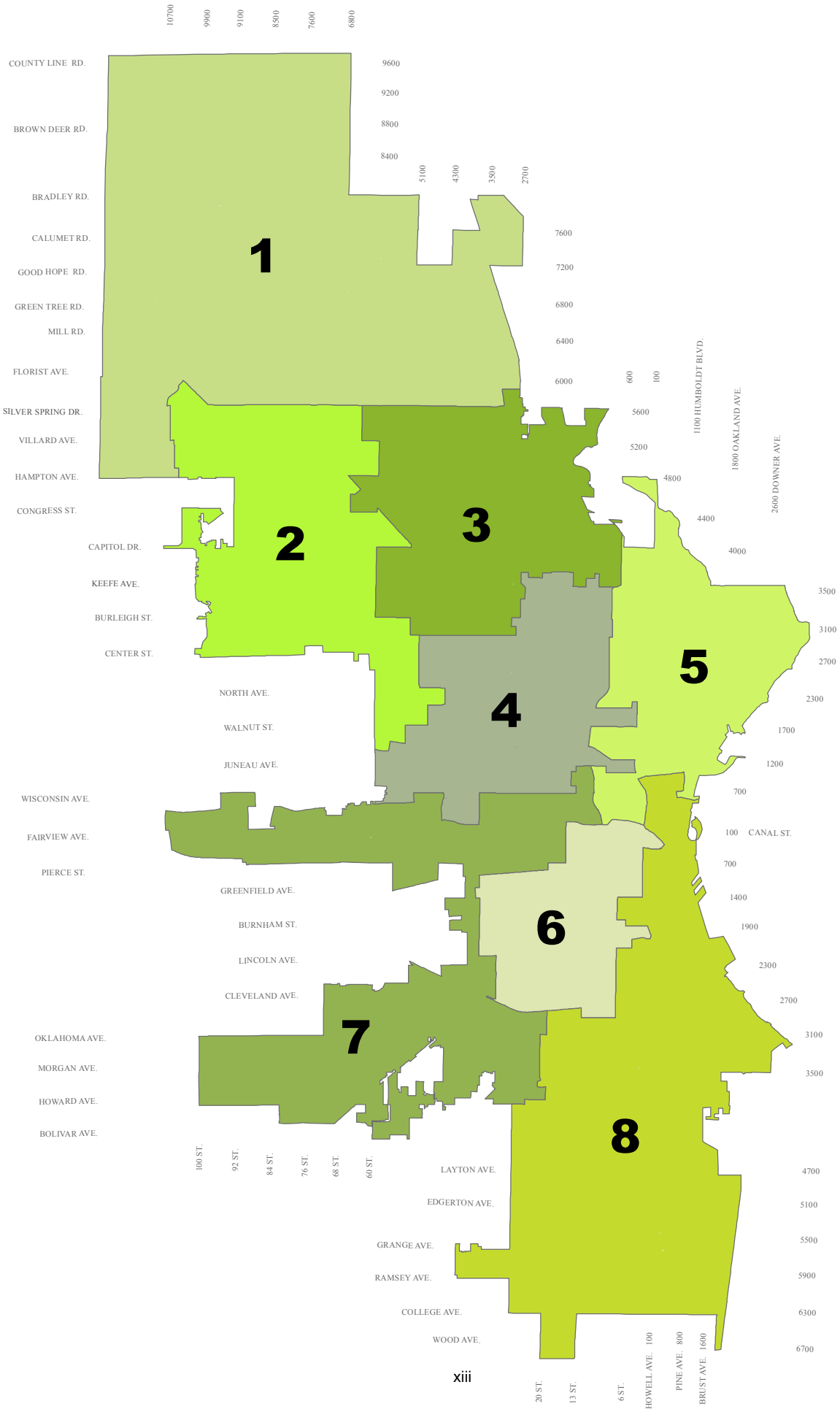
STRATEGIC PLANNING AND BUDGET COMMITTEE

Directors Miller (Chair), Voss (Vice-chair), Báez, Falk, Harris, Phillips,
Sain, Woodward

PARENT AND COMMUNITY ENGAGEMENT COMMITTEE

Directors Harris (Chair), Báez (Vice-chair), Sain, Voss, Woodward

MILWAUKEE SCHOOL BOARD DISTRICTS



**MILWAUKEE PUBLIC SCHOOLS
ADMINISTRATIVE OFFICERS**

SUPERINTENDENT OF SCHOOLS

Mr. Keith P. Posley, Ed.D.

Deputy Superintendent

Ms. Rosana Mateo, Ph.D.

Interim Deputy Superintendent

Mr. Christopher Hauser

Interim Chief Academic Officer

Mr. Jeremiah Holiday, Ph.D.

Interim Chief Human Resources Officer

Ms. Evangeline Sceptur

Interim Chief Financial Officer

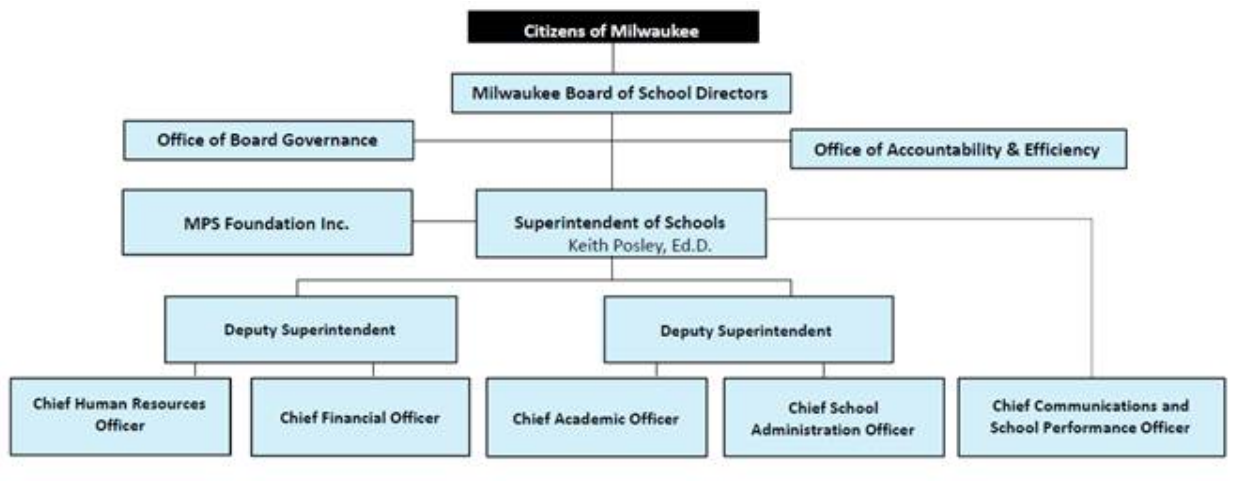
Ms. Martha Kreitzman

Chief School Administration Officer

Ms. Katrice Cotton, Ed.D.

Chief Communications & School Performance Officer

Ms. Marla Bronaugh



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Milwaukee Public Schools for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

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

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Board of School Directors
Milwaukee Public Schools, Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



MILWAUKEE
PUBLIC SCHOOLS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milwaukee Public Schools, Wisconsin, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Milwaukee Public Schools's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Directors
Milwaukee Public Schools

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milwaukee Public Schools, Wisconsin, as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, Milwaukee Public Schools adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Milwaukee Public Schools's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and 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 Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of Milwaukee Public Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milwaukee Public Schools's internal control over financial reporting and compliance.

Baker Tilly Voichow Krause, LLP

Milwaukee, Wisconsin
December 21, 2018

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

INTRODUCTION

This discussion and analysis of the financial performance of Milwaukee Public Schools (MPS or the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. The intent of the management discussion and analysis is to look at the financial performance of MPS as a whole. It should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

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

- Total net position of MPS increased by \$53.6 million (excluding the prior period adjustment for the implementation of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* [OPEB]). The increase was primarily due to OPEB which accounted for \$81.7 million of the increase offset by *GASB Statement No. 68, Accounting for Pensions* which accounted for a \$23.2 million decrease. The net position for MPS, as restated, was (\$423.7 million) at June 30, 2018, from (\$175.7 million) at June 30, 2017, a net decrease of approximately \$248 million, or 141.1%. The restatement of the beginning of the year net position due to OPEB resulted in a decrease of \$301.6 million.
- Total revenues increased to \$1.197 billion in fiscal year 2018 (FY18), up from \$1.189 billion in fiscal year 2017, an increase of approximately 0.7% or \$8 million. The increase is primarily attributable to \$15.2 million in categorical per pupil aid.
- Total expenses decreased to \$1.143 billion in fiscal year 2018 (FY18), down from \$1.285 billion in fiscal year 2017, a decrease of 11.1% or \$142 million. This decrease is primarily attributable to a \$81.7 million decrease in the net OPEB liability, a net pension liability decrease of \$40.1 million, a net pension asset increase of \$77.7 million, a \$40.7 million decrease in deferred outflows related to pensions, and a \$100.2 million increase to deferred inflows related to pensions.

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

- Total fund balances of the District's governmental funds increased \$2.4 million in fiscal year 2018. This increase included a \$4.8 million decrease in the General Fund, a \$2.7 million increase in the Construction Fund, a \$4.5 million increase in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The \$4.8 million decrease in the General Fund balance is primarily the result of \$3.4 million expenditure recognition of previously prepaid cost.
- The \$2.7 million increase in the Construction fund balance is mainly the result of \$34.9 million of issuance of debt for project improvements at various District schools, offset by other debt funded project construction costs.
- The \$4.5 million increase in the School Nutrition fund balance is attributable to increase in federal meal reimbursements due to the District's participation in the Community Eligibility Program (CEP) which provides a healthy breakfast and lunch at no charge to all students at MPS schools. The CEP program resulted in a reduction in lunch room sales.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

- Total fund balances for all governmental funds at June 30, 2018 were \$141.5 million. Of this amount, \$3.7 million was nonspendable, \$99.7 million was restricted for self-insurance, debt service, school nutrition services, long term capital investment and capital projects, \$6.8 million was committed for construction, \$7.8 million was assigned, and \$23.5 million remains unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

2. Basic Financial Statements

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

3. Required Supplementary Information (RSI)

- Budget-to-Actual Comparison
- Schedule of Proportionate Share of Net Pension Liability/(Asset)
- Schedule of Pension Employer Contributions
- Statement of Changes in Net Pension Liability and related ratios
- Statement of Changes in Net OPEB Liability and related ratios
- OPEB Schedule of Employer Contributions
- Schedule of Investment Returns
- Notes to Required Supplementary Information

Management's Discussion and Analysis section discusses the financial performance of MPS during the year ending June 30, 2018. It includes an overview of the financial statements of the District and a report on the budgetary highlights.

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

assets, deferred outflows, deferred inflows, and liabilities—is one way to measure the District's financial strength.

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

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

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire MPS entity (not including fiduciary funds)	Activities that are not proprietary or fiduciary; e.g. school operations, capital projects, and debt service	Activities where MPS acts as trustee or agent for another; e.g. employee retirement plans
Required financial statements	<ul style="list-style-type: none"> - Statement of net position - Statement of activities 	<ul style="list-style-type: none"> - Balance sheet - Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> - Statement of fiduciary net position - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets consumed and liabilities due in the current year, or soon after; no capital assets	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses occurring during the year, regardless when cash is received or paid	Revenues when cash is received by year-end, or soon after; expenditures when goods and services have been received and payment is due by year-end, or soon after	All revenues and expenses occurring during the year, regardless of when cash is received or paid

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

Fiduciary Funds — MPS is the trustee, or fiduciary, for its employees' pension plans. The District is also responsible for other assets that — because of a trust arrangement — can be used only for the trust beneficiaries. MPS is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position (Deficit)

Total net position decreased from the prior year by \$248 million. This decrease is primarily due to *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the amount of \$219.9 million and *GASB Statement No. 68, Accounting for Pensions* of \$23.2 million.

MPS ended its fiscal year with a net position (deficit) of (\$423.7) million, of which \$521.8 million was net investment in capital assets, \$77.7 million was restricted for pensions, and (\$1.0) billion was unrestricted deficit. The unrestricted deficit is primarily the result of a \$765.0 million OPEB liability. In November 2003, the MPS Board of School Directors took action to refinance the pension liability, which at that time was owed to the Wisconsin Retirement System. The District issued pension bonds in the amount of \$168.1 million to fully fund future employee pension benefits granted through collective bargaining. At June 30, 2018 the balance of the outstanding pension debt is \$189.4 million due to the pension financing including capital appreciation securities which accrete over time.

MILWAUKEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2018
(Unaudited)

Table 2
Condensed Statement of Net Position (Deficit)
(in thousands)

	Governmental Activities		
	2018	2017	Difference
Capital assets, net	\$ 655,822	\$ 645,602	\$ 10,220
Noncapital assets	286,827	206,859	79,968
Intangible assets	12,464	12,214	250
Total assets	955,113	864,675	90,438
Deferred outflows of resources	209,353	262,391	(53,038)
Total assets and deferred outflows of resources	1,164,466	1,127,066	37,400
Current liabilities	90,953	89,009	1,944
Noncurrent liabilities	1,274,693	1,076,189	198,504
Total liabilities	1,365,646	1,165,198	200,448
Deferred inflows of resources	222,565	137,614	84,951
Total liabilities and deferred inflows of resources	1,588,211	1,302,812	285,399
Net position (deficit):			
Net investment in capital assets	521,816	521,306	510
Restricted	77,903	-	77,903
Unrestricted (deficit)	(1,023,464)	(697,052)	(326,412)
Total net position (deficit)	\$ (423,745)	\$ (175,746)	\$ (247,999)

Capital Assets increased by \$10.2 million. The increase is the net result of Construction in Progress decreasing by \$22.4 million, Buildings, and Furniture increasing by \$54.7 million, and Accumulated Depreciation increasing by \$22.1 million.

Deferred outflows decreased by \$53.0 million. The decrease is the result of *GASB Statement No. 68, Accounting for Pensions* which accounted for \$40.7 million of the decrease and a \$13.0 million decrease in deferred cash flow hedges.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

Notable changes in Noncapital Assets is the result of *GASB Statement No. 68, Accounting for Pensions* which accounted for \$77.7 million of the increase. The \$77.7 million increase in WRS is currently an asset and not a liability as was reported in FY17.

Deferred inflows increased by \$85.0 million. The increase is primarily due to *GASB Statement No. 68, Accounting for Pensions* which accounted for \$100.2 million offset by a decrease of \$13.0 million in derivative instruments.

Current liabilities increased \$1.9 million in the current year. This is primarily due to \$3.1 million increases in accounts payable and other liabilities offset by a \$1.2 million decrease in current portion of long-term obligations.

A notable change in Noncurrent liabilities is the result of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which accounted for \$219.9 million of the increase.

Statement of Activities

Table 3 shows that on a government-wide basis, the District ended fiscal year 2018 with an increase in net position of \$53.6 million, compared to a decrease of \$96.4 million in fiscal year 2017.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

Table 3

Schedule of Revenues and Expenses

(in thousands)

	Governmental Activities		
	2018	2017	Difference
Program revenues:			
Charges for services	\$ 26,375	\$ 23,042	\$ 3,333
Operating grants and contributions	304,570	286,305	18,265
Capital grants and contributions	10,361	16,065	(5,704)
Total program revenues	341,306	325,412	15,894
General revenues:			
Property taxes	272,115	281,169	(9,054)
Other taxes	597	841	(244)
Federal and state aid	579,961	578,845	1,116
Interest and investment earnings	1,295	1,322	(27)
Miscellaneous	1,745	1,071	674
Total general revenues	855,713	863,248	(7,535)
Total revenues	1,197,019	1,188,660	8,359
Expenses:			
Instruction	593,089	724,642	(131,553)
Community services	30,630	31,771	(1,141)
Pupil and staff services	149,962	150,133	(171)
General administration	124,578	125,109	(531)
Business services	176,621	180,855	(4,234)
School nutrition	49,720	49,625	95
Interest on long-term debt	18,744	22,490	(3,746)
Bond issuance cost	33	408	(375)
Total expenses	1,143,377	1,285,033	(141,656)
Increase (decrease) in net position	53,642	(96,373)	150,015
Net Position (Deficit)-Beginning of Year (as restated)	(477,387)	(79,373)	(398,014)
Net Position (Deficit)-End of Year	\$ (423,745)	(175,746)	(247,999)

The net position for MPS, as restated, was (\$423.7 million) at June 30, 2018, from (\$175.7 million) at June 30, 2017, a net decrease of approximately \$248 million, or 141.1%. The restatement of the beginning of the year net position due to for the implementation of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* resulted in a decrease of \$301.6 million.

Total revenues increased \$8.4 million or 0.7% over the prior year. The greatest changes came in the area of Program-Operating grants and contributions. Operating grants and contributions increased by \$15.2 million due to increase in categorical per pupil aid.

Total expenses decreased by \$142 million, or 11.0%. This decrease is primarily attributable to a \$81.7 million decrease in the net OPEB liability, a net pension liability decrease of \$40.1 million, a net pension asset increase of \$77.7 million, a \$40.7 million decrease in deferred outflows related to pensions, and a \$100.2 million increase to deferred inflows related to pensions.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

Capital Assets

Table 4 shows that at June 30, 2018 MPS had \$1.313 billion in capital and intangible assets including Land, Construction in Progress, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of \$25 million from the previous year. The primary driver of this increase is Buildings which rose \$54 million.

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

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital and intangible assets:				
Land	\$ 30,632	\$ —	\$ 106	\$ 30,526
Construction in progress	27,105	34,823	57,116	4,812
Buildings	1,103,367	57,116	3,120	1,157,363
Leasehold improvements	12,219	—	—	12,219
Furniture and equipment	53,270	1,630	913	53,987
Software	61,640	4,034	11,318	54,356
Total capital and intangible assets	1,288,233	97,603	72,573	1,313,263
Accumulated depreciation and amortization	(630,417)	(28,438)	(13,878)	(644,977)
Total Capital and intangible assets, net	\$ <u>657,816</u>	\$ <u>69,165</u>	\$ <u>58,695</u>	\$ <u>668,286</u>

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

Long-term Debt

Long-term debt at June 30, 2018 was \$402.8 million with debt retirements totaling \$14.9 million.

Table 5

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

	July 1, 2017	Issuances	Retirements	June 30, 2018
Governmental activities:				
Americans with Disabilities				
Act loans	\$ 2,025	\$ —	\$ 337	\$ 1,688
Neighborhood School				
Initiative bonds	57,519	—	8,359	49,160
Qualified School Construction Bonds	34,674	—	3,347	31,327
Pension refinancing debt	188,882	—	(524)	189,406
Capital leases	91,262	34,933	1,902	124,293
Other intergovernmental debt	8,412	—	1,452	6,960
Total debt	\$ 382,774	\$ 34,933	\$ 14,873	\$ 402,834

The Neighborhood School Initiative (NSI) debt is part of a state of Wisconsin-sponsored program intended to increase the capacity and improve the quality of Milwaukee's neighborhood schools. The outstanding debt is in the form of revenue bonds issued by the Redevelopment Authority of the City of Milwaukee on behalf of MPS, and is secured through bond insurance and a moral obligation pledge by the state of Wisconsin. A total of \$112,040,000 of NSI debt was issued, with the first tranche issued in February 2002 (Series 2002A) in the amount of \$33,300,000, and the second tranche sold on November 5, 2003 (Series 2003A) in the amount of \$78,740,000. On February 1, 2007 MPS completed an advance refunding of \$29,260,000 of the second tranche (Series 2003A) and also retired \$5.1 million of bonds from that same tranche. On May 6, 2013, the District, through RACM, issued \$45,570,000 of Refunding Revenue Bonds for a current refunding of Series 2002 and Series 2003 bonds callable on August 1, 2013. This resulted in a \$6.4 million gain for the district over the life of the refunded debt. On June 29, 2017, the District, through RACM, issued \$29,095,000 of Refunding Revenue Bonds for a current refunding of \$31,865,000 of Series 2007 bonds callable on August 1, 2017. This resulted in a \$3.0 million gain for the district over the life of the refunded debt. Approximately \$8.4 million of NSI debt was retired in fiscal year 2018.

In December 2003, the city of Milwaukee, in connection with an intergovernmental cooperation agreement, issued \$168,051,136 in bonds on behalf of the District to refund pension-related debt for the Wisconsin Retirement System totaling \$165,505,293. In June 2006, MPS spent \$5.9 million to retire \$8.5 million of face value pension-related capital appreciation notes. The fiscal year 2018 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

On June 30, 2015, the District entered into \$38,000,000 of new capital lease obligations to fund major modifications/improvements at various school facilities, the complete demolition and construction of a new athletic facility at South Stadium, and the complete modernization of the athletic facility at Custer Stadium.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

The financing vehicle for the capital lease was lease revenue bonds, designated as Qualified School Construction Bonds (QSCB), issued through the Redevelopment Authority of the City of Milwaukee (RACM). Of note, under current law, the interest on the \$38.0 million of capital leases is partially reimbursed to the District by the federal government.

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

On December 28, 2017, the District entered into \$34,933,000 of new capital lease obligations to fund major modifications/improvements at various school facilities. The financing vehicle for the capital leases were two tranches of lease revenue bonds issued through the Redevelopment Authority of the City of Milwaukee (RACM). One tranche was \$10,000,000 of the new leases that were designated Qualified School Construction Bonds (QSCB), tax credit bonds with interest on the debt paid by the IRS via tax credits to the lender. The second tranche was \$24,933,000 of the new leases that were also designated Qualified School Construction Bonds (QSCB), tax credit bonds with interest on the debt partially paid by the IRS via tax credits to the lender.

