



**MILWAUKEE  
PUBLIC SCHOOLS**

MILWAUKEE, WISCONSIN

2016

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2016  
157<sup>TH</sup> EDITION

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**157<sup>th</sup> 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, 2016**

**MARK SAIN, President**

**DARIENNE B. DRIVER, Ed.D., Superintendent**

**Prepared by:**

**The Office of the Chief Financial Officer**

**Gerald J. Pace, J.D.**

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# MILWAUKEE PUBLIC SCHOOLS

## Comprehensive Annual Financial Report

Year Ended June 30, 2016

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**MILWAUKEE PUBLIC SCHOOLS**

Comprehensive Annual Financial Report

Year Ended June 30, 2016

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**MILWAUKEE**  
**PUBLIC SCHOOLS**



**MILWAUKEE  
PUBLIC SCHOOLS**

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

January 27, 2016

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, 2016. 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 600,155 based on 2015 U. S. Census Bureau Data. The District operates 159 schools, has over 75,000 students, and employs over 9,800 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 2016 Economic Trends, unemployment indicators improved but at a slower pace. The number of unemployed fell 3.7% from one year ago to 39,100, vs. July's 8.5% decline (vs. July, 2015). August's decline led to a 0.2 percentage point decrease in the seasonally unadjusted unemployment rate to August's 4.7%. Metro Milwaukee's rate compares to the 4.0% and 5.0% August rates posted for Wisconsin and the U.S. respectively.

The City continues to maintain high bond ratings from two of the major agencies. AA from Standard & Poor's Corporation and Aa3 from Moody's Investors Service, Inc. were received on recently issued general obligation bonds of the City.

## MAJOR INITIATIVES

During the 2015-16 school year, the Eight Big Ideas Operational Plan continued to provide the overall framework for district efforts to support our students in their academic and personal journeys:

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

The Eight Big Ideas are aligned to our district goal areas, which form the basis of the MPS Strategic Plan:

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

An overview of the work associated with these goals and the Eight Big Ideas during the 2015-16 school year follows:

District staff continued work on the comprehensive, operational plan to improve student outcomes. The objectives within this plan--the Eight Big Ideas--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 Milwaukee Public School provides robust co/extracurricular experiences that engage and inspire every child.
- Rethink High Schools: Every Milwaukee Public Schools 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 partner.

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 2015-16 school year are detailed below and arranged by goal area:

### **Student Achievement**

MPS has adopted 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 believes we will be able to 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.

Milwaukee Public Schools has entered into a partnership with The Panasonic Foundation and has begun the process of deliberate and systemic reform aimed at “breaking the links” between race, poverty and educational outcomes. Two of the components of this work include the District Improvement Plan (DIP) and the development of methods of school walk-throughs and instructional rounds.

MPS continues to expand access to strong programs including:

- An addition for Fernwood Montessori School, allowing the high-performing K-8 school to accommodate the large number of early childhood students the school has enrolled in recent years as those students advance by grade level. The school has grown in recent years from about 550 students to more than 700.
- A new location for Rufus King International Middle School at 2760 N. 1<sup>st</sup> Street, providing the grade 6-8 International Baccalaureate Middle Years Programme room to grow and continue to prepare students for the rigorous IB Diploma Programme available at three MPS high schools (King, MacDowell Montessori and Reagan).
- Milwaukee Excellence Charter School, a new MPS charter school, will serve students in grade 6 at the former McNair School site, 4950 N. 24<sup>th</sup> Street.
- Board approval for Milwaukee Spanish Immersion School to expand to a second campus for 2016-17 to serve more students. The new campus will serve all of the school’s students in grades K4 and K5 with students in

grades 1-5 attending school at the current MSIS campus, 2765 S. 55<sup>th</sup> Street. By 2017-18, the 88<sup>th</sup> Street campus will serve all first-grade students as well with the current campus serving grades 2-5.

- Board approval for Morse Middle School for the Gifted and Talented to move to its own location, allowing both it and John Marshall High School for the Gifted and Talented (Morse Marshall School for the Gifted and Talented 9-12), 4141 N. 64<sup>th</sup> Street, Milwaukee 53216, to grow their programs.
- Pulaski High School is adding International Baccalaureate programming and increased bilingual programming as it begins a new partnership with Carmen High School of Science and Technology – South Campus. The partnership provides for the two schools working together to improve student achievement, school climate and teaching and administrative practices as each school brings 200 new freshmen into the Pulaski campus for 2016-17.
- Victory School was approved to expand its Italian immersion program for 2016-17 to include full immersion beginning with 4-year-old kindergarten (K4).