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

FUND FINANCIAL STATEMENTS

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

- The year-end General fund balance decreased \$4,769,041 over the prior year-end. The decrease in the General fund balance is primarily the result of \$3.4 million expenditure recognition of previously prepaid cost.
- The \$2,697,073 increase in the Construction fund balance is the result of \$34.9 million of issuance of debt for project improvements at various District schools, offset by other debt funded project construction costs.
- The \$4,520,672 increase in the School Nutrition fund balance is attributable to increase in federal meal reimbursements due to the District's participation in the Community Eligibility Program (CEP) which provides a healthy breakfast and lunch at no charge to all students at MPS schools. The CEP program resulted in a reduction in lunch room sales.

NOTES TO BASIC FINANCIAL STATEMENTS

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

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

BUDGETARY HIGHLIGHTS

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

In May 2017, the MPS Board of School Directors (the Board) adopted the District's fiscal 2018 budget (July 1, 2017 – June 30, 2018). The adopted budget by necessity used a *projection* of the fiscal 2018 student enrollment. In October 2017, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2017, as required by Wisconsin State Statute. The October amendment process is important to MPS in that its two principal revenue sources, state general aids and property taxes, are predicated on actual MPS enrollment.

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

In October 2017, the Board approved a revised fiscal year 2018 (FY18) General Fund expenditure budget in the amount of \$1,122,323,349. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY18 were over 97% of the FY18 revised General Fund budget.

Current Economic Facts and Next Year's Budget

In October 2018, the MPS Board approved a revised FY19 General Fund budget of \$1,125,053,285. The FY19 budget includes prior year encumbrances and carryover appropriation authority and is **down 1.8%** from the FY18 General Fund Budget.

The District's revenue limit for FY19 is \$805,494,820, a \$16.9 million or 2.1% decrease below FY18. The FY19 revenue limit is based on prior year revenues, three-year enrollment trends and other factors determined by the biennial state budget process.

State general aids, primarily equalization aid, increased 1.6% to \$562,909,649. Equalization aid is based on the following: (1) expenditures and enrollment of the prior year, (2) district property values, which the State considers to be a measure of community wealth. The MPS aid required for Milwaukee Parental Choice Program (MPCP) in FY19 is \$36.3 million.

The MPS District-Wide FY19 Amended Adopted Budget totals \$1,187,180,618. This is 0.3% more than the FY18 Amended Adopted Budget of \$1,184,236,760. The modest increase is partially due to an increase in equalization and integration aids.

Approximately 88 cents of every dollar budgeted in the School Operations Fund has been allocated for educating the City of Milwaukee children. Education is provided through MPS traditional and charter schools, open enrollment or with MPS contracted schools. Six cents of every dollar budgeted has been allocated for non-school-based staff and services. The remaining six cents of every dollar are for costs that are necessary to run schools such as utilities, insurance, technology licenses and debt repayment.

MILWAUKEE PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

(Unaudited)

District total enrollment, based on Third Friday September 2018 counts, is 80,787. This is down 1.5% from FY18. Enrollment in the District's Traditional, Charter, and Non-Instrumentality Charter Schools enrollment is down 0.6% from FY18 to FY19.

The 2018-19 Budget reflects the district's ongoing commitment to fiscal responsibility and an emphasis on student achievement. Resources have been allocated to minimize the impact of reductions that would negatively impact instruction and support in the classroom. The district is expanding summer school as well as city-wide programs to serve youth in non-school hours.

REQUESTS FOR INFORMATION

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

Milwaukee Public Schools

Office of Finance

5225 West Vliet Street

Milwaukee, WI 53208

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

**BASIC FINANCIAL
STATEMENTS**

MILWAUKEE PUBLIC SCHOOLS

Statement of Net Position (Deficit)

As of June 30, 2018

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets:	
Cash and investments (note 2)	\$ 62,205,031
Accounts receivable, net (note 3)	8,298,679
Due from other governments (note 3)	50,620,344
Inventory and other assets (note 1(g))	2,073,707
Prepaid items (note 1(g))	37,788
Total current assets	<u>123,235,549</u>
Noncurrent assets:	
Restricted cash and investments (note 1(d))	81,995,888
Deposits for self-insurance (note 1(l))	3,890,011
Capital assets not being depreciated (note 5)	35,337,093
Capital assets being depreciated, net (note 5)	620,485,297
Intangible assets not being amortized (note 5A)	4,512,613
Intangible assets being amortized, net (note 5A)	7,951,156
Restricted net pension assets WRS (note 9)	77,705,344
Total noncurrent assets	<u>831,877,402</u>
Deferred outflows of resources:	
Deferred loss on refunding	624,692
Deferred cash flow hedges - unrealized loss on derivatives (note 7)	38,014,000
Related to pension - WRS	129,220,466
Related to pension - ERS	33,664,461
Related to pension - ASC & Teachers Supplementals	7,829,119
Total assets and deferred outflows of resources	<u>1,164,465,689</u>
Liabilities and Deferred Inflows of Resources	
Current liabilities:	
Accounts payable and other current liabilities	63,810,547
Accrued interest payable on long-term liabilities	566,235
Current portion of long-term obligations (note 7)	26,576,518
Total current liabilities	<u>90,953,300</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations (note 7)	1,153,518,844
Net Pension Liability - ERS	45,852,000
Net Pension Liability - ASC & Teachers Supplementals	75,322,416
Total noncurrent liabilities	<u>1,274,693,260</u>
Deferred inflows of resources:	
Deferred gain on refunding	14,651
Deferred revenue	2,377,674
Derivative instruments liability (note 7)	38,014,000
Related to pension - WRS	153,179,149
Related to pension - ERS	20,373,000
Related to pension - ASC & Teachers Supplementals	8,606,142
Total liabilities and deferred inflows of resources	<u>1,588,211,176</u>
Net Position (Deficit)	
Net investment in capital assets (note 1(p))	521,815,805
Restricted for debt service	197,549
Restricted for pensions	77,705,344
Unrestricted (Deficit)	<u>(1,023,464,185)</u>
Total net position (deficit)	\$ <u><u>(423,745,487)</u></u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2018

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Capital grants and contributions</u>	<u>Net (expenses) revenues and changes in net position</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>		
Governmental activities:					
Instruction	\$ 593,089,063	14,305,797	213,842,096	10,360,627	(354,580,543)
Support services:					
Community services	30,629,716	4,698,959	11,937,638	—	(13,993,119)
Pupil and staff services	149,961,599	—	17,714,954	—	(132,246,645)
General, administration, and central services	124,577,548	—	—	—	(124,577,548)
Business services	176,621,387	6,645,835	7,861,714	—	(162,113,838)
School nutrition services	49,719,699	724,006	53,213,246	—	4,217,553
Interest on long-term debt	18,743,854	—	—	—	(18,743,854)
Bond issuance costs	33,114	—	—	—	(33,114)
Total support services	550,286,917	12,068,800	90,727,552	—	(447,490,565)
Total school district	\$ 1,143,375,980	26,374,597	304,569,648	10,360,627	(802,071,108)
General revenues:					
Taxes:					
Property taxes levied for general purposes					242,639,539
Property taxes levied for construction					3,904,580
Property taxes levied for debt service					5,570,269
Property taxes levied for community services					20,000,000
Other taxes					597,492
Federal and state aid not restricted to a specific purpose:					
General (equalization aid)					523,855,062
Other					56,105,633
Miscellaneous					1,744,974
Interest and investment earnings					1,295,467
Total general revenues					855,713,016
Change in net position					53,641,908
Net position—Beginning of Year (as restated) (deficit)					(477,387,395)
Net position—Ending of Year (deficit)					\$ (423,745,487)

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet
Governmental Funds
As of June 30, 2018

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)	\$ 53,625,508	8,579,523	—	—	62,205,031
Receivables, net:					
Accounts (note 3)	8,098,679	200,000	—	—	8,298,679
Due from other governmental units (note 3)	41,606,599	—	6,085,037	2,928,708	50,620,344
Due from other funds (note 4)	—	6,545,414	11,745,145	—	18,290,559
Total receivables	49,705,278	6,745,414	17,830,182	2,928,708	77,209,582
Restricted cash and investments (note 1(d))	762,365	81,233,523	—	—	81,995,888
Inventories and other assets (note 1(g))	2,073,707	—	—	—	2,073,707
Prepaid items (note 1(g))	37,788	—	—	—	37,788
Deposits for self-insurance (note 1(l))	3,890,011	—	—	—	3,890,011
Total assets	\$ 110,094,657	96,558,460	17,830,182	2,928,708	227,412,007
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 27,005,414	8,338,139	1,783,456	276,309	37,403,318
Accrued salaries and wages	3,617,166	—	—	—	3,617,166
Accrued claims for self-insurance (note 8)	17,614,075	—	—	—	17,614,075
Accrued pension payable (note 9)	5,160,617	—	—	—	5,160,617
Other accrued expenditures	15,371	—	—	—	15,371
Due to other funds (note 4)	15,640,149	—	—	2,650,410	18,290,559
Total liabilities	69,052,792	8,338,139	1,783,456	2,926,719	82,101,106
Deferred inflow of resources (note 1(o))					
Unavailable revenue	1,427,287	—	—	—	1,427,287
Deferred revenue	2,175,397	200,000	288	1,989	2,377,674
Total deferred inflow of resources	3,602,684	200,000	288	1,989	3,804,961
Fund balances:					
Non-Spendable					
Noncurrent Receivable	1,596,592	—	—	—	1,596,592
Inventories and other assets	2,073,707	—	—	—	2,073,707
Prepaid items	37,788	—	—	—	37,788
Restricted:					
Self-insurance deposits	3,890,011	—	—	—	3,890,011
Debt service	762,365	1,419	—	—	763,784
Restricted for capital projects	—	78,473,037	—	—	78,473,037
School Nutrition Services	—	—	13,776,344	—	13,776,344
Long Term Capital Investment Fund	—	2,759,067	—	—	2,759,067
Committed:					
Construction	—	6,786,798	—	—	6,786,798
Assigned for 2019 budget appropriation	5,483,590	—	2,270,094	—	7,753,684
Unassigned	23,595,128	—	—	—	23,595,128
Total fund balances	37,439,181	88,020,321	16,046,438	—	141,505,940
Total liabilities, deferred inflows of resources and fund balances	\$ 110,094,657	96,558,460	17,830,182	2,928,708	227,412,007

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, 2018

Total fund balances—governmental funds	\$	141,505,940
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		610,041
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	\$ 1,258,906,916	
Accumulated depreciation	<u>(603,084,526)</u>	
Net capital assets		655,822,390
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	\$ 54,354,997	
Accumulated amortization	<u>(41,891,228)</u>	
Net intangible assets		12,463,769
Net Pension assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		77,705,344
Deferred outflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds		170,714,046
Net Pension Liabilities used in the governmental activities are not financial uses and, therefore, are not reported as liabilities in the governmental funds		(121,174,416)
Grant and other receivables that are not collected within 90 days after year-end are not considered to be available to pay for the current period's expenditures and, therefore, are unearned in the funds		1,427,287
Deferred inflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds		(182,158,291)
Long-term liabilities (including bonds payable) are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable	(347,657,959)	
Bonds premium and discounts	(6,146,153)	
Discount on capital appreciation bonds	75,263,010	
Capital leases payable	(124,293,385)	
Accrued interest payable	(566,235)	
Compensated absences payable (vacation and sick leave)	(10,035,912)	
OPEB obligation	(764,979,521)	
Workers' compensation claims payable	(1,162,682)	
Self-insurance claims payable	(297,709)	
Life insurance benefits and other long-term liabilities	<u>(785,051)</u>	
Total long-term debt liabilities		<u>(1,180,661,597)</u>
Total net position—government activities (deficit)	\$	<u><u>(423,745,487)</u></u>

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, 2018

	<u>General</u>	<u>Capital Projects Construction</u>	<u>Special Revenue School Nutrition Services</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Revenues:					
Property tax levy	\$ 262,639,539	3,904,580	—	5,570,269	272,114,388
Other taxes	597,275	217	—	—	597,492
Lunchroom sales	—	—	723,832	—	723,832
Other local sources	30,619,633	1,992,867	167	—	32,612,667
State aid:					
Equalization aid	523,855,062	—	—	—	523,855,062
Special classes	46,082,609	—	—	—	46,082,609
Integration	30,368,152	—	—	—	30,368,152
Other state aid	83,882,693	—	995,506	—	84,878,199
Federal aid:					
Education Consolidation Improvement Act	70,743,913	—	—	—	70,743,913
School nutrition services	—	—	50,927,013	—	50,927,013
Erate refunds	5,836,244	—	—	—	5,836,244
Other federal aid	46,112,061	—	1,290,726	23,461,281	70,864,068
Miscellaneous	1,736,469	291,114	25,819	—	2,053,402
Interest and investment earnings	4,737,063	565,194	—	—	5,302,257
Total revenues	<u>1,107,210,713</u>	<u>6,753,972</u>	<u>53,963,063</u>	<u>29,031,550</u>	<u>1,196,959,298</u>
Expenditures:					
Current:					
Instructional services:					
Undifferentiated curriculum	351,822,598	—	—	—	351,822,598
Regular and other curriculum	134,543,176	—	—	—	134,543,176
Special curriculum	143,737,974	—	—	6,035,310	149,773,284
Total instructional services	<u>630,103,748</u>	<u>—</u>	<u>—</u>	<u>6,035,310</u>	<u>636,139,058</u>
Community services					
Pupil and staff services	29,562,731	—	—	—	29,562,731
General and school building administration	126,899,702	—	—	17,425,971	144,325,673
Business services	118,247,463	—	—	—	118,247,463
School nutrition services	169,461,590	8,135,182	—	—	177,596,772
Capital Outlay	9,268,322	31,067,061	49,365,227	—	49,365,227
Debt Service:	—	—	77,164	—	40,412,547
Principal	—	—	—	15,391,555	15,391,555
Interest	—	—	—	18,581,798	18,581,798
Bond administrative fees	—	—	—	33,114	33,114
Total expenditures	<u>1,083,543,556</u>	<u>39,202,243</u>	<u>49,442,391</u>	<u>57,467,748</u>	<u>1,229,655,938</u>
Excess of revenues over (under) expenditures	<u>23,667,157</u>	<u>(32,448,271)</u>	<u>4,520,672</u>	<u>(28,436,198)</u>	<u>(32,696,640)</u>
Other financing sources (uses):					
Transfers In (Out)	(28,436,198)	—	—	28,436,198	—
Capital leases issued	—	34,933,000	—	—	34,933,000
Insurance Proceeds	—	12,344	—	—	12,344
Proceeds from the sale of capital assets	—	200,000	—	—	200,000
Total other financing sources (uses)	<u>(28,436,198)</u>	<u>35,145,344</u>	<u>—</u>	<u>28,436,198</u>	<u>35,145,344</u>
Net change in fund balances	<u>(4,769,041)</u>	<u>2,697,073</u>	<u>4,520,672</u>	<u>—</u>	<u>2,448,704</u>
Fund balances:					
Beginning of year	42,208,222	85,323,248	11,525,766	—	139,057,236
End of year	<u>\$ 37,439,181</u>	<u>88,020,321</u>	<u>16,046,438</u>	<u>—</u>	<u>141,505,940</u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances—total governmental funds	\$	2,448,704
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlay reported in governmental fund statements	\$	40,412,547
Depreciation and amortization expense reported in the statement of activities		<u>(28,438,225)</u>
Amount by which capital outlays are more than depreciation and amortization in the current period		11,974,322
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position		(1,504,282)
Refunding of debt (gains)/loss amortized in the current period		(134,560)
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		(150,585)
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		77,705,344
Net pension liabilities		40,092,940
Deferred outflows of resources related to pensions		(40,742,653)
Deferred inflows of resources related to pensions		(100,224,439)
Bond, note, and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Debt issued:		
Bonds, notes and capital leases	(34,933,000)	
Repayments:		
Bonds, notes and capital leases	<u>17,213,011</u>	
Net adjustment		(17,719,989)
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	357,055	
Accretion of interest on capital appreciation bonds	(3,684,244)	
Amortization of bond premium, discount and refunding deferred	1,343,677	
Net decrease in compensated absences payable (vacation and sick pay)	(360,699)	
Net decrease in workers' compensation claims payable	2,464,546	
Net decrease in OPEB liability	81,748,808	
Net increase in general insurance claims payable	<u>27,963</u>	
Net adjustment		<u>81,897,106</u>
Change in net position of governmental activities	\$	<u><u>53,641,908</u></u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Fiduciary Net Position

As of June 30, 2018

Assets	Pension and Other Post Employment Benefits trusts	Private purpose trust	Agency
Deposits with City of Milwaukee and other cash (note 2)	\$ —	—	6,201,147
Investments (note 2)	—	1,579,712	—
Money market accounts	20,555,092	—	—
Fixed Income	41,118,341	—	—
Equity Funds	68,765,617	—	—
Mortgage-backed securities	60	—	—
Nongovernment obligations	10,398,360	—	—
Investment with the State of Wisconsin	192,022,212	—	—
Receivables-interest and contributions	430,548	—	—
Total assets	<u>333,290,230</u>	<u>1,579,712</u>	<u>6,201,147</u>
Liabilities			
Accounts payable and accrued expenses	7,312,610	—	—
Due to student organizations	—	—	6,201,147
Total liabilities	<u>7,312,610</u>	<u>—</u>	<u>6,201,147</u>
Net Position			
Net Position restricted for:			
Pensions	325,977,620	—	—
Endowments	—	1,579,712	—
Total net position	<u>\$ 325,977,620</u>	<u>1,579,712</u>	<u>—</u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

	Pension and Other Post Employment Benefits trusts	Private purpose trust
Additions:		
Employer contributions	\$ 61,750,565	—
Participants contributions	3,963,123	—
Private donations	—	126,408
Interest income	—	3,678
Investment income:		
Net investment from the State of Wisconsin:		
Core Retirement Investment Trust Fund	13,264,325	—
Variable Retirement Trust Fund	2,448,709	—
Unrealized Gains/(Loss) on Investments, net	(4,938,718)	—
Net investment income from other investments	13,765,123	—
Total investment income:	24,539,439	—
Investment expenses	(19,777)	—
Net investment income	24,519,662	—
Total additions	90,233,350	130,086
Deductions:		
Benefits paid to participant's or beneficiaries	70,834,805	—
Distribution of participant contribution accounts	51,381	—
Administrative expenses	458,968	—
Scholarships and awards	—	168,341
Total deductions	71,345,154	168,341
Changes in net position	18,888,196	(38,255)
Net position—beginning of year	307,089,424	1,617,967
Net position—end of year	\$ 325,977,620	1,579,712

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

(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,

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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.

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For the Year Ended June 30, 2018

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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

(c) *Measurement Focus and Basis of Accounting*

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

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

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

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

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

(d) *Restricted Assets*

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

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For the Year Ended June 30, 2018

(e) *Receivables*

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

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

(f) *Investments*

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

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

(g) *Inventories, Other Assets and Prepaid Items*

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

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

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For the Year Ended June 30, 2018

(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.

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For the Year Ended June 30, 2018

(k) *Compensated Absences*

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

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

(l) *Insurance Deposits*

The District has recorded deposits in the general fund for self-funded health insurance and current life insurance obligations and a restriction of fund balance aggregating \$3,890,011 at June 30, 2018 to provide for payment of future claims.

(m) *Bond Premiums and Discounts*

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

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

(n) *Claims and Judgments*

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

(o) *Deferred Inflows of Resources*

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. The deferred balances consist mainly of General Fund – primarily unavailable grant revenues of \$1.4 million and available grants of \$2.4 million which includes a long term receivable of \$200,000 in the Construction Fund.

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(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, 2018 includes the following:

	Governmental Activities
Net investment in capital assets	
Land	\$ 30,525,835
Construction in progress	4,811,258
Intangible assets work in progress	4,512,613
Other capital assets, net of accumulated depreciation/amortization	628,436,453
Less: unamortized debt premium/discount	(6,146,153)
Less: related long-term debt outstanding (net of unspent proceeds of debt)	(140,934,242)
Add: unamortized loss/gain on refunding	610,041
Total net investment in capital assets	\$ 521,815,805

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

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

(q) Fund Balance

Governmental fund balances are displayed as follows:

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

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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) and additions to/deductions from WRS' & ERS' fiduciary net position have been determined on the same basis as they are reported by WRS & ERS. For this purpose, benefit payments (including refunds on employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(t) 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

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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.

(u) New Accounting Pronouncements

In June 2015, the GASB issued Statement No 75 – *Accounting and Financial Reporting for Postemployment Benefits and Other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This standard was implemented July 1, 2017.

(2) Deposits and Investments

District’s Deposits and Investments, Exclusive of Pension Trusts

	Carrying Value	Bank Balance
Cash at the City	\$ 57,606,242	\$ 56,387,834
Demand deposits	12,379,648	24,944,288
Money market funds	98,499,464	124,170,572
Fixed Income Funds	41,118,341	41,118,341
Equity Funds	68,765,617	68,765,617
Total Cash and Investments	\$ 278,369,312	\$ 315,386,652
Reconciliation to financial statements		
Per statement of net position		
Unrestricted cash and investments	\$ 62,205,031	
Restricted cash and investments	81,995,888	
Per statement of net position – Fiduciary Funds		
Private purpose trust	1,579,711	
Other post employment benefits trust	126,387,535	
Agency	6,201,147	
Total Cash and Investments	\$ 278,369,312	

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.

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- Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- The state of Wisconsin local government pooled investment fund.
- Bonds or securities of any county, city, drainage district, vocational or technical college, village, town or school district in Wisconsin, local exposition district, local professional baseball park district, local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, local cultural arts district, or Wisconsin Aerospace Authority.
- Fully collateralized repurchase agreements.
- Any security that matures within 7 years and has a credit rating which is the highest or second highest rating assigned by Standard & Poor's corporation, Moody's investor service, or other similar nationally recognized rating agencies.
- No-load securities of open-end, registered, management investment companies or investment trusts investing in bonds and securities issued by or guaranteed by the federal government or a commission, board or other instrumentality of the federal government.

The District has funds invested in money market funds, fixed income and equity funds. \$41,118,341 Fixed Income Funds are rated range from AAA to D/NR (Standard & Poors and Fitch). The \$68,765,617 Equity Funds are rated 5 to 3 stars (Morningstar).

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

As of June 30, 2018, the District had the following investments, shown with their maturities.

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>	<u>Less Than 1</u>
Fixed Income Funds		\$ 41,118,341	\$ 41,118,341
Equity Funds		68,765,617	68,765,617
		<u>\$ 109,883,958</u>	<u>\$ 109,883,958</u>

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

At year-end the District's demand deposit balance (exclusive of funds held and controlled by the treasurer of the City) was \$24,944,288. Of the \$24,944,288 bank balance, \$1,774,504 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and \$23,169,784 was uninsured. MPS is a beneficiary of an Irrevocable Standby Letter of Credit (LC) with the Federal Home Loan Bank (FHLB) for \$25,000,000 for the benefit of the Milwaukee Public Schools and is intended to collateralize deposit accounts that Milwaukee

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For the Year Ended June 30, 2018

Public Schools has established at US Bank, which accounts are Public Unit Deposits as defined under applicable laws and regulations of the State of Wisconsin. The second Letter of Credit with the Federal Home Loan Bank (FHLB) is for \$26,500,000 and is for the benefit of Milwaukee Public Schools and is intended to collateralized deposit accounts that Milwaukee Public Schools has established at JPMorgan, which accounts are Public Unit Deposits as defined under applicable laws and regulations of the State of Wisconsin. Balances at JP Morgan that would exceed FDIC insurance, WI insurance, and the FHLB LC are collateralized through a deposit security agreement or have posted securities at 102% of the UST and Agency securities. However, the collateral and posted securities are not held in the Districts' name but are allocated to the District. As such, the deposits are considered uncollateralized. Therefore, \$23,169,784 is uninsured and collateralized by securities held by a third party not in the District's name.

The money market funds total \$124,170,572 of which \$121,411,505 is uninsured and uncollateralized and \$2,759,067 is uninsured and collateralized by securities held by a third party not in the District's name.

The remaining investments of fixed income funds and equity funds are also uninsured or uncollateralized.

Funds held and controlled by the treasurer of the City are insured by the FDIC and the Wisconsin Public Deposit Guarantee Fund. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (excluding interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. Milwaukee Public Schools' deposits with the City Treasurer for investments are all insured or collateralized on June 30, 2018.

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

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

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

<u>Investment Type</u>	<u>June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled Fixed Income Funds	\$ 41,118,341	\$ -	\$ -	\$ 41,118,341
Pooled Equity Funds	68,765,617	-	-	68,765,617
	<u>\$ 109,883,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,883,958</u>

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"),

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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, 2018, the SWIB Core Fund strategic targets were 51% to Global Stocks, 41% to Fixed Income, 7% to Real Estate, and 11% to Alternative Investments. The Strategic target allocations total 110% reflecting the possibility of introducing leverage into the portfolio. On June 30, 2018, 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, 2018 and the fair value at SWIB as of June 30, 2018:

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	Details on the SWIB fixed income investments as of 12/31/17 are included below.	\$ 44,488,224
Money market accounts (at BMO)	0.08	\$ 993,073
Mutual Funds (at BMO)	4.06	\$ 2,782,793
Mortgage Backed Securities	N/A	\$ 60

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SWIB information provided within the accompanying financial statement is as of December 31, 2017. There has been no significant change in SWIB's investment strategies, asset allocations and investment pricing methods from December 31, 2017 to June 30, 2018. Based on SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2017 is a fair representation for June 30, 2018.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2017.

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	4.1	\$ 72 Million
Commercial Paper	15 days	\$ 398 Million
Corporate Bonds and Private Placements	6.3	\$ 4,985 Million
Foreign Gov't/Agency Bonds	8.0	\$ 2,511 Million
Municipal Bonds	10.3	\$ 122 Million
Repurchase Agreements	2 days	\$ 14 Million
U.S. Government Agencies	4.2	\$ 216 Million
U.S. TIPS	7.6	\$12,781 Million
U.S. Treasury Securities	5.0	\$ 3,701 Million
Commingled Funds	45 days to 7.9	\$ 9,093 Million

Note: On June 30, 2018, SWIB's Core Fund and Variable Fund had \$100.2 billion and \$8.1 billion in assets, respectively. As of June 30, 2018, the Plan's assets were invested 82% in the SWIB Core Fund, 10% in the SWIB Variable Fund, and 8% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following schedule displays the credit quality percentage distributions of the fixed income investments in the SWIB Core and Variable Funds on December 31, 2017 and in the separate accounts managed by BMO on June 30, 2018. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

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<u>Ratings*</u>	<u>SWIB</u> <u>12/31/2017</u>	<u>BMO</u> <u>6/30/2018</u>
P-1 or A-1	0%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	1%	74%
AA/Aa	51%	N/A
A	6%	N/A
BBB/Baa	6%	N/A
BB/Ba	3%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	N/A	N/A
C	N/A	N/A
D	N/A	N/A
Commingled Trusts & Mutual Funds***	27%	26%
Not-Rated	2%	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.

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For the Year Ended June 30, 2018

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 \$363.1 million on December 31, 2017. In addition, SWIB held certificates of deposit which were covered by depository insurance with a fair value of \$24.9 million on December 31, 2017. In total, these deposits represented 0.33% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2017.

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 2 agreements totaling \$14.2 million as of December 31, 2017. 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 0.01% of the combined assets of the SWIB Core and Variable Funds on December 31, 2017.

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.

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, 2017, \$22.8 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, 2018, the Plan's interest in the plan net position of the Core Trust was approximately 0.036% and the Plan's interest in the plan net position of the Variable Trust was approximately

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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, 2017 (in thousands):

	<u>12/31/2017</u>
Future contracts (Notional)	\$ 11,954,025
Foreign exchange forward and spot contracts – Receivable (Fair Value)	2,482,831
Foreign exchange forward and spot contracts – Payable (Fair Value)	(2,483,962)
OTC Derivative Investments subject to Counterparty Credit Risk-Receivable (Fair Value)	2,486,927
OTC Derivative Investments subject to Counterparty Credit Risk-Payable (Fair Value)	(2,482,758)
Options – puts (Notional)	(137,003)
Options – calls (Notional)	(73,263)

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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, 2018.

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

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

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.

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For the Year Ended June 30, 2018

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, 2018.

<u>Investment Type</u>	<u>June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ -	\$ 993,073	\$ -	\$ 993,073
Mortgage-back securities	-	60	-	60
Mutual Funds:				
Short-Term Investment				
Grade Bond Funds	1,171,702	-	-	1,171,702
Intermediate-Term				
Investment Grade Bond Fund	1,611,091	-	-	1,611,091
	\$ 2,782,793	993,133	-	\$ 3,775,926

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, 2018, the SWIB Core Fund strategic targets were 51% Global Stocks, 41% to Fixed Income, 7% to Real Estate, and 11% to Alternative Investments. The Strategic target allocations total 110% reflecting the possibility of introducing leverage into the portfolio. On June 30, 2018, 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.

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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, 2018 and at the fair value at SWIB as of June 30, 2018.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	Details on the SWIB fixed income investments are as of 12/31/17 are included below.	\$ 147,533,988
Money market accounts (at BMO)	0.08	\$ 3,058,442
Mutual Funds (at BMO)	4.06	\$ 7,615,567

SWIB information provided within the accompanying financial statement is as of December 31, 2017. There has been no significant change in SWIB's Investment strategies, asset allocations and Investment pricing methods from December 31, 2017 to June 30, 2018. Based on the SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2017 is a fair representation for June 30, 2018.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2017.

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	4.1	\$ 72 Million
Commercial Paper	15 days	\$ 398 Million
Corporate Bonds and Private Placements	6.3	\$ 4,985 Million
Foreign Gov't/Agency Bonds	8.0	\$ 2,511 Million
Municipal Bonds	10.3	\$ 122 Million
Repurchase Agreements	2 days	\$ 14 Million
U.S. Government Agencies	4.2	\$ 216 Million
U.S. TIPS	7.6	\$ 12,781 Million
U.S. Treasury Securities	5.0	\$ 3,701 Million
Commingled Funds	45 days to 7.9	\$ 9,093 Million

Note: On June 30, 2018, SWIB's Core Fund and Variable Fund had \$100.2 billion and \$8.1 billion in assets, respectively. As of June 30, 2018, the Plan's assets were invested 87% in the SWIB Core Fund, 6% in the SWIB Variable Fund, and 7% in portfolios managed by BMO. For SWIB, the

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Notes to Basic Financial Statements

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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, 2017 and in the separate accounts managed by BMO on June 30, 2018. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

<u>Ratings*</u>	<u>SWIB</u> <u>12/31/2017</u>	<u>BMO</u> <u>6/30/2018</u>
P-1 or A-1	0%	N/A
P-2 or A-2	1%	N/A
UST and AGY	N/A**	N/A
AAA/Aaa	1%	71%
AA/Aa	51%	N/A
A	6%	N/A
BBB/Baa	6%	N/A
BB/Ba	3%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	N/A	N/A
C	N/A	N/A
D	N/A	N/A
Commingled Funds & Mutual Funds***	27%	29%
Not-Rated	2%	0%

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

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

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

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

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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 \$363.1 million on December 31, 2017. In addition, SWIB held certificate of deposit which were covered by depository insurance with a fair value of \$24.9 million on December 31, 2017. In total, these deposits represented 0.33% of the combined assets of the SWIB Core and Variable Funds on December 31, 2017.

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 2 agreements totaling \$14.2 million as of December 31, 2017. 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 0.01% of the combined assets of the SWIB Core and Variable Funds on December 31, 2017.

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, 2017, \$22.8 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.

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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, 2018, the Plan's interest in the plan net position of the SWIB Core Trust was approximately 0.124% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.118%. 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, 2017 (in thousands):

	<u>12/31/2017</u>
Future contracts (Notional)	\$ 11,954,025
Foreign exchange forward and spot contracts – Receivable (Fair Value)	2,482,831
Foreign exchange forward and spot contracts – Payable (Fair Value)	(2,483,962)

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OTC Derivative Investment subject to Counterparty Credit Risk-Receivable (Fair Value)	2,486,927
OTC Derivative Investments subject to Counterparty Credit Risk-Payable (Fair Value)	(2,482,758)
Options – puts (Notional)	(137,003)
Options – calls (Notional)	(73,263)

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, 2018.

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.

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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, 2018.

<u>Investment Type</u>	<u>June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ -	\$ 3,058,442	\$ -	\$ 3,058,442
Mutual Funds:				
Short-Term Investment				
Grade Bond Funds	3,206,554	-	-	3,206,554
Intermediate-Term				
Investment Grade Bond Fund	4,409,013	-	-	4,409,013
	<u>\$ 7,615,567</u>	<u>3,058,442</u>	<u>-</u>	<u>\$ 10,674,009</u>

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, 2018 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Construction Fund</u>	<u>School Nutrition Services Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Receivables:					
Accounts	\$ 9,047,792	200,000	—	—	9,247,792
Intergovernmental-federal	21,865,077	—	6,085,037	2,928,708	30,878,822
Intergovernmental-state	19,741,522	—	—	—	19,741,522
Gross receivables	<u>50,654,391</u>	<u>200,000</u>	<u>6,085,037</u>	<u>2,928,708</u>	<u>59,868,136</u>
Less allowance for uncollectibles	<u>(949,113)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(949,113)</u>
Total receivables, net	<u>\$ 49,705,278</u>	<u>200,000</u>	<u>6,085,037</u>	<u>2,928,708</u>	<u>58,919,023</u>

The District expects to collect all receivables within one year except for \$1,596,592.

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

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The entire outstanding balance of this note is due on or before June 30, 2035. Beginning on April 30, 2019 and each year thereafter through April 30, 2035, payments of interest only shall be due only to the extent that there is available cash flow to make such payments. Any unpaid interest remaining unpaid after any annual payments made are due on or before the maturity date of June 30, 2035. Remaining payments due as of June 30, 2018 are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal years:				
2019	\$	-	5,360	5,360
2020		-	5,360	5,360
2021		-	5,360	5,360
2022		-	5,360	5,360
2023		-	5,360	5,360
2024 - 2028		-	26,800	26,800
2029 - 2033		-	26,800	26,800
2034 - 2035		<u>200,000</u>	<u>10,720</u>	<u>210,720</u>
Totals	\$	<u>200,000</u>	<u>91,120</u>	<u>291,120</u>

(4) Interfund Transactions

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

The following balances as of June 30, 2018 represent due to/from balances among all funds:

		<u>Due from other funds</u>			
		<u>General</u>	<u>Construction</u>	<u>School Nutrition</u>	
		<u>Fund</u>	<u>Fund</u>	<u>Services</u>	<u>Total</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Due to other funds:					
General Fund	\$	—	3,895,004	11,745,145	15,640,149
Nonmajor funds		—	2,650,410	—	2,650,410
Total	\$	<u>—</u>	<u>6,545,414</u>	<u>11,745,145</u>	<u>18,290,559</u>

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, 2018 represent transfer in/out balances among all funds:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Reason</u>
Debt Service Fund	General Fund	\$28,436,198	To fund current year debt service

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

(5) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,632,074	—	106,239	30,525,835
Construction in progress	<u>27,104,881</u>	<u>34,822,687</u>	<u>57,116,310</u>	<u>4,811,258</u>
Total capital assets, not being depreciated	<u>57,736,955</u>	<u>34,822,687</u>	<u>57,222,549</u>	<u>35,337,093</u>
Capital assets, being depreciated:				
Buildings	1,103,366,919	57,116,310	3,119,981	1,157,363,248
Leasehold improvements	12,219,204	—	—	12,219,204
Furniture and equipment	<u>53,269,964</u>	<u>1,630,040</u>	<u>912,633</u>	<u>53,987,371</u>
Total capital assets, being depreciated	<u>1,168,856,087</u>	<u>58,746,350</u>	<u>4,032,614</u>	<u>1,223,569,823</u>
Less accumulated depreciation for:				
Buildings	(525,537,767)	(23,152,873)	(1,736,827)	(546,953,813)
Leasehold improvements	(5,898,836)	(540,943)	—	(6,439,779)
Furniture and equipment	<u>(49,554,135)</u>	<u>(1,034,543)</u>	<u>(897,744)</u>	<u>(49,690,934)</u>
Total accumulated depreciation	<u>(580,990,738)</u>	<u>(24,728,359)</u>	<u>(2,634,571)</u>	<u>(603,084,526)</u>
Total capital assets, being depreciated	<u>587,865,349</u>	<u>34,017,991</u>	<u>1,398,043</u>	<u>620,485,297</u>
Capital assets, net	\$ <u><u>645,602,304</u></u>	<u><u>68,840,678</u></u>	<u><u>58,620,592</u></u>	<u><u>655,822,390</u></u>

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Depreciation expense for governmental activities for the year ended June 30, 2018 was charged to functions/programs as follows:

Governmental activities:	
Instruction	\$ 12,319,000
Community services	676,918
Pupil and staff services	3,268,620
General, administration and central services	2,729,005
Business services	4,643,377
School nutrition	1,091,439
	<hr/>
Total depreciation	\$ <u>24,728,359</u>

(5A) Intangible Assets

Intangible assets activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	\$ <u>626,293</u>	<u>3,959,820</u>	<u>73,500</u>	<u>4,512,613</u>
Total intangible assets, not being amortized	<u>626,293</u>	<u>3,959,820</u>	<u>73,500</u>	<u>4,512,613</u>
Intangible assets, being amortized:				
Software	\$ <u>61,013,709</u>	<u>73,500</u>	<u>11,244,825</u>	<u>49,842,384</u>
Total intangible assets, being amortized	<u>61,013,709</u>	<u>73,500</u>	<u>11,244,825</u>	<u>49,842,384</u>
Less accumulated amortization for:				
Software	<u>(49,426,187)</u>	<u>(3,709,866)</u>	<u>(11,244,825)</u>	<u>(41,891,228)</u>
Total accumulated amortization	<u>(49,426,187)</u>	<u>(3,709,866)</u>	<u>(11,244,825)</u>	<u>(41,891,228)</u>
Total intangible assets being amortized	<u>11,587,522</u>	<u>(3,636,366)</u>	<u>—</u>	<u>7,951,156</u>
Intangible assets, net	\$ <u>12,213,815</u>	<u>323,454</u>	<u>73,500</u>	<u>12,463,769</u>

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Amortization expense for governmental activities for the year ended June 30, 2018 was charged to functions/programs as follows:

Governmental activities:		
Instruction	\$	1,848,156
Community services		101,554
Pupil and staff services		490,374
General, administration and central services		409,418
Business services		696,621
School nutrition		<u>163,743</u>
Total amortization	\$	<u><u>3,709,866</u></u>

(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 September 7, 2017 and was paid October 20, 2017. \$180,000,000 of Revenue Anticipation Notes (RANs), Series 2017 M11, were issued on October 19, 2017. The RANs mature on September 27, 2018. Interest was payable at maturity. The debt was repaid from the District's equalization aid allocations received from the state government prior to June 30, 2018.

(7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2018 totaled \$409,575,178. Of this total, \$6,740,691 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 \$402,834,487 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Long-term obligations of the District are as follows:

	<u>Original amount</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee:						
2.5 – 3.0%, due in annual installments to February 2019	\$ 2,700,000	540,000	—	270,000	270,000	270,000
5.0%, due in installments to February 2024	1,350,000	1,350,000	—	—	1,350,000	—
5.25%, due August 15th, 2014 to May 2019	443,810	134,000	—	67,000	67,000	67,000
General Obligation Bonds:						
5.0%, due in installments to May 2021 Plus: Premium on issuance	4,095,000 787,801	2,490,000 350,136	— —	580,000 87,534	1,910,000 262,602	610,000 —
4.0%, due in installments to March 2025 Plus: Premium on Issuance	3,175,000 387,059	3,175,000 251,084	— —	— 45,325	3,175,000 205,759	— —
2.0 -4.0%, due in installments to to March 2020	3,732,791	2,145,432	—	739,473	1,405,959	702,980
Qualified School Construction Bonds:						
1.18%, due in annual installments to December 2025	12,000,000	7,400,000	—	925,000	6,475,000	925,000
Less: Discount on issuance	(450,000)	(225,000)	—	(28,125)	(196,875)	—
5.25%, due in annual installments August 15th 2014 to February 2027	37,300,000	27,500,000	—	2,450,000	25,050,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to June 2023						
Plus: Premium on issuance	218,570,000 1,357,121	50,405,000 25,390	— —	7,120,000 16,748	43,285,000 8,642	7,740,000 —
Less: Discount on 2007A issuance	(338,503)	—	—	—	—	—
Plus: Premium on 2013A issuance	6,627,903	3,866,717	—	552,767	3,313,950	—
Plus: Premium on 2017 issuance	3,221,503	3,221,503	—	669,428	2,552,075	—
Pension debt refinancing:						
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	26,455,000	—	3,160,000	23,295,000	4,235,000
Less: Discount	(25,232,986)	(5,043,498)	—	(1,320,423)	(3,723,075)	—
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)	(73,903,756)	—	(2,363,821)	(71,539,935)	—
Pension bonds, variable interest rate “index-linked”, interest due in semi- annual installment, principal due at maturity on October 1, 2043						
	130,850,000	130,850,000	—	—	130,850,000	—
Capital lease - RACM 2015 - 2017						
QSCB, QZAB, QECB, Energy Efficiency	94,185,000	91,261,923	34,933,000	1,901,538	124,293,385	2,876,538
Total intergovernmental cooperation agreement debt						
		\$ 382,773,931	34,933,000	14,872,444	402,834,487	19,876,518

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2018</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	\$ 382,773,931	34,933,000	14,872,444	402,834,487	19,876,518
Accrued compensated absences	9,675,213	5,474,403	5,113,704	10,035,912	5,100,000
Accrued OPEB Obligation (restated)	846,728,329	76,785,102	158,533,910	764,979,521	—
Net Pension Liability	161,267,356	—	40,092,940	121,174,416	—
Workers' compensation claims	3,627,228	5,032,973	7,497,519	1,162,682	1,100,000
General insurance claims	325,672	—	27,963	297,709	—
Life insurance benefits	500,000	—	—	500,000	500,000
Liability for other long-term benefits	285,051	—	—	285,051	—
Total long-term obligations	<u>\$ 1,405,182,780</u>	<u>122,225,478</u>	<u>226,138,480</u>	<u>1,301,269,778</u>	<u>26,576,518</u>

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 \$1.2 million.

Aggregate scheduled debt service requirements for the retirement of the intergovernmental cooperation agreement debt (excluding capital lease obligations) as of June 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2019	\$ 16,999,980	11,442,959	28,442,939
2020	17,967,980	10,991,570	28,959,550
2021	16,655,000	10,568,460	27,223,460
2022	18,800,000	10,163,335	28,963,335
2023	19,300,000	9,740,385	29,040,385
2024 – 2028	54,240,000	39,662,156	93,902,156
2029 – 2033	58,240,001	23,680,044	81,920,045
2034 – 2038	80,605,001	14,919,561	95,524,562
2039 – 2043	58,724,997	6,210,738	64,935,735
2044	6,125,000	28,634	6,153,634
Total	<u>\$ 347,657,959</u>	<u>137,407,842</u>	<u>485,065,801</u>

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 2.09025% as of June 30, 2018.

Since 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 vehicle 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).

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

In FY18, \$34,933,000 in the following lease revenue bond Series were issued:

\$10,000,000 of Series 2017B, designated Qualified School Construction Bonds (QSCB), tax credit bonds with a mandatory purchase date of December 2024 and initial supplemental coupon of 0%. The Series 2017B Bonds may be retired or remarketed after the mandatory purchase date for other interest periods up to the maturity date (November 2050) with the same or a different interest rate.

\$24,933,000 of Series 2017C, designated Qualified School Construction Bonds (QSCB), tax credit bonds with a mandatory purchase date of December 2032 and initial supplemental coupon of .11%. The Series 2017C Bonds may be retired or remarketed after the mandatory purchase date for other interest periods up to the maturity date (November 2050) with the same or a different interest rate.

The District is also holding approximately \$76.9 million of restricted cash and investments under this capital lease arrangement.

Future maximum lease payments under this capital lease at June 30, 2018 are as follows:

Fiscal year ended June 30:

2019	\$	7,413,664
2020		8,132,076
2021		8,190,701
2022		8,206,526
2023		8,198,426
2024 – 2028		57,784,193
2029 – 2033		56,598,316
2034 – 2038		33,736,047
2039 – 2041		10,270,439
Total remaining maximum lease payments		<u>198,530,388</u>
Less amount representing interest		<u>74,237,003</u>
Present value of maximum lease payments	\$	<u><u>124,293,385</u></u>

The maximum allowable amount of City debt (including school debt) outstanding at any time shall not be greater than 5% of the total equalized taxable property in the City (Wisconsin State Statute Chapter 67.03). Wisconsin State Statute Chapter 119.49 further authorizes referendum-approved bonding in an additional amount equivalent to 2% of the equalized taxable property for school capital purposes. The total equalized taxable property in the City for calendar year 2018 was \$28,340,400,600 and the 5% debt limit was \$1,417,020,030. No referendum-approved debt is outstanding at June 30, 2018.

The District has pledged future Intradistrict Aid revenues to repay \$43,285,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2019 and June 30, 2023. The bonds are payable solely from pledged revenues and are payable to bondholders through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 30.7% of net revenues at the point of the highest bondholder debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2018 is \$47,984,050. Principal and interest paid for the year ended June 30, 2018 was \$9,171,300 while the Intradistrict Aid revenues were \$29,135,965.

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Revenue debt payable at June 30, 2018 consists of the following:

Neighborhood Schools Initiative Bonds

Amounts Outstanding

	Principal	Interest	Total
Fiscal year ended:			
2019	\$ 7,740,000	1,679,800	9,419,800
2020	8,400,000	1,302,800	9,702,800
2021	8,140,000	939,750	9,079,750
2022	9,090,000	578,400	9,668,400
2023	9,915,000	198,300	10,113,300
	<u>\$ 43,285,000</u>	<u>4,699,050</u>	<u>47,984,050</u>

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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, 2018 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2018 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2018 Change in Fair Value		Fair Value, End of 2018		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental activities					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	\$12,133	Derivative	(\$38,014)	\$130,850

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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, 2018, along with the credit rating of the associated counterparty (amounts in thousands).

<u>Item</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
A	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$21,255	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$6,170)	A-/A3/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.	(\$14,397)	A+/ /Aa2/AA-
C	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$17,447)	A+/A3/A
Total Fair Value							(\$38,014)	

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

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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

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

Risks of Derivative Instruments

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

As of June 30, 2018 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, 2018 the swap's currently have a cumulative negative fair value of \$38.014 million.

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For the Year Ended June 30, 2018

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, 2018, 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):

Fiscal year ended June 30:	Variable-rate bonds		Interest	Total
	Principal	Interest	rate swaps, net	
2019	\$ —	\$ 2,735,092	\$ 4,605,593	\$ 7,340,685
2020	—	2,735,092	4,605,593	7,340,685
2021	—	2,735,092	4,605,593	7,340,685
2022	—	2,735,092	4,605,593	7,340,685
2023	—	2,735,092	4,605,593	7,340,685
2024 – 2028	31,325,000	7,079,873	25,372,458	63,777,331
2029 – 2033	31,250,000	5,166,091	18,513,953	54,930,044
2034 – 2038	31,150,000	3,254,884	11,664,677	46,069,561
2039 – 2043	31,000,000	1,354,948	4,855,789	37,210,737
2044	6,125,000	6,247	22,387	6,153,634
Totals	\$ 130,850,000	30,537,503	83,457,229	244,844,732

(8) Risk Management

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

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

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

The District provides health insurance benefits to employees and retirees through a self-insured PPO/Indemnity plan, self-insured exclusive provider organization (“EPO”) plan, and a self-insured high deductible health plan (HDHP) with a health savings account (HSA) option. The District purchases stop-

MILWAUKEE PUBLIC SCHOOLS

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For the Year Ended June 30, 2018

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 and EPO plans, however 2018 premium rates are 70% lower than the monthly premium for the EPO plan, 69% lower than the monthly premium for the PPO/Idemnity Plan, and 67% lower than the HDHP plan.

Life insurance benefits are provided for active and retired employees through a variable funding life insurance program. Life insurance costs that exceed certain rates are funded by MPS. Effective January 1, 2017, all benefits eligible employees will receive life insurance valued at one-time annual base salary and long term disability paid by the District. Effective July 1, 2018, MPS discontinued offering to pay long-term disability, and now provides a voluntary (employee paid) long-term disability insurance program. Also, the District provides voluntary (employee paid) supplemental life and short-term disability insurance programs.

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

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

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

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

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

	Year ended June 30	
	2018	2017
Beginning of year liability	\$ 21,737,899	29,969,081
Current year claims and changes in estimate	123,671,921	125,449,763
Claim payments	(125,324,147)	(133,680,945)
End of year liability	<u>\$ 20,085,673</u>	<u>21,737,899</u>

The District has recognized the liability for health and dental benefits, which totaled \$17,614,075 and \$16,865,882 as of June 30, 2018 and 2017, respectively, in the general fund. The District has also recognized a liability of \$226,157 and \$134,056 as of June 30, 2018 and 2017, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. All other claims

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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

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For the Year Ended June 30, 2018

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)
2017	2.0	4.0

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 \$25,675,493 in contributions from the District.

Contribution rates as of June 30, 2018 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.7%	6.7%

At June 30, 2018, the District reported an asset of \$77,705,344 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the

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For the Year Ended June 30, 2018

total pension liability used to calculate the net pension liability (asset) was determined by an actual valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017, the District's proportion was 2.61711819% which was a decrease of .03414146% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$38,231,221.

At June 30, 2018, 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	\$ 98,726,580	\$ 46,181,021
Changes in assumptions	15,353,059	-
Net differences between projected and actual earnings on pension plan investments	-	106,798,768
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,855,829	199,360
Employer contributions subsequent to the measurement date	13,284,998	-
Total	\$ 129,220,466	\$ 153,179,149

\$13,284,998 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, 2019. 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
2019	\$ 9,304,907
2020	(70,790)
2021	(26,462,252)
2022	(20,201,585)
2023	186,039
Thereafter	-

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For the Year Ended June 30, 2018

Actuarial assumptions. The total pension liability (asset) in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability:	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2%-5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012-2014. The total pension liability (asset) for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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:

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For the Year Ended June 30, 2018

Core Fund Asset Class	Asset Allocation %	Long-Term	Long-Term
		Expected Nominal Rate of Return %	Expected Real Rate of Return %
Global Equities	50 %	8.2 %	5.3 %
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
Variable Fund Asset Class			
US Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 201,050,256	\$ (77,705,344)	\$ (289,568,225)

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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, 2018, the District reported a payable to the pension plan of \$4,420,848, 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 – For general employees participating prior to January 1, 2014, they are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5% of their annual pensionable income, and for general employee, participating on or after January 1, 2014, they are required to contribute 4% of their annual pensionable income. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The District's contributions to the System for the years ended December 31, 2017, 2016, and 2015, were \$8,235,547, \$8,128,743, and \$7,645,538, respectively, equal to the required contributions on behalf of the plan members for each year.

At June 30, 2018, the District reported a liability of \$45,852,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017 the District's proportion was 12.6474151% which was a decrease of 0.5022138% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$24,743,606.

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

At June 30, 2018, 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	\$ 6,332,000	\$ 1,737,000
Changes in assumptions	23,101,000	188,000
Net differences between projected and actual earnings on pension plan investments	-	17,778,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	118,000	670,000
Employer contributions subsequent to the measurement date	4,113,461	-
Total	<u>\$ 33,664,461</u>	<u>\$ 20,373,000</u>

\$4,113,461 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 11,750,255
2020	8,674,755
2021	(963,525)
2022	(10,283,485)
Thereafter	-

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2017, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2017, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial valuation date	December 31, 2016
Measurement Date of Net Pension Liability	December 31, 2017
Actuarial cost method	Entry age normal-Level Percentage of Pay
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The differences between projected and actual earnings are amortized over a closed period of five years.

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Asset Valuation Method	Fair Market value
Actuarial Assumptions:	
Investment rate of return and discount rate	8.00% for calendar years through 2022, and 8.25% beginning with calendar year 2023
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 as explained in summary of plan provisions
Mortality Table	For regular retirees and for survivors, 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. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table (using 102% of rates for males and 98% of rates for females) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Non-annuitant Mortality Table projected generationally with Scale MP-2016.
Experience Study	The actuarial assumptions used in December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2012-December 31, 2016.

Long-term expected rate of return-The long-term expected rate of return on pension plan investments was determined based on the results of an experience review performed by Conduent HR Consulting, LLC. The results of the experience review were presented to the Board by Conduent at the Board’s October 23, 2017 meeting and adopted at the same meeting. The rate of return assumption was based on the Retirement System’s target asset allocation. In the experience review, Conduent developed best estimate ranges of expected future real rates of return (net of inflation) for the portfolio, based on the expected returns of each major asset class and their weights in the portfolio. Conduent used an econometric model that forecast a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Expected investment expenses were subtracted and expected inflation was added to arrive at the long term expected nominal return. A value for the expected long-term expected return was selected for the portfolio such that there was a better than 50% likelihood of the emerging returns exceeding the expected return.

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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, 2017, are listed in the table below:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Public Equity	49.00%	8.25%
Fixed Income	13.00%	1.83%
Cash	1.00%	0.94%
Real Estate	7.70%	6.91%
Real Assets	3.30%	5.38%
Private Equity	8.00%	12.54%
Absolute Return	18.00%	4.66%
	100.00%	

**Rates provided by Conduent HR Consulting, LLC*

Discount Rate - The discount rate used to measure the total pension liability was 8.24 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 8.24 percent, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability/(asset) to changes in the discount rate - The following presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 8.24 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.24 percent) or 1 - percentage-point higher (9.24 percent) than the current rate (in thousands):

	1% Decrease (7.24%)	Current Discount (8.24%)	1% Increase (9.24%)
District proportionate share of the net pension liability (asset)	\$ 128,763,000	\$ 45,852,000	\$ (23,589,000)

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

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Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Supplemental Retirement Plans

(a) Plan Descriptions and Funding Policies

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

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

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

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

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

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

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

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- 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.

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For the Year Ended June 30, 2018

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, 2018, the district reported a net pension liability of \$3,252,869 for the Plan. The net pension liability was measured as of June 30, 2018.

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

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

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

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

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

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

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For the Year Ended June 30, 2018

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, 2018, the district reported a net pension liability of \$72,069,547 for the Plan. The net pension liability was measured as of June 30, 2018.

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

For the year ended June 30, 2018, the district recognized pension expense of \$1,666,672.

At June 30, 2018, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	1,923,523	1,342,664
Total	<u>\$ 1,923,523</u>	<u>\$ 1,342,664</u>

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

<u>Year ended June 30:</u>	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
2019	\$ 837,263
2020	226,979
2021	(429,640)
2022	(53,743)
2023	-
Thereafter	-

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Changes in the Net Pension Liability at June 30, 2018:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 6/30/17	\$ 51,291,718	\$ 47,483,823	\$ 3,807,895
Changes for the year:			
Service cost	187,143	-	187,143
Interest	3,703,571	-	3,703,571
Difference between expected and actual experience	341,949	-	341,949
Contributions employer	-	1,115,710	(1,115,710)
Net investment income	-	3,728,578	(3,728,578)
Benefit payments, including refunds	(4,879,716)	(4,879,716)	-
Administrative expense	-	(60,785)	60,785
Other changes	-	4,186	(4,186)
Net changes	<u>\$ (647,053)</u>	<u>\$ (92,027)</u>	<u>\$ (555,026)</u>
Balance at 6/30/18	<u>\$ 50,644,665</u>	<u>\$ 47,391,796</u>	<u>\$ 3,252,869</u>

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

For the year ended June 30, 2018, the district recognized pension expense of \$4,477,615.

At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,467,519
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	5,905,596	3,795,959
Total	<u>\$ 5,905,596</u>	<u>\$ 7,263,478</u>

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

<u>Year ended June 30:</u>	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
2019	\$ 215,236
2020	(219,599)
2021	(1,221,221)
2022	(132,298)
2023	-
Thereafter	-

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Changes in the Net Pension Liability at June 30, 2018:

	Increase (Decrease)		
	Total Pension Liability	Plan Fidiciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 6/30/17	\$ 230,314,394	\$ 150,737,643	\$ 79,576,751
Changes for the year:			
Interest	16,436,072	-	16,436,072
Difference between expected and actual experience	(3,160,017)	-	(3,160,017)
Contributions employer	-	8,906,670	(8,906,670)
Net investment income	-	12,028,603	(12,028,603)
Benefit payments, including refunds	(16,013,508)	(16,013,508)	-
Administrative expense	-	(147,828)	147,828
Other changes	-	(4,186)	4,186
Net changes	\$ (2,737,453)	\$ 4,769,751	\$ (7,507,204)
Balance at 6/30/18	<u>\$ 227,576,941</u>	<u>\$ 155,507,394</u>	<u>\$ 72,069,547</u>

Actuarial Assumptions

In February 2012, the Plan actuary performed an experience study based on actuarial valuations for the period July 1, 2006 to July 1, 2011. Based on this study the following assumptions were implemented effective for the July 1, 2012 actuarial valuation. The total pension liability was determined by an actuarial valuation as of July 1, 2017 and data rolled forward to June 30, 2018, 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, 2017	July 1, 2017
Measurement date of Net Pension Liability	June 30, 2018	June 30, 2018
Actuarial cost method	Entry Age Normal	Entry age normal
Asset Valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return	7.5% net of investment expenses	7.5% net of investment expenses
Inflation	2.8% per year	0.0%

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

	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 Plan was frozen effective July 1, 2013. Therefore salary increases after this date will not be considered pensionable under the Plan.
Mortality rate	Wisconsin Projected Experience Table-2005 for women and 90% of Wisconsin Projected Experience Table-2005 for men.	Wisconsin Projected Experience Table-2005 for women and 90% of Wisconsin Projected Experience Table-2005 for men.

The Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class as of December 31, 2017 are as follows:

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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

Asset Class

<u>SWIB Core Fund</u>	<u>Actual Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	50.00%	5.30%
Fixed Income	24.54%	1.40%
Inflation Sensitive Assets	15.50%	1.00%
Real Estate	8.00%	3.60%
Private Equity/Debt	8.00%	6.50%
Multi-Asset	4.00%	3.60%
Cash	(10.00)%	0.00%
Portfolio Target Allocation	79.00%	

Asset Class

<u>SWIB Variable Fund</u>	<u>Actual Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	70.00%	4.60%
International Equity	30.00%	4.90%
Portfolio Target Allocation	14.00%	
<u>BMO Fund</u>		
Intermediate Fixed Income	100.00%	1.45%
Portfolio Target Allocation	7.00%	
Long-Term Inflation Assumption		2.75%

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Asset Class

<u>SWIB Core Fund</u>	<u>Actual Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	50.00%	5.30%
Fixed Income	24.50%	1.40%
Inflation Sensitive Assets	15.50%	1.00%
Real Estate	8.00%	3.60%
Private Equity/Debt	8.00%	6.50%
Multi-Asset	4.00%	3.60%
Cash	(10.00)%	0.00%

Portfolio Target Allocation 85.00%

<u>SWIB Variable Fund</u>	<u>Actual Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	70.00%	4.60%
International Equity	30.00%	4.90%
Portfolio Target Allocation	10.00%	

BMO Fund

Intermediate Fixed Income	100.00%	1.45%
Portfolio Target Allocation	5.00%	
Long-Term Inflation Assumption		2.75%

Single Discount Rate

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

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

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) for the year ending June 30, 2018:

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

	1% Decrease <u>6.5%</u>	Current Discount <u>7.5%</u>	1% Increase <u>8.5%</u>
Net Pension Liability (Asset)	\$7,354,080	\$3,252,869	(\$411,043)

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

	1% Decrease <u>6.5%</u>	Current Discount <u>7.5%</u>	1% Increase <u>8.5%</u>
Net Pension Liability	\$93,228,765	\$72,069,547	\$53,963,873

(10) Restatement of Net Position

Net position has been restated as a result of the implementation of GASB No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires liability recognition as employees earn OPEB benefits by providing services. The details of this restatement are as follows:

Net Position – June 30, 2017 (as reported)	\$ (175,746,108)
Less: Net Deferred outflows of resources related to OPEB	(410,509,245)
Add: Net OPEB Assets Held in Trust	<u>108,867,958</u>
Net Position – June 30, 2017 (as restated)	\$ <u>(477,387,395)</u>

As a result of the restatement, the change in net position decreased by \$301,641,287.

(11) 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 107 and 108.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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, 2018, the Retiree Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	6,718
Active plan members	<u>6,193</u>
	<u>12,911</u>

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, 2018, the District's average contribution rate was 14.96 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, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017, projected to a measurement date of June 30, 2018.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Wage Inflation	2.8 percent (3.00% General Employees)
Salary increases	Depends on age, service and employer group. Rate ranges from 7.00% at less than 1 year of service to 2.80% at 34 or more years of service. Salary increase includes wage inflation assumption.
Investment rate of return	Short-term account earns 3% per year. Long-term account earn 7.25% per year.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

Healthcare cost trend rates

Actual trend used for fiscal year 2018. For fiscal years on and after 2018, trend starts at 8.00% and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.45% is added to non-Medicare cost on and after 2024 to account for the Excise Tax. Additional trend of 3.4% is added to Medicare cost from 2018 to 2026 to approximate the assumed wear-away of MAPD plan design savings.

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period August 1, 2015-July 1, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a phase in of the short-term assumed rate of 3.00% and the long-term rate of 7.25% over the period that the plan is projected to be fully funded. This methodology results in a 20 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

The following was the Board's adopted asset allocation policy as of June 30, 2018:

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

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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.55 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 4.93 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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

CHANGES IN THE NET OPEB LIABILITY

Changes in the Net OPEB Liability at June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at 6/30/17	\$ 955,596,287	\$ 108,867,958	\$ 846,728,329
Changes for the year:			
Service Cost	3,415,121	-	3,415,121
Interest	42,630,800	-	42,630,800
Difference between expected and actual experience	30,739,181	-	30,739,181
Changes assumptions	(96,779,146)	-	(96,779,146)
Employer Contributions	-	53,242,638	(53,242,638)
Contributions employer	-	-	-
Net investment income	-	8,512,126	(8,512,126)
Benefit payments, including refunds	(47,544,292)	(47,544,292)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	\$ (67,538,336)	\$ 14,210,472	\$ (81,748,808)
Balance at 6/30/18	\$ 888,057,951	\$ 123,078,430	\$ 764,979,521

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.93 percent) or 1-percentage-point higher (5.93 percent) than the current discount rate:

	1% Decrease (3.93%)	Discount Rate (4.93%)	1% Increase (5.93%)
Net OPEB liability	\$ 815,170,110	\$ 764,979,521	\$ 726,478,280

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 3.5 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% Decreasing to 3.5%)	Healthcare Cost Trend Rates (8.0% Decreasing to 4.5%)	1% Increase (9.0% Decreasing to 5.5%)
Net OPEB liability	\$ 740,320,976	\$ 764,979,521	\$ 798,434,099

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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, 2018, the District contributed \$51,724,000 (including pre-funding contributions) to the Retiree Plan. For fiscal year ending June 30, 2018, total member contributions to the Retiree Plan were \$3,963,123.

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

For the year ended June 30, 2018, the district recognized OPEB expense of \$24,309,010. At June 30, 2018, 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	\$ 24,251,880	\$ -
Changes in assumptions	-	76,354,547
Net differences between projected and actual earnings on pension plan investments	-	712,513
Employer contributions subsequent to the measurement date	53,242,638	-
Total	<u>\$ 77,494,518</u>	<u>\$ 77,067,060</u>

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

<u>Year ended June 30:</u>	<u>Net Deferred Outflows/ (Inflows) of Resources</u>
2019	\$ (14,115,426)
2020	(14,115,426)
2021	(14,115,426)
2022	(10,468,902)

(12) Limitation on District Revenues

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

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

For the fiscal year ended June 30, 2018, the District was under its revenue limitation by \$192,313.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

(13) Excess Expenditures Over Appropriations

The following funds and departments had an excess of actual expenditures over appropriations for the year ended June 30, 2018:

Fund	Excess Expenditures
General Fund:	
Substitute Teachers	\$ 4,302,914
Education Maintenance	1,871,750
Instrumental Music	17,384
Itinerant Allied Health Services	231,922
Contracted School Programs and Services	419,702
School Special Funds	4,669,536
Office of Superintendent	192,964
Office of School Administration	211,613
Office of Academics	797,398
Office of Operations	27,967
Facilities & Maintenance	1,583,701
District Insurance & Judgements	205,688
Special & Contingent Funds	17,189,905
Transportation Operations	1,718,472
CAMP	7,329,393

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

(14) Commitments and Contingencies

(a) Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant program are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of District management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

(b) Contractual Commitments

The District has \$66.9 million of encumbrances outstanding as of June 30, 2018 of which \$62.8 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals at 6/30/18	Contract Commitments at 6/30/18
Major Funds		
General Fund	\$ 28,038,310	\$ 24,943,224
Construction Fund	37,975,717	37,083,541
Nutrition Fund	663,679	522,020
Total Major Funds	<u>\$ 66,677,706</u>	<u>\$ 62,548,785</u>
Non-Major Funds	<u>231,202</u>	<u>223,130</u>
Total Encumbrances and Contract Commitments	<u><u>\$ 66,908,908</u></u>	<u><u>\$ 62,771,915</u></u>

(c) Litigation

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

(d) FCC Channels

The District has for a number of years held a license issued by the Federal Communications Commission (FCC) for Educational Broadband Service (ESB) station KHF80 on 4 channels in the Milwaukee area. The District must renew the FCC license every 10 years, with the next renewal scheduled to take place in 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 \$4,166,677 upfront in March 2008, and \$55,000 per month initially, with monthly payment increases 3% each March during the contract period.

(15) Subsequent Events

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, \$50,000,000 was drawn on a line of credit by the City of Milwaukee on September 5, 2018 and is scheduled to be paid in December 2018. \$180,000,000 of Revenue Anticipation Notes (RANs), Series 2018 M10, was issued on October 11, 2018. The RANs mature as on September 30, 2019. Interest is payable at maturity.

MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2018

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

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

Statement No. 83, *Certain Asset Retirement Obligations*

Statement No. 84, *Fiduciary Activities*

Statement No. 87, *Leases*

Statement No. 88, *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2018

	Budgeted amounts		Actual (GAAP basis)	Variance with Revised Budget
	Adopted	Revised		
REVENUES:				
Property Tax Levy	\$ 266,499,610	\$ 262,639,539	\$ 262,639,539	\$ -
Equalization & Integration Aids	560,648,889	567,754,526	567,754,529	3
Other State Aids	96,004,800	94,074,821	90,643,858	(3,430,963)
Federal Aids	8,547,018	8,823,248	13,714,678	4,891,430
Other Local Revenues	13,171,286	16,441,534	26,642,369	10,200,835
Applied Surplus	2,814,844	2,810,155	-	(2,810,155)
SCHOOL OPERATIONS & EXTENSION	947,686,447	952,543,823	961,394,973	8,851,150
CAMP	-	-	11,424,556	11,424,556
GRANTS	150,864,869	156,884,161	134,391,184	(22,492,977)
Total Revenues	1,098,551,316	1,109,427,984	1,107,210,713	(2,217,271)
EXPENDITURES:				
PROGRAM ACCOUNTS				
High Schools	54,131,751	56,432,253	54,496,105	1,936,148
Middle Schools	12,261,791	12,622,004	12,310,489	311,515
K-8 Schools	104,167,805	106,742,390	103,631,983	3,110,407
Multilevel Schools	18,367,493	17,288,083	17,105,244	182,839
Elementary Schools	60,179,365	60,538,159	58,057,482	2,480,677
Charter Schools	70,689,574	70,481,214	69,878,178	603,036
Supplemental School Support	3,067,444	4,727,731	4,726,643	1,088
Art, Music, Physical Education, Library	23,246,868	24,028,058	21,861,047	2,167,011
Grant Transitional	514,245	888,434	870,930	17,504
School Nurses	2,037,301	4,063,915	3,659,960	403,955
Substitute Teachers	8,093,952	8,263,017	12,565,931	(4,302,914)
School Office Staff, Support and School Safety	63,150,772	65,113,309	63,305,220	1,808,089
Central Guidance	8,557,804	8,769,296	8,546,193	223,103
Education Maintenance	1,906,737	2,568,458	4,440,208	(1,871,750)
Career and Technical Education	-	24,878	20,200	4,678
Student Retention	1,519,495	1,910,104	674,809	1,235,295
Advanced Academic Studies (AP, IB) & Assessment	3,578,608	3,843,509	2,700,470	1,143,039
Equity Access Inclusion	477,705	614,222	538,573	75,649
College Access Center	1,244,342	1,731,007	1,452,436	278,571
Interscholastic Athletics & Academics	5,321,120	5,625,369	5,340,613	284,756
Milwaukee County Collaborative	311,783	313,707	298,881	14,826
MPS Alternative Schools/Programs	8,615,243	8,865,668	8,474,717	390,951
Instrumental Music	818,813	852,073	869,457	(17,384)
Intervention Resources	475,000	477,452	397,511	79,941
Driver Education	646,105	721,273	484,062	237,211
Newcomer Center	1,069,316	891,399	667,749	223,650
Non-MPS Costs (3 Year Old Screening)	620,813	636,897	628,703	8,194
Itinerant Allied Health Services	5,406,571	4,923,412	5,155,334	(231,922)
Special Education Services	168,417,835	173,182,461	162,162,143	11,020,318
World Languages	7,463,669	7,466,648	4,165,027	3,301,621
Summer School	5,637,115	5,730,898	4,874,030	856,868
Contracted School Programs and Services	8,769,839	8,351,693	8,771,395	(419,702)
School Special Funds	47,132,586	52,498,615	57,168,151	(4,669,536)
TOTAL - PROGRAM ACCOUNTS	697,898,860	721,187,606	700,299,874	20,887,732

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the General Fund

For the Year Ended June 30, 2018

	<u>Budgeted amounts</u>		<u>Actual (GAAP basis)</u>	<u>Variance with Revised Budget</u>
	<u>Adopted</u>	<u>Revised</u>		
INDIRECT & SUPPORT SERVICES				
Board/Office of Board Governance	\$ 2,907,226	3,225,764	2,345,304	880,460
Office of Accountability and Efficiency	1,004,079	1,378,730	982,196	396,534
Office of Superintendent	914,293	889,464	1,082,428	(192,964)
Office of School Administration	6,887,955	7,537,823	7,749,436	(211,613)
Office of Academics	7,459,130	7,717,275	8,514,673	(797,398)
Office of Finance	4,650,168	4,697,557	4,551,972	145,585
Office of Operations	298,795	306,450	334,417	(27,967)
Office of Chief of Staff	2,361,392	2,208,902	2,115,026	93,876
Business Services	2,820,150	3,024,050	2,695,330	328,720
Facilities & Maintenance	23,697,084	25,035,588	26,619,289	(1,583,701)
Office of Human Resources	5,022,765	5,345,747	5,124,693	221,054
Office of Innovation & Information	14,963,787	16,104,990	14,854,173	1,250,817
TOTAL - INDIRECT & SUPPORT	<u>72,986,824</u>	<u>77,472,340</u>	<u>76,968,937</u>	<u>503,403</u>
OTHER ACCOUNTS				
Building Operations Sites, Tenant Costs, Utilities	54,099,182	54,561,483	53,840,273	721,210
District Insurance & Judgements	9,000,000	10,253,988	10,459,676	(205,688)
Management Intern Program	477,843	541,506	277,942	263,564
Special & Contingent Funds	(18,315,000)	(15,512,256)	1,677,649	(17,189,905)
Transportation Operations	62,713,642	62,238,107	63,956,579	(1,718,472)
Regional Development Plan	3,057,580	3,034,413	2,514,644	519,769
Technology Licenses & Equipment	20,250,639	28,942,116	18,714,603	10,227,513
TOTAL - OTHER ACCOUNTS	<u>131,283,886</u>	<u>144,059,357</u>	<u>151,441,366</u>	<u>(7,382,009)</u>
DIVISION OF RECREATION AND COMMUNITY SERVICES				
Playgrounds & Recreation Centers	14,880,353	19,145,768	10,976,502	8,169,266
Summer School Wrap-around	5,417,400	7,399,835	4,344,236	3,055,599
Educational Programs	677,806	1,169,117	552,045	617,072
Partnership for the Arts/Humanities	1,744,748	2,513,675	1,401,189	1,112,486
Facilities	1,603,730	1,712,388	1,201,605	510,783
Insurance and Utilities	490,807	490,807	480,956	9,851
TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES	<u>24,814,844</u>	<u>32,431,590</u>	<u>18,956,533</u>	<u>13,475,057</u>
OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES				
	<u>(9,764,834)</u>	<u>(9,711,705)</u>	<u>(7,271,018)</u>	<u>(2,440,687)</u>
SCHOOL OPERATIONS & EXT. FUND	<u>917,219,580</u>	<u>965,439,188</u>	<u>940,395,692</u>	<u>25,043,496</u>
CAMP	<u>-</u>	<u>-</u>	<u>7,329,393</u>	<u>(7,329,393)</u>
GRANTS	<u>150,864,869</u>	<u>156,884,161</u>	<u>135,818,471</u>	<u>21,065,690</u>
Total Expenditures	<u>1,068,084,449</u>	<u>1,122,323,349</u>	<u>1,083,543,556</u>	<u>38,779,793</u>
Excess of revenues over (under) expenditures	30,466,867	(12,895,365)	23,667,157	36,562,522
Transfer In (Out)	<u>(30,466,867)</u>	<u>(29,404,411)</u>	<u>(28,436,198)</u>	<u>968,213</u>
Change in Fund Balance	\$ <u>-</u>	\$ <u>(42,299,776)</u>	<u>(4,769,041)</u>	\$ <u>37,530,735</u>
Fund balance-beginning of year			<u>42,208,222</u>	
Fund balance-end of year			\$ <u>37,439,181</u>	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

Budgetary Comparison Schedule for the School Nutrition Services Fund

For the Year Ended June 30, 2018

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Adopted</u>	<u>Revised</u>	<u>(GAAP basis)</u>	<u>Revised Budget</u>
Revenues:				
Lunchroom sales	\$ 650,000	\$ 650,000	\$ 723,832	\$ 73,832
Other local sources	—	—	167	167
State aid:				
School nutrition aid	950,000	950,000	995,506	45,506
Federal aid:				
School nutrition aid	49,900,000	49,900,000	50,927,013	1,027,013
Other federal aid	—	1,304,395	1,290,726	(13,669)
Miscellaneous	—	—	25,819	25,819
Total revenues	<u>51,500,000</u>	<u>52,804,395</u>	<u>53,963,063</u>	<u>1,158,668</u>
Expenditures:				
Current operating:				
School Nutrition Services	49,700,000	54,365,563	49,365,227	5,000,336
Capital Outlay	1,800,000	1,824,205	77,164	1,747,041
Total expenditures	<u>51,500,000</u>	<u>56,189,768</u>	<u>49,442,391</u>	<u>6,747,377</u>
Excess of revenues over(under)				
expenditures	—	(3,385,373)	4,520,672	7,906,045
Net change in fund balances	\$ <u>—</u>	\$ <u>(3,385,373)</u>	<u>4,520,672</u>	<u>7,906,045</u>
Fund balance—beginning of year			<u>11,525,766</u>	
Fund balance—end of year			\$ <u><u>16,046,438</u></u>	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2018

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
12/31/2017	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

Employees' 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
12/31/2017	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
6/30/2018	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 Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
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, 2018
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Wisconsin Retirement System

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
12/31/2017	\$ 24,823,615	\$ 24,823,615	\$ -	\$ 377,568,441	6.57%
12/31/2016	24,975,348	24,975,348	-	374,885,669	6.66
12/31/2015	26,030,471	26,030,471	-	382,623,535	6.80
12/31/2014	25,878,102	25,878,102	-	369,586,810	7.00

Employees' Retirement System

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
12/31/2017	\$ 10,261,027	\$ 10,261,027	\$ -	\$ 72,802,070	14.09%
12/31/2016	9,199,639	9,199,639	-	76,787,258	11.98
12/31/2015	9,574,716	9,574,716	-	68,459,972	13.99
12/31/2014	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
6/30/2018	\$ 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
6/30/2010	3,242,746	742,746	2,500,000	36,616,849	8.90
6/30/2009	2,482,200	2,662,961	(180,761)	38,094,012	6.50

**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
6/30/2018	\$ 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
6/30/2010	15,641,408	4,381,384	11,260,024	353,723,230	4.4
6/30/2009	15,235,493	11,406,727	3,828,766	350,580,446	4.3

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 30, 2018

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 187,143	\$ 226,072	\$ 283,894	\$ 276,863	\$ 267,144
Interest on the total pension liability	3,703,571	3,753,201	3,855,014	3,949,902	3,988,475
Differences between expected and actual experience	341,949	(352,172)	(297,565)	383,007	-
Changes of assumptions	-	-	-	200,199	-
Benefit payments, including refunds	(4,879,716)	(5,008,339)	(5,164,498)	(5,238,295)	(5,487,407)
Net Change in Total Pension Liability	(647,053)	(1,381,238)	(1,323,155)	(428,324)	(1,231,788)
Total Pension Liability - Beginning	51,291,718	52,672,956	53,996,111	54,424,435	55,656,223
Total Pension Liability - Ending (a)	<u>\$ 50,644,665</u>	<u>\$ 51,291,718</u>	<u>\$ 52,672,956</u>	<u>\$ 53,996,111</u>	<u>\$ 54,424,435</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,115,710	\$ 1,209,134	\$ 1,498,910	\$ 1,710,809	\$ 2,451,003
Net investment income	3,728,578	5,238,182	345,326	799,276	7,589,400
Benefit payments, including refunds	(4,879,716)	(5,008,339)	(5,164,498)	(5,238,295)	(5,487,407)
Administrative expense	(56,599)	(65,920)	(62,511)	(58,374)	(56,590)
Net Change in Plan Fiduciary Net Position	(92,027)	1,373,057	(3,382,773)	(2,786,584)	4,496,406
Plan Fiduciary Net Position - Beginning	47,483,823	46,110,766	49,493,539	52,280,123	47,783,717
Plan Fiduciary Net Position - Ending (b)	<u>\$ 47,391,796</u>	<u>\$ 47,483,823</u>	<u>\$ 46,110,766</u>	<u>\$ 49,493,539</u>	<u>\$ 52,280,123</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,252,869</u>	<u>\$ 3,807,895</u>	<u>\$ 6,562,190</u>	<u>\$ 4,502,572</u>	<u>\$ 2,144,312</u>
Plan fiduciary net position as a percentage of the total Pension liability	93.58%	92.58%	87.50%	91.70%	96.10%
Covered payroll	\$ 13,574,881	\$ 14,255,879	\$ 15,674,128	\$ 17,917,354	\$ 18,483,299
Net Pension liability as a percentage of covered payroll	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 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, 2018

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the total pension liability	16,436,072	16,635,125	16,846,685	17,001,811	17,203,578
Differences between expected and actual experience	(3,160,017)	(3,241,431)	(2,247,617)	(2,929,293)	-
Benefit payments, including refunds	<u>(16,013,508)</u>	<u>(16,244,782)</u>	<u>(16,607,340)</u>	<u>(17,037,741)</u>	<u>(16,891,272)</u>
Net Change in Total Pension Liability	(2,737,453)	(2,851,088)	(2,008,272)	(2,965,223)	312,306
Total Pension Liability - Beginning	<u>230,314,394</u>	<u>233,165,482</u>	<u>235,173,754</u>	<u>238,138,977</u>	<u>237,826,671</u>
Total Pension Liability - Ending (a)	<u>\$ 227,576,941</u>	<u>\$ 230,314,394</u>	<u>\$ 233,165,482</u>	<u>\$ 235,173,754</u>	<u>\$ 238,138,977</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 8,906,670	\$ 9,456,955	\$ 9,888,196	\$ 9,540,139	\$ 10,954,526
Net investment income	12,028,603	16,153,487	964,012	2,410,365	21,504,411
Benefit payments	(16,013,508)	(16,244,782)	(16,607,340)	(17,037,741)	(16,891,272)
Administrative expense	<u>(152,014)</u>	<u>(156,826)</u>	<u>(174,658)</u>	<u>(145,726)</u>	<u>(176,226)</u>
Net Change in Plan Fiduciary Net Position	4,769,751	9,208,834	(5,929,790)	(5,232,963)	15,391,439
Plan Fiduciary Net Position - Beginning	<u>150,737,643</u>	<u>141,528,809</u>	<u>147,458,599</u>	<u>152,691,562</u>	<u>137,300,123</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 155,507,394</u>	<u>\$ 150,737,643</u>	<u>\$ 141,528,809</u>	<u>\$ 147,458,599</u>	<u>\$ 152,691,562</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 72,069,547</u>	<u>\$ 79,576,751</u>	<u>\$ 91,636,673</u>	<u>\$ 87,715,155</u>	<u>\$ 85,447,415</u>
Plan fiduciary net position as a percentage of the total Pension liability	68.33%	65.45%	60.70%	62.70%	64.12%
Covered payroll	\$ 221,227,773	\$ 236,655,777	\$ 250,768,000	\$ 262,424,327	\$ 288,512,864
Net Pension liability as a percentage of covered payroll	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 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, 2018

	2018	2017
Total OPEB Liability		
Service cost	\$ 3,415,121	\$ 4,101,247
Interest on the total OPEB liability	42,630,800	45,599,496
Differences between expected and actual experience	30,739,181	2,563,048
Changes of assumptions	(96,779,146)	-
Benefit payments	(47,544,292)	(52,906,009)
Net Change in Total OPEB Liability	(67,538,336)	(642,218)
Total OPEB Liability - Beginning	955,596,287	956,238,505
Total OPEB Liability - Ending (a)	\$ 888,057,951	\$ 955,596,287
 Plan Fiduciary Net Position		
Contributions - employer	\$ 53,242,638	\$ 33,755,421
Net investment income	8,512,126	3,910,328
Benefit payments	(47,544,292)	(52,906,009)
Net Change in Plan Fiduciary Net Position	14,210,472	(15,240,260)
Plan Fiduciary Net Position - Beginning	108,867,958	124,108,219
Plan Fiduciary Net Position - Ending (b)	\$ 123,078,430	\$ 108,867,959
 Net OPEB Liability - Ending (a) - (b)	\$ 764,979,521	\$ 846,728,328
 Plan fiduciary net position as a percentage of the total OPEB liability	13.86%	11.39%
 Covered payroll (1)	\$ 355,843,000	\$ 387,681,000
 Net OPEB liability as a percentage of covered payroll	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.

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, 2018

	2018	2017
Actuarially contractual determined contribution	\$ 88,022,745	\$ N/A
Contributions in relation to the actuarially determined contribution	\$ <u>53,242,638</u>	\$ <u>33,755,421</u>
Contribution deficiency (excess)	\$ <u>34,780,107</u>	\$ <u>N/A</u>
Covered payroll	\$ 355,843,000	\$ 387,681,000
Contributions as a percentage of covered payroll	14.96%	8.71%

Notes to Schedule

Valuation date: July 1, 2017

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	2.8% (3.0% General Employees)
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2018, trend starts at 8.00% and gradually decreases to an ultimate trend of 4.50%. Additional trend rate of 0.45% is added to non-Medicare cost on and after 2024 to account for the Excise Tax.
Salary increases	Depends on age, service and employer group. Rate ranges from 7.00% at less than 1 year of service to 2.80% at 34 or more years of service. Salary increase includes wage inflation assumption.
Investment rate of return	Short-term account earns 3% per year. Long-term account earn 7.25% per year.
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	For retirees and survivor: RP-2000 White Collar Annuitant Morality Table with mortality improvements projected to 2009, for males and females. For active members: RP-2000 White Collar Mortality Table with mortality improvements projected to 2009 with 6-year set back for males and females. All tables reflect future mortality improvements using Projection Scale AA.

Other information:

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

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

MILWAUKEE PUBLIC SCHOOLS
Post-Employment Life and Healthcare Insurance Benefits
Required Supplementary Information
SCHEDULE OF INVESTMENT RETURNS
As of June 30, 2018

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

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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Required Supplementary Information

Year ended June 30, 2018

(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.

MILWAUKEE PUBLIC SCHOOLS

Notes to Required Supplementary Information

Year ended June 30, 2018

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

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

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

Changes of assumptions. There were no changes in the assumptions

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

(4) **Supplemental Retirement Plans**

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

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

Changes of assumptions. There were no changes in the assumptions

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

(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. There were no changes of benefit terms.

Changes of assumptions. A bi-annual actuarial valuation is performed for the plan. An updated actuarial valuation as of June 30, 2017, was performed using census, healthcare-related assumptions, pension-related assumptions and plan provisions as of June 30, 2017. Changes were primarily due to favorable Medicare Advantage premium rate increases since the last actuarial valuation as of July 1, 2015. See Note 11 for more information on the specific assumptions for the 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.

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, 2018

	Assets	<u>Special Revenue</u>		
		<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Receivables due from other governmental units	\$	<u>2,928,708</u>	<u>—</u>	<u>2,928,708</u>
Total assets	\$	<u><u>2,928,708</u></u>	<u><u>—</u></u>	<u><u>2,928,708</u></u>
Liabilities, Deferred inflow of resources and Fund Balances				
Liabilities:				
Accounts Payable	\$	276,309	—	276,309
Due to other funds		<u>2,650,410</u>	<u>—</u>	<u>2,650,410</u>
Total liabilities		2,926,719	—	2,926,719
Deferred inflows of Resources - unearned revenue (note 1(o))		<u>1,989</u>	<u>—</u>	<u>1,989</u>
Fund balances:				
Restricted		<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances		<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities, deferred inflows of resources and fund balances	\$	<u><u>2,928,708</u></u>	<u><u>—</u></u>	<u><u>2,928,708</u></u>

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2018

	<u>Special Revenue</u> <u>Categorically</u> <u>Aided</u> <u>Programs</u>	<u>Debt</u> <u>Service</u>	<u>Total</u>
Revenues:			
Property taxes	\$ —	5,570,269	5,570,269
Federal aid:			
Other federal aid	23,461,281	—	23,461,281
Total revenues	<u>23,461,281</u>	<u>5,570,269</u>	<u>29,031,550</u>
Expenditures:			
Instructional services—			
special curriculum	6,035,310	—	6,035,310
Pupil and staff services	17,425,971	—	17,425,971
Debt service:			
Principal	—	15,391,555	15,391,555
Interest	—	18,581,798	18,581,798
Bond administrative fees	—	33,114	33,114
Total expenditures	<u>23,461,281</u>	<u>34,006,467</u>	<u>57,467,748</u>
Excess of revenues over (under) expenditures	—	(28,436,198)	(28,436,198)
Other financing sources:			
Transfers In	—	28,436,198	28,436,198
Total other financing sources, net	<u>—</u>	<u>28,436,198</u>	<u>28,436,198</u>
Net changes in fund balances	—	—	—
Fund balances:			
Beginning of year	—	—	—
End of year	\$ <u>—</u>	<u>—</u>	<u>—</u>

MILWAUKEE PUBLIC SCHOOLS

Categorically Aided Programs Fund

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

For the Year Ended June 30, 2018

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Other local sources	\$ —	—	—
Federal aid:			
Other federal aid	24,853,561	23,795,724	23,461,281
Total revenues	<u>24,853,561</u>	<u>23,795,724</u>	<u>23,461,281</u>
Expenditures:			
Instructional services—			
Special curriculum	6,393,468	6,121,344	6,035,310
Pupil and staff services	18,460,093	17,674,380	17,425,971
Total expenditures	<u>24,853,561</u>	<u>23,795,724</u>	<u>23,461,281</u>
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, 2018

	Budgeted amounts		Actual
	Adopted	Revised	(GAAP basis)
Revenues:			
Property taxes	\$ 2,366,738	5,570,269	5,570,269
Total revenues	2,366,738	5,570,269	5,570,269
Expenditures:			
Current operating:			
Debt service	32,833,605	34,974,680	34,006,467
Total expenditures	32,833,605	34,974,680	34,006,467
Excess of revenues over (under) expenditures	(30,466,867)	(29,404,411)	(28,436,198)
Other financing sources			
Transfers In	30,466,867	29,404,411	28,436,198
Total other financing sources	30,466,867	29,404,411	28,436,198
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.

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

Agency Fund

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

MILWAUKEE PUBLIC SCHOOLS

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

As of June 30, 2018

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Other Post Employment Benefits trust	Total
Assets				
Investments				
Money market accounts	\$ 993,073	3,058,442	16,503,577	20,555,092
Fixed Income	—	—	41,118,341	41,118,341
Equity Funds	—	—	68,765,617	68,765,617
Mortgage-backed securities	60	—	—	60
Nongovernmental obligations	2,782,793	7,615,567	—	10,398,360
Investment with the State of Wisconsin	44,488,224	147,533,988	—	192,022,212
Receivables-interest and contributions	5,676	15,365	409,507	430,548
Total assets	<u>48,269,826</u>	<u>158,223,362</u>	<u>126,797,042</u>	<u>333,290,230</u>
Liabilities				
Accounts payable and accrued expenses	878,030	2,715,968	3,718,612	7,312,610
Total liabilities	<u>878,030</u>	<u>2,715,968</u>	<u>3,718,612</u>	<u>7,312,610</u>
Net Position				
Net position restricted for pensions	\$ <u>47,391,796</u>	<u>155,507,394</u>	<u>123,078,430</u>	<u>325,977,620</u>

MILWAUKEE PUBLIC SCHOOLS

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

For the Year Ended June 30, 2018

	Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan	Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers	Other Post Employment Benefits trust	Total
Additions:				
Employer contributions	\$ 1,119,895	8,906,670	51,724,000	61,750,565
Participants contributions	—	—	3,963,123	3,963,123
Investment income:				
Net investment from the State of Wisconsin:				
Core Retirement Investment Trust Fund	3,077,513	10,186,812	—	13,264,325
Variable Retirement Trust Fund	637,283	1,811,426	—	2,448,709
Unrealized Gains/(Loss) on Investments, net	—	—	(4,938,718)	(4,938,718)
Net investment income from other investments	19,310	44,614	13,701,199	13,765,123
Total investment income:	3,734,106	12,042,852	8,762,481	24,539,439
Investment expenses	(5,527)	(14,250)	—	(19,777)
Net investment income	3,728,579	12,028,602	8,762,481	24,519,662
Total additions	4,848,474	20,935,272	64,449,604	90,233,350
Deductions:				
Benefits paid to participant's or beneficiaries	4,832,520	16,013,508	49,988,777	70,834,805
Distribution of participant contribution accounts	47,196	4,185	—	51,381
Administrative expenses	60,785	147,828	250,355	458,968
Total deductions	4,940,501	16,165,521	50,239,132	71,345,154
Changes in net position	(92,027)	4,769,751	14,210,472	18,888,196
Net Position—Beginning of Year	47,483,823	150,737,643	108,867,958	307,089,424
Net Position—Ending of Year	\$ 47,391,796	155,507,394	123,078,430	325,977,620

MILWAUKEE PUBLIC SCHOOLS
 Agency Fund
 Schedule of Changes in Assets and Liabilities
 For the Year Ended June 30, 2018

Assets	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Cash and cash equivalents	\$ 5,733,294	6,886,777	(6,418,924)	6,201,147
Total assets	\$ 5,733,294	6,886,777	(6,418,924)	6,201,147
Liabilities				
Liabilities:				
Due to student organizations	\$ 5,733,294	6,886,777	(6,418,924)	6,201,147
Total liabilities	\$ 5,733,294	6,886,777	(6,418,924)	6,201,147

MILWAUKEE PUBLIC SCHOOLS
Schedule of Charter School Authorizer Operating Costs
For the Year Ended June 30, 2018

OPERATING ACTIVITY	COST
Employee Salaries	332,344
Employee Benefits	169,496
Purchased Services	6,498
Service Fee/Dues	-
Supplies	747
TOTAL	509,085



MILWAUKEE
PUBLIC SCHOOLS

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	112-115
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	116-121
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	122-124
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	125-129
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	130-140

MILWAUKEE PUBLIC SCHOOLS
Statement of Net Position
Last Ten Fiscal Years

Governmental activities

	<u>2018</u>	<u>2017 (a)</u>	<u>2016</u>	<u>2015</u>	<u>2014(a)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net investment in capital assets	\$ 521,815,805	521,306,420	500,041,665	489,612,270	483,025,586	490,235,574	495,794,462	499,760,461	494,531,410	499,644,800
Restricted for debt service	197,549	—	14,368,921	16,570,259	9,914,758	6,866,476	13,472,018	11,247,463	4,699,678	8,351,394
Restricted for pensions	77,705,344	—	—	67,124,130	—	—	—	—	—	—
Unrestricted (Deficit)	<u>(1,023,464,185)</u>	<u>(697,052,528)</u>	<u>(593,783,813)</u>	<u>(643,922,647)</u>	<u>(641,998,220)</u>	<u>(652,162,327)</u>	<u>(641,733,484)</u>	<u>(637,144,852)</u>	<u>(520,167,556)</u>	<u>(389,665,110)</u>
Total net position	<u>\$ (423,745,487)</u>	<u>(175,746,108)</u>	<u>(79,373,227)</u>	<u>(70,615,988)</u>	<u>(149,057,876)</u>	<u>(155,060,277)</u>	<u>(132,467,004)</u>	<u>(126,136,928)</u>	<u>(20,936,468)</u>	<u>118,331,084</u>

(a) These numbers are reported prior to the GASB #68 and GASB #75 restatements.

See accompanying independent auditors' report.

MILWAUKEE PUBLIC SCHOOLS
Changes in Net Position
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses:										
Instruction	\$ 593,089,063	724,642,011	681,195,330	647,364,824	666,593,314	714,036,147	685,589,990	863,184,570	887,815,447	864,409,791
Support services:										
Community services	30,629,716	31,770,798	27,789,456	29,311,872	27,612,053	30,536,990	26,041,483	27,499,000	25,538,287	25,574,386
Pupil and staff services	149,961,599	150,132,613	128,939,561	131,798,496	127,673,917	130,189,957	135,648,452	160,715,900	143,517,392	138,220,288
General, administration, and central services	124,577,548	125,109,527	112,898,587	98,125,128	101,276,207	103,502,882	113,952,373	117,817,193	132,145,392	118,454,437
Business services	176,621,387	180,855,290	169,413,167	160,678,353	167,752,510	149,452,181	154,701,665	169,960,141	159,725,009	161,738,970
School nutrition services	49,719,699	49,625,471	50,101,295	47,234,192	43,656,550	44,945,680	44,527,282	44,205,351	40,555,069	40,891,942
Interest on long-term debt	18,743,854	22,489,948	17,660,687	16,331,690	20,088,560	16,147,608	17,790,345	17,926,945	17,166,361	16,181,174
Bond issuance costs	33,114	407,528	-	-	-	-	-	-	-	-
Loss on sale/disposal of assets	-	-	-	-	-	260,129	4,028,012	-	-	-
Total support services	\$ 550,286,917	560,391,175	506,802,753	483,479,731	488,059,797	475,035,427	496,689,612	538,124,530	518,647,510	501,061,197
Total expenses	\$ 1,143,375,980	1,285,033,186	1,187,998,083	1,130,844,555	1,154,653,111	1,189,071,574	1,182,279,602	1,401,309,100	1,406,462,957	1,365,470,988
Program revenues:										
Charges for services:										
Instruction	\$ 14,305,797	11,587,754	8,619,364	7,144,293	7,347,485	6,135,034	4,897,115	5,270,970	4,668,475	5,508,572
Community services	4,698,959	4,781,636	4,365,200	4,144,116	1,904,323	1,789,570	1,844,915	1,981,562	2,022,823	1,994,701
Business services	6,645,835	6,006,239	5,398,788	5,068,641	4,899,266	3,230,905	2,613,852	1,962,560	1,755,862	2,000,182
Nutrition services	724,006	666,619	1,164,444	802,764	3,127,925	2,933,140	3,027,221	3,233,097	3,900,398	4,186,989
Operating grants and contributions:										
Instruction	213,842,096	202,268,798	184,229,896	201,995,731	202,656,277	218,784,528	218,860,380	284,307,386	288,369,454	314,249,488
Community services	11,937,638	5,331,144	5,559,121	6,141,526	5,865,138	6,689,857	6,286,075	6,693,672	7,218,268	8,472,311
Pupil and staff services	17,714,954	17,860,161	18,367,601	22,295,180	20,743,806	17,344,944	27,257,411	16,187,840	15,608,318	15,106,248
Business services	7,861,714	7,495,159	5,580,111	7,056,988	6,747,421	6,045,771	6,758,686	7,058,695	6,631,649	7,140,808
Nutrition services	53,213,246	53,349,946	52,242,705	49,190,624	41,820,458	39,875,043	39,259,843	39,640,325	37,770,914	34,803,122
Capital grants and contributions:										
Instruction	10,360,627	16,064,716	16,348,227	849,132	3,546,175	6,491,624	3,244,501	11,532,654	11,118,264	1,698,541
Total program revenues	\$ 341,304,872	325,412,172	301,875,457	304,688,995	298,658,274	309,320,416	314,049,999	377,868,761	379,064,425	395,160,962
Net (expense)/revenue	\$ (802,071,108)	(959,621,014)	(886,122,626)	(826,155,560)	(855,994,837)	(879,751,158)	(868,229,603)	(1,023,440,339)	(1,027,398,532)	(970,310,026)
General revenues and other changes in net position:										
Taxes:										
Property taxes levied for general purposes	\$ 242,639,539	257,702,427	268,759,174	271,012,144	270,306,782	269,493,379	270,368,281	259,744,794	274,190,085	257,763,742
Property taxes levied for construction	3,904,580	1,100,000	10,600,000	9,600,000	9,600,000	8,619,687	5,127,012	14,729,342	9,074,793	17,001,718
Property taxes levied for debt service	5,570,269	2,366,738	4,209,121	4,600,529	2,477,582	5,426,145	5,475,630	5,698,454	2,342,002	1,870,414
Property taxes levied for community services	20,000,000	20,000,000	17,065,872	17,065,872	17,065,871	17,065,871	16,815,871	13,334,418	10,226,234	11,142,826
Other taxes	597,492	840,809	810,337	1,837,208	53,662	32,559	533,466	1,729,836	59,021	49,468
Federal and state aid not restricted to a specific purpose:										
General (equalization aid)	523,855,062	516,742,805	509,173,092	505,323,745	500,659,964	494,557,826	496,690,640	544,914,729	514,990,790	469,912,641
Other	56,105,633	62,102,128	61,046,450	58,305,357	58,682,525	58,969,122	63,378,858	73,161,388	75,412,753	78,351,979
Interest and investment earnings	1,295,467	1,321,804	4,349,251	2,913,071	2,541,815	254,662	224,216	289,979	759,476	1,159,402
Gain on sales of fixed assets	-	-	332,510	-	111,363	-	-	-	-	-
Other	1,744,974	1,071,422	1,019,580	932,736	497,674	2,624,753	3,285,553	4,636,939	1,075,826	1,045,095
Total general revenues	\$ 855,713,016	863,248,133	877,365,387	871,590,662	861,997,238	857,157,885	861,899,527	918,239,879	888,130,980	838,297,285
Change in net position	\$ 53,641,908	(96,372,881)	(8,757,239)	45,435,102	6,002,401	(22,593,273)	(6,330,076)	(105,200,460)	(139,267,552)	(132,012,741)

See accompanying independent auditors' report.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund										
Nonspendable										
Inventories	\$ 2,073,707	1,886,572	1,643,145	1,026,248	973,880	907,073	746,342	586,777	-	-
Prepaid expenditures	37,788	3,440,257	9,453,791	5,236,234	5,908,136	1,388,395	2,011,198	3,032,231	-	-
Noncurrent advances	-	-	-	-	2,736,923	4,973,734	3,786,936	2,251,164	-	-
Noncurrent receivables	1,596,592	1,482,010	923,445	573,763	671,498	-	-	-	-	-
Restricted										
Self-insurance deposits	3,890,011	3,240,153	8,069,749	7,243,936	5,550,712	4,408,669	4,454,209	3,723,449	-	-
Debt service	762,365	642,270	18,438,783	20,759,322	10,395,435	10,599,746	16,305,038	15,818,504	-	-
Flex spending	-	292,095	228,216	273,097	263,746	253,825	191,658	241,978	-	-
Committed for Construction										
Assigned	5,483,590	2,810,155	975,383	2,732,369	2,421,323	3,104,129	4,925,111	1,123,863	-	-
Unassigned	23,595,128	28,414,710	40,566,631	41,791,865	49,871,027	53,322,696	63,927,286	64,820,786	-	-
Reserved	-	-	-	-	-	-	-	-	35,081,314	56,034,728
Unreserved	-	-	-	-	-	-	-	-	56,933,260	40,610,378
Total general fund	\$ 37,439,181	42,208,222	80,299,143	79,636,834	78,792,680	78,960,389	96,349,900	91,600,874	92,014,574	96,645,106
Other Governmental Funds										
Restricted										
Debt service	\$ 1,419	-	-	-	3,657,983	941,258	940,863	-	-	-
Long term investment fund	2,759,067	2,752,746	2,750,127	250,000	-	-	-	-	-	-
School Nutrition Services	13,776,344	11,525,766	4,877,643	539,429	-	-	-	-	-	-
Capital projects	78,473,037	78,832,821	20,444,142	40,228,316	-	-	-	-	-	-
Committed										
Construction	6,786,798	3,737,681	21,010,508	9,207,227	18,002,317	17,075,169	27,013,589	44,604,504	-	-
Assigned	2,270,094	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(2,736,923)	(4,973,734)	(3,786,936)	(2,251,164)	-	-
Reserved	-	-	-	-	-	-	-	-	9,341,521	9,191,384
Unreserved										
Construction fund	-	-	-	-	-	-	-	-	37,687,706	-
Special revenue fund	-	-	-	-	-	-	-	-	(2,154,013)	(5,557,534)
Total all other governmental funds	\$ 104,066,759	96,849,014	49,082,420	50,224,972	18,923,377	13,042,693	24,167,516	42,353,340	44,875,214	3,633,850

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

See accompanying independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Property tax levy	\$ 272,114,388	281,169,165	300,634,166	302,278,545	299,450,235	300,605,082	297,786,794	293,507,008	295,833,114	287,778,700
Other taxes	597,492	840,809	810,337	72,837	79,171	75,084	104,824	108,820	97,291	92,608
Lunchroom sales	723,832	666,617	1,164,437	802,753	3,112,692	2,924,898	2,943,482	3,226,519	3,853,462	4,180,102
Other local sources	32,612,667	30,206,030	24,708,014	20,881,176	17,998,591	15,033,619	11,680,793	11,836,869	10,288,493	12,686,419
Microsoft Settlement Refunds	—	—	5,918,672	—	1,557,605	4,492,796	278,642	6,706,515	6,796,310	—
State aid:										
Equalization aid	523,855,062	516,742,805	509,173,092	505,323,745	500,659,964	494,557,826	496,690,640	544,914,729	514,990,790	469,912,641
Special classes	46,082,609	48,340,685	50,423,437	53,338,018	53,565,720	51,792,301	54,013,275	49,429,225	46,323,816	47,564,912
Integration	30,368,152	33,145,802	31,692,817	32,247,348	33,522,834	34,178,357	35,235,721	39,158,028	40,804,682	41,276,129
Other state aid	84,878,199	68,218,662	59,234,848	60,425,803	52,813,148	51,039,137	48,365,268	72,947,102	73,460,777	76,658,767
Federal aid:										
Education Consolidation Improvement Act	70,743,913	76,904,906	68,908,095	77,649,649	89,387,237	96,038,429	106,765,706	121,910,586	121,231,450	102,207,198
School nutrition services	50,927,013	51,232,829	49,598,103	46,739,199	40,115,810	38,289,523	37,629,945	38,163,553	36,525,598	33,501,200
Erate refunds	5,836,244	4,237,974	9,682,625	—	—	52,666	2,753,269	3,346,923	1,920,868	1,751,957
Other federal aid	70,864,068	64,475,049	61,369,218	69,073,018	69,125,693	70,965,810	82,063,530	102,780,085	111,175,815	157,572,767
Intergovernmental aid from the City of Milwaukee	—	—	—	—	—	—	—	—	191,000	—
Miscellaneous	2,053,402	864,375	1,284,082	1,231,850	567,085	3,190,257	3,346,721	4,533,161	1,222,859	932,475
Interest and investment earnings	5,302,257	5,454,864	4,349,251	2,913,071	2,541,815	218,550	224,215	289,981	759,476	1,159,402
Total revenues	\$ 1,196,959,298	1,182,500,572	1,178,951,194	1,172,977,012	1,164,497,600	1,163,454,335	1,179,882,825	1,292,859,104	1,265,475,801	1,237,275,277
Expenditures:										
Instructional services:										
Undifferentiated curriculum	\$ 351,822,598	369,393,609	339,332,220	346,521,378	350,611,296	364,488,175	379,231,430	408,281,267	419,013,141	426,468,415
Regular and other curriculum	134,543,176	137,132,552	136,707,351	137,364,946	140,829,291	147,099,479	129,989,610	153,723,073	162,055,281	152,019,378
Special curriculum	149,773,284	148,780,813	152,478,100	162,957,532	167,157,217	170,451,744	158,713,453	169,704,527	158,358,450	141,682,491
Total instructional services	636,139,058	655,306,974	628,517,671	646,843,856	658,597,804	682,039,398	667,934,493	731,708,867	739,426,872	720,170,284
Community services	29,562,731	29,120,113	27,347,401	29,162,858	26,962,332	29,146,352	24,841,805	23,467,701	23,184,162	23,482,483
Pupil and staff services	144,325,273	135,823,969	126,867,497	132,154,096	126,212,196	127,419,348	132,786,434	158,034,350	141,633,899	136,274,148
General and school building administration	118,247,463	112,522,003	111,159,224	99,027,539	99,204,832	101,012,616	111,351,669	118,430,195	128,618,542	118,520,404
Business services	177,596,772	173,743,893	169,127,014	160,159,754	163,583,290	161,469,675	155,497,490	170,709,794	160,335,051	161,983,843
School nutrition services	49,365,227	46,971,470	48,841,829	46,653,985	42,699,913	43,938,860	43,525,912	43,247,754	39,803,908	39,547,617
Capital Outlay	40,412,547	41,396,795	38,460,201	39,116,285	14,690,949	21,948,535	34,504,618	21,847,799	19,371,066	21,845,269
Debt service:										
Principal	15,391,555	54,677,630	14,648,669	21,671,993	12,955,845	67,860,692	11,374,372	14,099,135	18,929,274	11,849,070
Interest	18,581,798	22,303,962	14,797,376	13,523,580	13,963,568	14,312,624	14,528,046	14,176,335	13,261,491	13,407,173
Bond issuance cost	33,114	407,528	8,762	61,999	36,434	528,668	34,769	111,525	2,113,376	33,858
Total expenditures	\$ 1,229,655,938	1,272,274,337	1,179,775,644	1,188,375,945	1,158,907,163	1,249,676,768	1,196,379,608	1,295,833,455	1,286,677,641	1,247,114,149
Excess of revenues over (under) expenditures	\$ (32,696,640)	(89,773,765)	(824,450)	(15,398,933)	5,590,437	(86,222,433)	(16,496,783)	(2,974,351)	(21,201,840)	(9,838,872)
Other financing sources (uses) (note 7):										
Long-Term Debt Issued	\$ 34,933,000	56,185,000	—	—	—	—	—	—	49,300,000	4,050,000
Proceeds from Sale of Capital Assets	200,000	3,747,618	120,245	1,406,273	122,538	183,585	3,059,985	38,777	287,395	—
Premium on debt issued	—	3,221,503	—	387,058	—	7,415,704	—	—	—	—
Proceeds from capital leases	—	—	—	38,000,000	—	—	—	—	11,504,297	—
Insurance proceeds	12,344	—	223,962	843,560	—	—	—	—	60,980	79,005
Refunding bond debt issued	—	29,095,000	—	6,907,791	—	50,108,810	—	—	11,020,000	—
Payment for refunded bond debt	—	—	—	—	—	—	—	—	(14,360,000)	—
Contribution for capital improvements	—	7,200,317	—	—	—	—	—	—	—	—
Total other financing sources (uses), net	\$ 35,145,344	99,449,438	344,207	47,544,682	122,538	57,708,099	3,059,985	38,777	57,812,672	4,129,005
Net change in fund balance	\$ 2,448,704	9,675,673	(480,243)	32,145,749	5,712,975	(28,514,334)	(13,436,798)	(2,935,574)	36,610,832	(5,709,867)
Debt service as a percentage of noncapital expenditures	2.9%	6.3%	2.6%	3.1%	2.4%	6.7%	2.2%	2.2%	2.7%	2.1%

See accompanying independent auditors' report.

Source of information Statement of Revenues, Expenditures, and Changes in Fund Balance statement.

MILWAUKEE PUBLIC SCHOOLS

Assessed and Equalized Valuation—City of Milwaukee

(in thousands)

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

<u>Assessed Year</u>	<u>Assessed valuation</u>	<u>Assessed valuation increase (decrease) over prior years</u>	<u>Equalized valuation</u>
1988	\$ 11,865,999	\$ 562,782	\$ 12,002,681
1989	12,017,462	151,463	12,648,530
1990	12,614,531	597,069	12,808,708
1991	12,701,237	86,706	13,189,084
1992	13,336,770	635,533	13,279,156
1993	13,345,968	9,198	14,047,985
1994	14,029,734	683,766	14,363,706
1995	13,976,649	(53,085)	14,821,109
1996	14,850,607	873,958	15,041,199
1997	14,914,137	63,530	15,511,857
1998	16,072,114	1,157,977	16,228,218
1999	15,773,850	(298,264)	16,701,225
2000	17,582,995	1,809,145	17,344,251
2001	17,699,784	116,789	19,453,830
2002	19,866,255	2,166,471	20,298,387
2003	21,009,517	1,143,262	21,730,754
2004	22,772,419	1,762,902	23,491,773
2005	25,222,149	2,449,730	26,256,714
2006	28,354,952	3,132,803	30,226,984
2007	29,374,373	1,019,421	31,887,192
2008	30,431,675	1,057,302	32,257,525
2009	28,944,573	(1,487,102)	31,266,329
2010	28,048,464	(896,109)	29,520,783
2011	27,917,642	(130,822)	27,954,670
2012	25,322,101	(2,595,541)	26,421,932
2013	25,034,158	(287,943)	26,089,611
2014	25,024,542	(9,616)	26,138,108
2015	25,262,963	238,421	25,980,470
2016	25,974,259	711,296	27,042,047
2017	26,937,359	963,100	26,903,885

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

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

Budget year	Milwaukee School Board (B)	City of Milwaukee (A)	Milwaukee Area District Board of Vocational, Technical, and Adult Education	County of Milwaukee	State of Wisconsin	Milwaukee Metropolitan Sewerage District	Total (C)							
TAX RATES PER \$1,000 OF ASSESSED VALUE AND PERCENT OF TOTAL														
2008	7.96	34.4	7.46	32.2	1.92	8.3	4.22	18.3	0.19	0.8	1.39	6.0	23.14	100.0
2009	8.75	36.3	7.59	31.6	1.94	8.1	4.20	17.5	0.18	0.8	1.37	5.7	24.03	100.0
2010	9.41	36.2	8.42	32.4	2.06	8.0	4.48	17.2	0.18	0.7	1.43	5.5	25.98	100.0
2011	9.49	35.7	8.67	32.6	2.02	7.6	4.69	17.7	0.18	0.7	1.52	5.7	26.57	100.0
2012	9.69	36.0	8.86	32.9	1.95	7.3	4.72	17.6	0.17	0.6	1.51	5.6	26.90	100.0
2013	10.73	35.8	9.87	33.0	2.21	7.4	5.26	17.5	0.18	0.6	1.70	5.7	29.95	100.0
2014	10.86	35.5	10.23	33.4	2.22	7.2	5.35	17.5	0.18	0.6	1.78	5.8	30.62	100.0
2015	10.93	36.5	10.42	34.7	1.33	4.4	5.33	17.8	0.17	0.6	1.79	6.0	29.97	100.0
2016	10.52	35.8	10.29	35.1	1.29	4.4	5.28	18.0	0.18	0.6	1.79	6.1	29.35	100.0
2017	9.61	33.5	10.47	36.5	1.31	4.6	5.31	18.5	0.18	0.6	1.82	6.3	28.70	100.0

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

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

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

Source: City of Milwaukee CAFR

MILWAUKEE PUBLIC SCHOOLS

Tax Rates for School Purposes

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

Budget Year (a)	School Operations	Construction	Extension	Total(b)
2009	\$ 7.44	\$ 0.49	\$ 0.32	\$ 8.25
2010	8.36	0.27	0.31	8.94
2011	8.18	0.45	0.41	9.05
2012	8.61	0.16	0.53	9.30
2013	9.47	0.30	0.59	10.35
2014	9.57	0.34	0.60	10.51
2015	9.72	0.34	0.60	10.66
2016	9.26	0.36	0.58	10.20
2017	8.63	0.04	0.66	9.33
2018	7.77	0.12	0.63	8.52

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Tax Levies for School Purposes

Last Ten Years

Budget Year (a)	School Operations	Construction	Extension	Total
2009	\$ 259,634,156	\$ 17,001,718	\$ 11,142,826	\$ 287,778,700
2010	276,532,087	9,074,793	10,226,234	295,833,114
2011	265,443,248	14,729,342	13,334,418	293,507,008
2012	275,843,911	5,127,012	16,815,871	297,786,794
2013	274,919,524	8,619,687	17,065,871	300,605,082
2014	272,784,364	9,600,000	17,065,871	299,450,235
2015	275,612,673	9,600,000	17,065,871	302,278,544
2016	272,968,295	10,600,000	17,065,871	300,634,166
2017	260,069,165	1,100,000	20,000,000	281,169,165
2018	248,209,808	3,904,580	20,000,000	272,114,388

(a) Corresponds to MPS fiscal year dates.

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

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

Employer	City's Fiscal Year 2017			City's Fiscal Year 2008		
	Assessed Value	Percentage of Total Assessed		Assessed Value	Percentage of Total Assessed	
Northwestern Mutual Life Insurance Company	\$ 358,882	1.38	%	\$ 203,882	0.67	%
U.S. Bank	220,019	0.84		256,738	0.84	
Mandel Group	179,873	0.69		—	—	
Juneau Village/Prospect Tower/Katz Properties	124,350	0.48		—	—	
Metropolitan Associates	106,387	0.41		101,765	0.33	
Forest County Potawatomi Community	101,536	0.39		—	—	
Jackson Street Holdings	98,785	0.38		—	—	
Marcus Corp./Mil. City Center/Pfister	92,772	0.36		125,713	0.41	
NNN 411 E. Wisconsin LLC	92,372	0.35		94,840	0.31	
Irgens	86,019	0.33		—	—	
Crichton-Hauk/Shoreline/Juneau Village Towne Realty	—	—		92,662	0.30	
M&I Marshall & Ilsley Bank/Metavente Corp	—	—		84,575	0.28	
E C Milwaukee Joint Venture	—	—		73,122	0.24	
Geneva Exchange Fund	—	—		69,755	0.23	
	\$ 1,460,995	5.61	%	\$ 1,188,858	3.89	%

Source: City CAFR

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

Budget Year*	Taxes Levied for the Fiscal Year (Original Levy) (D)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy Levy Year (B)		Collections		Total Collections to Date	
				Current Tax Collections	Percent Original Levy Collected	Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
2008	\$ 286,180	\$ 39,552	\$ 325,732	\$ 277,115	96.83	\$ 23,945	\$ 24,444	\$ 325,505	99.93
2009	276,186	32,295	308,481	265,691	96.20	18,017	24,389	308,097	99.88
2010	291,943	28,887	320,830	281,196	96.32	16,482	22,480	320,158	99.79
2011	295,967	28,167	324,134	284,691	96.19	16,049	22,683	323,423	99.78
2012	301,051	25,133	326,184	288,749	95.91	13,596	22,571	324,916	99.61
2013	304,700	24,844	329,544	293,489	96.32	16,237	17,855	327,582	99.40
2014	307,246	22,580	329,826	296,107	96.37	13,875	16,845	326,829	99.09
2015	312,216	19,925	332,141	302,084	96.76	12,471	12,597	327,152	98.50
2016	312,091	21,475	333,566	302,628	96.97	10,907	10,451	323,986	97.13
2017	318,887	27,216	346,103	309,038	96.92	14,830	-	323,868	93.58

Milwaukee Public Schools		
Budget Year*	Total Tax Levy	Percentage of Levy
2008	\$ 287,779	100.00
2009	295,833	100.00
2010	293,507	100.00
2011	297,787	100.00
2012	300,605	100.00
2013	299,450	100.00
2014	302,279	100.00
2015	300,634	100.00
2016	281,169	100.00
2017	272,114	100.00

(A) This column includes adjustments. The City purchases delinquent taxes from the other units (Milwaukee County, Metropolitan Sewage District, State, Milwaukee Area Technical College and Milwaukee Public Schools). Prior years' amounts in this column have been revised to reflect activity in CAFR 2017.

(B) Tax collections begin in December for the succeeding Budget Year. Prior years' amounts in this column have been revised to reflect activity in CAFR 2017.

(C) Collections of (A) in the year purchased. Prior years' amounts in this column have been revised to reflect activity in CAFR 2017.

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

* Budget Year corresponds to the City of Milwaukee's budget year.

Source: City of Milwaukee CAFR and MPS

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

Budget Year*	Real Estate	Personal Property	Total Taxable Assessed Value	Estimated Actual Taxable Value	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
2008	\$ 28,430,813	\$ 943,560	\$ 29,374,373	\$ 31,887,192	8.00	92.1 %
2009	29,429,740	1,001,935	30,431,675	32,257,525	8.09	94.3
2010	27,961,413	983,160	28,944,573	31,266,329	8.89	92.6
2011	27,091,120	957,344	28,048,464	29,520,783	9.12	95.0
2012	27,007,839	909,804	27,917,643	27,954,670	9.25	99.9
2013	24,450,181	871,920	25,322,101	26,421,932	10.25	95.8
2014	24,169,993	864,165	25,034,158	26,089,611	10.58	96.0
2015	24,084,276	940,266	25,024,542	26,138,108	10.71	95.7
2016	24,412,068	850,895	25,262,963	25,980,470	10.61	97.2
2017	25,131,707	842,552	25,974,259	27,042,047	10.75	96.1

* Budget Year corresponds to the City of Milwaukee's budget year.

Source: City CAFR & 2017 City Assessor's Office

MILWAUKEE PUBLIC SCHOOLS

Computation of Direct and Overlapping Governmental Activities

December 31, 2017

(in thousands)

<u>Name of governmental unit</u>	<u>Net debt outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with property taxes			
Direct debt:			
Milwaukee Public Schools	\$ 402,210	100.00 %	\$ 402,210
Overlapping debt:			
City of Milwaukee	905,647	100.00	905,647
Milwaukee Area Technical College District Board	105,455	35.00	36,909
County of Milwaukee	606,788	43.78	265,652
Milwaukee Metropolitan Sewerage Area	880,193	45.46	400,136
Total overlapping debt			<u>1,608,344</u>
Total district and overlapping debt			<u>\$ 2,010,554</u>

Sources: City of Milwaukee CAFR 2017 except Milwaukee Public Schools based on 6-30-18.

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

General Bonded Debt

Fiscal Year	General Obligation Bonds and Notes	Less:		Percentage of Equalized Property Value ¹	Per Capita
		Resources Restricted to Repaying Principal	Total		
2009	\$ 12,165,969	\$ 383,600	\$ 11,782,369	0.04%	0.05%
2010	71,415,847	383,600	71,032,247	0.24%	0.33%
2011	67,042,677	383,510	66,659,167	0.24%	0.29%
2012	62,607,058	349,614	62,257,444	0.24%	0.26%
2013	63,000,610	1,270,148	61,730,462	0.24%	0.26%
2014	61,880,101	4,678,301	57,201,800	0.22%	0.23%
2015	63,854,812	11,514,175	52,340,637	0.20%	0.21%
2016	61,578,241	14,606,254	46,971,987	0.17%	0.18%
2017	45,110,652	-	45,110,652	0.17%	N/A
2018	39,974,445	420,328	39,554,117	0.14%	N/A

Other Governmental Activities Debt

Fiscal Year	QZAB Revenue Bonds	Pension Debt Revenue Bonds		NSI Revenue Bonds	TEACH Loans	Capital Leases	Total Primary Government	Percentage of Personal Income ²	Per Capita
		Capital Appreciation Bonds	Variable Rate Debt						
2009	\$ 7,042,189	\$ 42,799,284	\$ 130,850,000	\$ 103,527,948	\$ 2,429,771	\$ 29,460,000	\$ 327,891,561	1.52%	\$561
2010	5,668,324	45,510,230	130,850,000	99,607,279	1,659,026	14,625,679	368,952,785	1.71%	\$636
2011	4,560,243	48,393,112	130,850,000	95,480,699	849,744	10,929,713	357,722,677	1.54%	\$601
2012	3,681,039	51,458,848	130,850,000	90,994,121	-	10,245,000	349,486,452	1.44%	\$587
2013	2,769,721	54,719,050	130,850,000	85,933,361	-	4,950,000	340,952,594	1.42%	\$572
2014	2,054,976	56,259,857	130,850,000	81,869,778	-	4,375,000	332,611,411	1.34%	\$558
2015	1,418,388	56,856,122	130,850,000	76,171,399	-	38,000,000	355,636,546	1.39%	\$597
2016	913,095	57,942,017	130,850,000	70,058,760	-	38,000,000	344,735,859	1.34%	\$580
2017	-	58,032,746	130,850,000	57,518,610	-	91,261,923	382,773,931	N/A	\$648
2018	-	58,556,990	130,850,000	49,159,667	-	124,293,385	402,414,159	N/A	N/A

(1) Equalized Value per the City of Milwaukee.

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

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

Neighborhood Schools Initiative Bonds

Fiscal Year	Intradistrict Aid	Debt Service		Coverage
		Principal	Interest	
2009	\$ 37,965,736	\$ 2,980,000	\$ 4,308,219	5.21
2010	37,439,086	3,985,000	4,204,253	4.57
2011	36,130,070	4,195,000	4,071,676	4.37
2012	32,120,101	4,555,000	3,919,868	3.79
2013	31,449,026	4,960,000	3,745,504	3.61
2014	31,282,469	4,430,000	3,675,067	3.86
2015	30,325,834	5,130,000	3,192,335	3.64
2016	29,913,303	5,550,000	3,004,385	3.50
2017	31,676,210	6,530,000	2,544,591	3.49
2018	29,135,965	7,120,000	2,051,300	3.18

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

Year	<u>County of Milwaukee</u>					
	Population (A)	Personal Income (Thousands of Dollars) (B)	Per Capita Income (C)	Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
2008	590,870	\$ 35,336,806	\$ 37,803	30.6	85,369	6.7 %
2009	584,000	34,820,772	36,939	30.6	82,444	11.4
2010	580,500	35,249,698	37,169	30.3	81,372	11.9
2011	595,525	37,014,159	38,899	30.3	80,098	10.9
2012	595,425	38,924,968	40,765	33.7	78,461	10.1
2013	596,500	38,483,060	40,224	33.7	78,502	8.7
2014	595,993	39,751,620	41,530	33.8	77,391	7.2
2015	595,787	40,932,286	42,802	34.0	75,568	6.7
2016	594,667	41,268,719	43,375	34.2	76,856	5.8
2017	591,076	Not available	Not available	34.3	77,215	4.6

(A) *The December 31, 2008 through 2017 populations are estimated from the Wisconsin Department of Administration. (The population differs from the Census Bureau).*

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

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

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

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

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

source: City of Milwaukee 2017 CAFR.

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

<u>Employer</u>	<u>2017 Estimates (1)</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Aurora Health Care	26,462	1	5.77 %	25,937	1	5.53 %
Ascension Wisconsin	12,000	2	2.61			
Froedtert Memorial Lutheran Hospital and Community Health	10,913	3	2.38			
GE Healthcare	6,000	4	1.31	6,462	9	1.38
Medical College of Wisconsin	5,573	5	1.21			
Childrens Hospital	5,004	6	1.09			
Northwestern Mutual Life	5,000	7	1.09			
Goodwill Industries	4,210	8	0.92			
U.S. Bank NA	3,700	9	0.81			
The Marcus Corporation	3,180	10	0.69			
U.S. Government (Includes Zablocki V.A. Medical Center)				11,100	2	2.37
Milwaukee Public Schools				10,690	3	2.28
Wheaton Franciscan Healthcare				9,020	4	1.92
Roundy's Supermarkets				8,480	5	1.81
City of Milwaukee				7,307	6	1.56
Quad Graphics				7,000	7	1.49
Kohl's Corp.				6,900	8	1.47
Wal-Mart Store				6,229	10	1.33
	82,042		17.88 %	99,125		21.14 %

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

source: City of Milwaukee CAFR

MILWAUKEE PUBLIC SCHOOLS
 Comparative per Capita Cost Statistics
 Last Ten Fiscal Years

	<u>Cost per pupil</u>
2008 – 2009	13,783 **
2009 – 2010	14,574 **
2010 – 2011	14,803 **
2011 – 2012	13,911 **
2012 – 2013	14,059
2013 – 2014	13,673
2014 – 2015	14,269
2015 – 2016	14,612
2016 – 2017	15,697
2017 – 2018	15,492

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

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

Fiscal year	Total number of children	Increase or (decrease) over prior year	Increase or (decrease) over prior year		Attending public schools	Attending private schools	Total attending schools	Percent attending schools		
			Males	Females						
1982	131,748	1,533	67,085	535	64,663	998	80,683	29,623	110,306	83.7
1983	134,734	2,986	68,642	1,557	66,092	1,429	83,148	31,149	114,297	84.8
1984	140,729	5,995	71,689	3,047	69,040	2,948	87,243	31,601	118,844	84.4
1985	147,347	6,618	75,066	3,377	72,281	3,241	93,406	31,464	124,870	84.7
1986	148,768	1,421	75,391	325	73,377	1,096	96,520	30,961	127,481	85.7
1987	145,593	(3,175)	73,844	(1,547)	71,749	(1,628)	94,744	30,997	125,741	86.4
1988	148,416	2,823	75,196	1,352	73,220	1,471	98,438	31,140	129,578	87.3
1989	150,714	2,298	76,520	1,324	74,194	974	99,988	29,988	129,976	86.2
1990	150,723	9	76,382	(138)	74,341	147	99,079	29,346	128,425	85.2
1991	* 128,540	(22,183)	65,230	(11,152)	63,310	(11,031)	86,407	27,012	113,419	88.2
1992	144,452	15,912	73,180	7,950	71,272	7,962	100,017	28,346	128,363	88.9
1993	145,499	1,047	73,772	592	71,727	455	100,728	27,956	128,684	88.4
1994	149,545	4,046	75,893	2,121	73,652	1,925	103,452	28,196	131,648	88.0
1995	151,541	1,996	76,471	578	75,076	1,418	106,886	27,816	134,702	88.8
1996	151,710	169	76,778	307	74,932	(138)	106,910	27,931	134,841	88.9
1997	151,027	(683)	76,429	(349)	74,598	(334)	107,121	27,455	134,576	89.1
1998	153,227	2,200	77,533	1,104	75,694	1,096	108,786	27,723	136,509	89.1
1999	154,328	1,101	78,141	608	76,187	493	111,712	27,207	138,919	90.0
2000	154,977	649	78,599	458	76,378	191	110,397	28,342	138,739	89.5
2001	150,256	(4,721)	76,048	(2,551)	74,208	(2,170)	107,905	26,479	134,384	89.4
2002	149,992	(264)	76,142	94	73,850	(358)	109,852	25,066	134,918	90.0
2003	162,011	12,019	82,187	6,045	79,824	5,974	122,631	23,760	146,391	90.4
2004	164,641	2,630	83,399	1,212	81,242	1,418	128,862	21,829	150,691	91.5
2005	165,279	638	85,193	1,794	82,596	1,354	130,664	22,879	153,543	92.9
2006	159,414	(5,865)	81,024	(4,169)	78,390	(4,206)	111,685	27,171	138,856	87.1
2007	153,233	(6,181)	77,570	(3,454)	75,663	(2,727)	107,950	26,507	134,457	87.7
2008	152,244	(989)	75,897	(1,673)	76,347	684	102,648	27,847	130,495	85.7
2009	152,323	79	75,840	(57)	76,483	136	104,316	28,010	132,326	86.9
2010	151,232	(1,091)	74,710	(1,130)	76,522	39	102,707	28,398	131,105	86.7
2011	148,293	(2,939)	74,624	(86)	73,669	(2,853)	100,101	27,395	127,496	86.0
2012	146,741	(1,552)	74,476	(148)	72,265	(1,404)	97,900	27,065	124,965	85.2
2013	144,870	(1,871)	74,017	(459)	70,853	(1,412)	95,602	26,799	122,401	84.5
2014	** 146,929	2,059	74,075	58	72,854	2,001	103,291	27,350	130,641	88.9
2015	** 146,940	11	73,852	(223)	73,088	234	103,399	31,228	134,627	91.6
2016	** 138,550	(8,390)	69,981	(3,871)	68,569	(4,519)	95,210	27,788	122,998	88.8
2017	** 144,787	6,237	73,071	3,090	71,716	3,147	98,811	27,597	126,408	87.3
2018	** 145,225	438	72,985	(86)	72,240	524	98,492	27,885	126,377	87.0

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

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

MILWAUKEE PUBLIC SCHOOLS

Annual Enumeration of Children Residing
in the City of Milwaukee

As of June 30, 2018

Ages**	Males	Females	Total**	Attended public school	Attended parochial or private school	Did not attend school
Under 4	18,304	17,859	36,163	6,904	2,249	27,010
4 to 9	28,283	27,242	55,525	34,000	9,021	12,504
10 to 14	21,126	21,074	42,200	32,625	8,679	896
15 to 17	12,580	12,932	25,512	20,704	4,060	748
18 to 19	10,996	10,992	21,988	11,163	6,125	4,700
20	5,958	5,785	11,743	5,999	3,015	2,729
Grand total	<u>97,247</u>	<u>95,884</u>	<u>193,131</u>	<u>111,395</u>	<u>33,149</u>	<u>48,587</u>

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

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

Fiscal year	Instruction	Community services	Pupil and staff services	General administrative and central services	Business services	School Nutrition Services	Interest on long-term debt	Loss on sale/disposal of buildings/software	Total
2009	\$ 864,410	\$ 25,574	\$ 138,220	\$ 118,454	\$ 161,739	\$ 40,892	\$ 16,181	\$ -	\$ 1,365,471
2010	887,815	25,538	143,517	132,145	159,725	40,555	17,166	-	1,406,463
2011	863,185	27,499	160,716	117,817	169,960	44,205	17,927	-	1,401,309
2012	685,590	26,042	135,649	113,952	154,702	44,527	17,790	4,028	1,182,280
2013	714,036	30,537	130,190	103,503	149,452	44,946	16,148	260	1,189,072
2014	666,593	27,612	127,674	101,276	167,753	43,657	20,089	-	1,154,653
2015	647,365	29,312	131,799	98,125	160,678	47,234	16,332	-	1,130,845
2016	681,195	27,789	128,940	112,899	169,413	50,101	17,661	-	1,187,998
2017	724,642	31,771	150,133	125,110	180,855	49,625	22,897	-	1,285,033
2018	593,089	30,630	149,962	124,578	176,621	49,720	18,777	-	1,143,377

MILWAUKEE PUBLIC SCHOOLS

Government-wide Revenues

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal year	Charges for services	Operating grants and contributions	Capital grants and contributions	Property taxes	Federal and state aid not restricted to a specific purpose	Interest and investment earnings	Miscellaneous	Total
2009	\$ 13,690	\$ 379,772	\$ 1,699	\$ 287,828	\$ 548,265	\$ 1,159	\$ 1,045	\$ 1,233,459
2010	12,348	355,599	11,118	295,892	590,404	759	1,076	1,267,195
2011	12,448	353,888	11,533	295,237	618,076	290	4,637	1,296,109
2012	12,383	298,422	3,245	298,320	560,070	224	3,286	1,175,950
2013	14,089	288,740	6,492	300,637	553,527	255	2,738	1,166,478
2014	17,279	277,833	3,546	299,505	559,342	2,542	609	1,160,656
2015	17,160	286,680	849	304,116	563,629	2,913	933	1,176,280
2016	19,548	265,979	16,348	301,444	570,219	4,349	1,353	1,179,240
2017	23,042	286,305	16,065	282,010	578,845	1,322	1,071	1,188,660
2018	26,375	304,570	10,361	272,712	579,961	1,295	1,745	1,197,019

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

Fiscal year	Instruction	Community services	Pupil & staff services	General and school building administration	Business services	School Nutrition Services	Capital outlay	Debt service	Other	Total
2009	720,170	\$ 23,483	\$ 136,274	\$ 118,520	\$ 161,984	\$ 39,548	\$ 21,845	\$ 25,290	—	\$ 1,247,114
2010	739,427	23,184	141,634	128,619	160,335	39,804	19,371	34,304	—	1,286,678
2011	731,709	23,468	158,034	118,430	170,710	43,248	21,848	28,387	—	1,295,834
2012	667,935	24,842	132,786	111,352	155,497	43,526	34,505	25,937	—	1,196,380
2013	682,039	29,146	127,419	101,013	161,470	43,939	21,949	82,702	—	1,249,677
2014	658,598	26,962	126,212	99,205	163,583	42,700	14,691	26,956	—	1,158,907
2015	646,844	29,163	132,154	99,028	160,160	46,654	39,116	35,257	—	1,188,376
2016	628,518	27,347	126,868	111,159	169,127	48,842	38,460	29,455	—	1,179,776
2017	655,307	29,120	135,824	112,522	173,744	46,971	41,397	77,389	—	1,272,274
2018	636,139	29,563	144,326	118,247	177,597	49,365	40,413	34,006	—	1,229,656

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

Fiscal year	Property tax levy	Lunchroom sales	Other local sources	State aid	Federal aid	Intergovernmental aid	Miscellaneous	Interest and investment earnings	Total
2009	\$ 287,779	\$ 4,180	\$ 12,779	\$ 635,413	\$ 295,033	\$ -	\$ 932	\$ 1,159	\$ 1,237,275
2010	295,833	3,853	17,182	675,581	270,854	191	1,223	759	1,265,476
2011	293,507	3,227	18,652	706,449	266,201	-	4,533	290	1,292,859
2012	297,787	2,943	12,065	634,305	229,212	-	3,347	224	1,179,883
2013	300,605	2,925	19,601	631,567	205,347	-	3,190	219	1,163,454
2014	299,450	3,113	19,635	640,562	198,629	-	567	2,542	1,164,498
2015	302,279	803	20,954	651,335	193,461	-	1,232	2,913	1,172,977
2016	300,634	1,164	31,437	650,524	189,559	-	1,284	4,349	1,178,951
2017	281,169	667	31,047	666,448	196,851	-	864	5,455	1,182,501
2018	272,114	724	33,210	685,185	198,371	-	2,053	5,302	1,196,959

MILWAUKEE PUBLIC SCHOOLS

School Accommodations

Last Thirty-seven Years

	Instructional staff (a)	Number of school buildings (b)	Average school year daily membership (c)
1981 – 1982	5,167	150	82,632 (c)
1982 – 1983	5,019	150	82,353 (c)
1983 – 1984	5,026	144	82,667
1984 – 1985	5,126	143	84,443
1985 – 1986	5,380	145	86,836
1986 – 1987	5,474	144	87,283
1987 – 1988	5,581	145	87,949
1988 – 1989	5,675	146	89,675
1989 – 1990	5,791	146	90,595
1990 – 1991	5,920	149	90,487
1991 – 1992	6,872	154	91,071
1992 – 1993	6,811	156	94,694
1993 – 1994	6,817	155	96,496
1994 – 1995	6,816	155	98,312
1995 – 1996	6,682	154	99,278
1996 – 1997	6,785	154	101,622
1997 – 1998	7,005	157	102,914
1998 – 1999	7,187	157	102,097
1999 – 2000	7,114	157	100,682
2000 – 2001	7,128	158	99,332
2001 – 2002	7,154	164	99,302
2002 – 2003	7,137	164	99,054
2003 – 2004	7,266	168	98,323
2004 – 2005	6,512	173	96,874
2005 – 2006	6,420	177	94,973
2006 – 2007	6,033	177	92,224
2007 – 2008	6,010	178	89,110
2008 – 2009	5,961	178	87,137
2009 – 2010	5,853	177	85,239
2010 – 2011	5,501	174	84,422
2011 – 2012	5,267	173	82,982
2012 – 2013	4,959	175	81,754
2013 – 2014	5,385	168	81,744
2014 – 2015	5,298	169	80,437
2015 – 2016	5,271	168	78,173
2016 – 2017	5,199	168	78,652
2017 – 2018	4,974	167	77,164

(a) Including principals.

(b) Includes leased sites.

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

MILWAUKEE PUBLIC SCHOOLS
Number and Distribution of Instructional Staff
Last Ten Fiscal Years

Classifications	2008 – 2009	2009 – 2010	2010 – 2011	2011 – 2012	2012 – 2013	2013 – 2014	2014 – 2015	2015 – 2016	2016 – 2017	2017 – 2018
Senior high and middle schools:										
Principals	30	29	25	22	18	20	18	23	20	23
Assistant principals	71	76	61	52	52	54	51	56	64	57
Teachers	1,464	1,404	1,432	1,510	1,406	1,425	1,204	1,392	1,376	1,268
Total	<u>1,565</u>	<u>1,509</u>	<u>1,518</u>	<u>1,584</u>	<u>1,476</u>	<u>1,499</u>	<u>1,273</u>	<u>1,471</u>	<u>1,460</u>	<u>1,348</u>
Elementary schools:										
Principals	101	104	96	96	84	92	88	92	93	93
Assistant principals	68	61	55	34	34	55	52	56	61	59
Teachers	3,678	3,610	3,452	2,987	2,616	2,898	2,961	2,912	2,831	2,755
Total	<u>3,847</u>	<u>3,775</u>	<u>3,603</u>	<u>3,117</u>	<u>2,734</u>	<u>3,045</u>	<u>3,101</u>	<u>3,060</u>	<u>2,985</u>	<u>2,907</u>
Special schools and classes:										
Principals	3	4	2	5	10	7	8	9	10	10
Assistant principals	4	7	4	6	7	8	9	11	9	9
Teachers	542	558	374	555	323	363	374	365	367	324
Total	<u>549</u>	<u>569</u>	<u>380</u>	<u>566</u>	<u>340</u>	<u>378</u>	<u>391</u>	<u>385</u>	<u>386</u>	<u>343</u>
Summary:										
Principals	134	137	123	123	112	119	114	124	123	126
Assistant principals	143	144	120	92	93	117	112	123	134	125
Teachers	5,684	5,572	5,258	5,052	4,345	4,686	4,539	4,669	4,574	4,347
Total	<u>5,961</u>	<u>5,853</u>	<u>5,501</u>	<u>5,267</u>	<u>4,550</u>	<u>4,922</u>	<u>4,765</u>	<u>4,916</u>	<u>4,831</u>	<u>4,598</u>
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors										
	420	421	406	416	409	463	476	484	510	514
Grand total	<u><u>6,381</u></u>	<u><u>6,274</u></u>	<u><u>5,907</u></u>	<u><u>5,683</u></u>	<u><u>4,959</u></u>	<u><u>5,385</u></u>	<u><u>5,241</u></u>	<u><u>5,400</u></u>	<u><u>5,341</u></u>	<u><u>5,112</u></u>

MILWAUKEE PUBLIC SCHOOLS

Population and Pupils
Residing in the City of Milwaukee

Last Ten Fiscal Years

	<u>2008- 2009</u>	<u>2009- 2010</u>	<u>2010- 2011</u>	<u>2011- 2012</u>	<u>2012- 2013</u>	<u>2013- 2014</u>	<u>2014- 2015</u>	<u>2015- 2016</u>	<u>2016- 2017</u>	<u>2017- 2018</u>
Total number of school age children according to city-wide child census	152,323	151,232	148,293	146,741	144,870	160,214	158,267	144,696	156,637	156,968 **
Enrollment for state aid:*										
Third Friday	90,053	87,914	87,157	85,886	84,725	84,597	83,126	80,617	80,843	79,017
Summer school	430	374	382	115	107	163	155	123	210	356
Total	<u>90,483</u>	<u>88,288</u>	<u>87,539</u>	<u>86,001</u>	<u>84,832</u>	<u>84,760</u>	<u>83,281</u>	<u>80,740</u>	<u>81,053</u>	<u>79,373</u>
Average number enrolled:										
Senior high	27,839	27,308	26,660	25,337	24,769	24,516	23,957	23,680	23,418	22,408
Junior high/middle	18,204	17,469	17,492	17,649	17,201	17,064	16,603	16,396	16,557	16,684
Elementary	46,218	45,269	45,262	44,932	44,762	45,259	44,419	43,389	43,874	42,836
Total	<u>92,261</u>	<u>90,046</u>	<u>89,414</u>	<u>87,918</u>	<u>86,732</u>	<u>86,839</u>	<u>84,979</u>	<u>83,465</u>	<u>83,849</u>	<u>81,928</u>
Average number attending:										
Senior high	22,958	22,469	23,172	21,111	21,010	20,807	20,771	20,035	19,701	18,698
Junior high/middle	16,015	15,623	15,737	16,037	15,682	15,491	15,531	15,311	15,400	15,434
Elementary	42,363	41,793	41,737	41,254	41,076	41,753	41,561	40,777	41,038	39,856
Total	<u>81,336</u>	<u>79,885</u>	<u>80,646</u>	<u>78,402</u>	<u>77,768</u>	<u>78,051</u>	<u>77,863</u>	<u>76,123</u>	<u>76,139</u>	<u>73,988</u>

* Non-resident and choice students not included.

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

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

Fiscal Year	Enrollment For State Aid	Operating Expenses	Cost Per Pupil	Teaching Staff	Pupil/Teacher Ratio
2018	79,373	\$1,143,375,980	\$ 14,405	5,390	14.73:1
2017	81,053	1,285,033,186	15,854	5,694	14.23:1
2016	80,740	1,187,998,083	14,714	5,687	14.20:1
2015	83,281	1,130,844,555	13,579	5,649	14.74:1
2014	84,760	1,154,653,111	13,623	5,545	15.29:1
2013	84,832	1,189,071,574	14,017	5,591	15.17:1
2012	86,001 (a)	1,182,279,602	13,747 (a)	5,505	15.62:1 (a)
2011	87,539 (a)	1,401,309,100	16,008 (a)	6,134	14.27:1 (a)
2010	88,288 (a)	1,406,462,957	15,930 (a)	6,602	13.37:1 (a)
2009	90,483 (a)	1,365,470,988	15,091 (a)	6,819	13.27:1 (a)

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

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

Year Ending June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Supervisory										
Officials, Admin., Mgrs.	106	103	102	96	103	93	91	79	52	56
Principals	125	123	124	117	120	114	124	122	137	134
Part time profess/Ins.	567	571	534	511	419	317	396	361	439	682
Total supervisory	<u>798</u>	<u>797</u>	<u>760</u>	<u>724</u>	<u>642</u>	<u>524</u>	<u>611</u>	<u>562</u>	<u>628</u>	<u>872</u>
Instruction										
Asst. Prin. - Teach	126	134	123	114	116	101	91	118	144	143
Elementary Clsrn. Teach	2,759	2,832	2,913	2,922	2,867	2,960	3,003	3,264	3,610	3,678
Secondary Clsrn. Teach	1,016	1,098	1,131	1,142	1,173	1,412	1,396	1,546	1,404	1,464
Other Clsrn. Teach	582	645	625	643	648	343	441	499	558	542
Other Prof. Staff	502	499	497	463	390	417	358	354	494	484
Teacher Aides	405	486	398	365	351	358	216	353	392	508
Total instruction	<u>5,390</u>	<u>5,694</u>	<u>5,687</u>	<u>5,649</u>	<u>5,545</u>	<u>5,591</u>	<u>5,505</u>	<u>6,134</u>	<u>6,602</u>	<u>6,819</u>
Student Services										
Guidance	94	105	97	93	94	88	76	70	56	48
Psychological	138	135	137	137	128	135	139	150	163	152
Librarian/Audiovisual	27	30	30	33	30	25	27	36	44	39
Consultants/Supervisors	149	137	118	117	72	61	97	95	96	96
Technicians	84	94	96	94	64	52	70	71	65	71
Total student services	<u>492</u>	<u>501</u>	<u>478</u>	<u>474</u>	<u>388</u>	<u>361</u>	<u>409</u>	<u>422</u>	<u>424</u>	<u>406</u>
Support and Administration										
Clerical/Secretarial	339	353	339	359	353	388	350	435	491	520
Service Workers	477	446	408	397	387	397	572	573	416	415
Craft Workers - Skilled	318	301	309	312	354	362	339	351	352	382
Laborers - Unskilled	53	55	52	53	69	13	52	55	67	80
All other Part-time	3,827	3,810	3,687	3,820	3,710	4,081	3,928	4,396	4,107	4,961
Total support and administration	<u>5,014</u>	<u>4,965</u>	<u>4,795</u>	<u>4,941</u>	<u>4,873</u>	<u>5,241</u>	<u>5,241</u>	<u>5,810</u>	<u>5,433</u>	<u>6,358</u>
Total	<u>11,694</u>	<u>11,957</u>	<u>11,720</u>	<u>11,788</u>	<u>11,448</u>	<u>11,717</u>	<u>11,766</u>	<u>12,928</u>	<u>13,087</u>	<u>14,455</u>

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

Year Ending June 30,

	2018	2017	2016	2015*	2014	2013	2012	2011	2010	2009
Number of schools participating in:										
Lunch - regular schedule	161	163	156	158	163	164	158	164	171	175
Breakfast program	161	163	157	158	163	164	152	155	161	158
Snack program	70	68	66	70	93	83	65	82	85	100
Student lunches served:										
Free	9,327,118	9,540,046	9,529,532	9,570,975	7,928,445	7,784,596	8,005,894	7,876,717	7,686,178	7,246,531
Reduced	-	-	-	-	368,321	436,303	482,170	537,693	776,288	901,725
Fully paid	-	-	-	-	684,351	773,741	884,638	1,078,221	1,207,742	1,380,135
Total	<u>9,327,118</u>	<u>9,540,046</u>	<u>9,529,532</u>	<u>9,570,975</u>	<u>8,981,117</u>	<u>8,994,640</u>	<u>9,372,702</u>	<u>9,492,631</u>	<u>9,670,208</u>	<u>9,528,391</u>
Non-federal program meals served:	208,262	226,439	325,722	288,695	301,692	152,376	175,783	187,634	194,135	213,691
Student breakfasts/snacks served:										
Free	6,739,982	7,004,583	6,956,879	6,434,123	5,365,033	5,220,603	4,636,128	4,680,041	4,436,904	3,981,425
Reduced	-	-	-	-	177,137	207,954	223,890	253,677	355,182	379,262
Fully paid	-	-	-	-	364,781	392,529	407,651	504,831	498,973	517,415
Total	<u>6,739,982</u>	<u>7,004,583</u>	<u>6,956,879</u>	<u>6,434,123</u>	<u>5,906,951</u>	<u>5,821,086</u>	<u>5,267,669</u>	<u>5,438,549</u>	<u>5,291,059</u>	<u>4,878,102</u>
Number of serving days:										
Regular schedule	229	218	204	204	204	213	225	234	250	262
Average daily participation:										
Student lunch	40,730	43,762	46,713	46,917	44,025	42,228	41,656	40,567	38,681	40,720
Adult lunch	909	1,039	1,597	1,415	1,479	715	781	802	777	913
Student breakfast	27,407	30,020	31,178	29,197	26,278	26,060	22,417	22,157	19,744	19,226
Student snacks	2,196	2,169	2,071	2,178	2,108	2,184	2,184	2,856	2,773	3,588
September 15 pupil count	79,017	80,843	80,617	83,126	84,597	84,725	87,157	87,914	90,053	87,392
Percentage of students daily eating school lunch	51.55%	54.13%	57.94%	56.44%	52.04%	49.84%	47.79%	46.14%	42.95%	46.59%

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Elementary Schools										
Number of Buildings	121	122	124	120	119	119	119	121	121	122
Square Footage	8,945,040 (a)	9,037,640 (a)	9,151,094 (a)	8,349,586 (a)	8,028,355	8,028,355	8,028,355	8,201,800	8,217,917	8,282,172
Capacity	56,602 (a)	57,054 (a)	57,452 (a)	58,399 (a)	65,751	65,751	65,751	66,923	67,095	67,316
Enrollment	46,563	45,834	45,750	46,944	47,605	48,011	48,305	49,689	50,007	50,457
Middle Schools										
Number of Buildings	6	6	6	9	7	7	7	8	13	10
Square Footage	1,070,000 (a)	1,070,000 (a)	1,070,000 (a)	1,500,105 (a)	1,343,877	1,343,877	1,343,877	1,462,631	2,362,648	1,753,494
Capacity	5,393 (a)	5,393 (a)	5,393 (a)	7,586 (a)	5,900	5,900	5,900	6,620	11,480	8,300
Enrollment	3,328	3,244	4,174	4,098	4,559	5,198	5,993	6,286	6,343	6,841
High Schools										
Number of Buildings	16	16	16	12	13	13	13	13	11	12
Square Footage	4,584,995 (a)	4,584,995 (a)	4,584,995 (a)	3,961,021 (a)	3,621,282	3,621,282	3,621,282	3,621,282	3,253,455	3,548,890
Capacity	18,512 (a)	18,512 (a)	18,512 (a)	15,403 (a)	18,138	18,138	18,138	18,138	15,370	17,370
Enrollment	16,714	17,272	16,996	17,793	18,344	18,960	19,906	20,754	21,590	22,252
Other Schools										
Number of Buildings	13	13	13	19	22	22	22	22	16	17
Square Footage	1,958,914 (a)	1,958,914 (a)	1,958,914 (a)	2,972,413 (a)	3,833,312	3,833,312	3,833,312	3,833,312	3,419,216	3,668,680
Capacity	9,060 (a)	9,060 (a)	9,060 (a)	13,671 (a)	17,507	17,507	17,507	17,507	16,289	17,290
Enrollment	8,838	10,504	8,668	8,556	7,994	6,292	5,894	4,643	4,504	5,819
Administrative/Service										
Number of Buildings	56	56	56	56	56	56	56	56	58	58
Square Footage	833,650	833,650	833,650	833,650	833,650	833,650	833,650	832,871	838,839	838,839
Athletics										
Football Fields*	35	35	35	35	35	35	35	35	35	35
Soccer Fields**	20	21	21	21	21	21	21	21	21	21
Running Tracks	11	11	11	12	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72	72	72	72
Swimming Pools	22	22	22	22	22	22	22	22	22	13
Playgrounds	137	138	141	141	144	144	144	147	147	147

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

Note: Excludes leased sites