The MPS Class of 2016 earned \$49+ million in scholarships.

Eight MPS high schools earned a spot on national top school lists from U.S. News and World Report and the Washington Post, up from seven last year. For the second straight year, Milwaukee Public Schools is home to the state's top two schools on the Washington Post's list of America's Most Challenging High Schools. MPS is also home to two of Wisconsin's 10 best high schools according to *U.S. News and World Report*.

It was international honors for MPS 2014 Hamilton High School graduate, Marvin Kimble who was named to TEAM USA Men's Gymnastics and a 2015 Pan Am Games gold medalist.

The White House Initiative on Educational Excellence for Hispanics has named ALBA School as one of the nation's "Bright Spots in Hispanic Education," an honor given to only three organizations in the state of Wisconsin this year. As the White House noted in touting the recognition, math achievement scores at ALBA, which serves a student population that is 98% Hispanic and 97% economically disadvantaged, have been near or above the state average on the most recent state test results available. In 2013, ALBA's founding teachers were honored by *People* magazine as the magazine's "Teachers of the Year."

The Academy of Accelerated Learning is one of just 10 schools statewide recognized by the Wisconsin Department of Public Instruction as a Wisconsin Spotlight School. This distinction is given to schools with a record of increasing academic performance for students from low-income families. The school will receive a \$25,000 grant from DPI to showcase successful practices that improve student achievement. The grant funds cover expenses related to sharing those practices with three other schools that will visit the winning school during the 2015-16 school year as well as to support continuous school improvement.

Two MPS teachers were named National Board Certified Teachers by the National Board for Professional Teaching Standards. Ronald Wilson Reagan College Preparatory High School teacher **Stacy Knetter** received National Board Certification in Adolescence and Young Adulthood – Science, and Riverside University High School (RUHS) teacher **Matthew Turner** received National Board Certification in Adolescence and Young Adulthood–Social Studies/History.

The Wisconsin Association of Foreign Language Teachers named Milwaukee German Immersion School (MGIS) fourth grade teacher **Sigurd Piwek** its Teacher of the Year. As the association's Wisconsin honoree, Piwek represented the state and was in the running for a regional award at the Central States Conference on the Teaching of Foreign Languages in Columbus, Ohio in March 2016.

### **Family and Community Engagement**

The district has placed a renewed emphasis on intentional and strategic alumni engagement to help us accomplish our goals. In 2015-16 that process began by inventorying our alumni assets and by reenergizing our alumni base by hosting the first ever MPS All Alumni Reunion. Alumni of Milwaukee Public Schools are uniquely positioned to partner with

the district to affect change in student achievement, in the engagement of students and families, and for the effective and efficient operations of our schools and the district.

**Mai Xiong**, a first-grade teacher at the Academy of Accelerated Learning, was named Wisconsin's Elementary School Teacher of the Year for the 2015-16 school year. As part of the Teacher of the Year honor, Xiong received \$3,000 from the Herb Kohl Educational Foundation.

**Adam Murphy**, a music instructor at Reagan, was chosen for the Teachers are Tops recognition award, presented by Educators Credit Union and CW18/MY24. This award celebrates outstanding teachers who work both in and out of the classroom to enhance student success. Murphy was selected because he “inspires an endless parade of students to meet his very high musicianship standards.” Murphy works with a dynamic team of music instructors who inspire over 600 students annually in composition, performance, recording, and broadcasting music.

MPS worked closely with the Bartolotta Restaurants and the Wisconsin Restaurant Association to build and implement ProStart, a national, two-year program that prepares high school students for promising careers in the restaurant and food service industry. The SURG Restaurant Group has also committed its support for the program. Students will receive real-world, hands-on experience to build culinary arts and management skills. Through a unique partnership, the Bartolottas have provided expertise in planning for facility renovations, assisting with fundraising and equipment acquisition, preparing and delivering teacher training, and recruiting chef-mentors to assist teachers in the classroom.

Milwaukee Bucks forward Jabari Parker and the Superintendent hosted a summit for students and parents at James Madison Academic Campus focused on improving student attendance. Parker provided 40-60 tickets to every remaining Bucks home game for students with improved attendance. The attendance summit is the latest in a series of Superintendent's family roundtables. The district's overall effort to improve attendance include efforts such as the launch of the “Be in School” campaign with Jabari and the Bucks, the creation of attendance liaison positions, and the asking students for their ideas on effective strategies to improve attendance.

The **Superintendent's Student Advisory Council** was established to support the cultures and climates where the academic needs of students can be met. The advisory council provides the opportunity for student voices to be heard and be included in decision-making. The advisory council also provides a space for the development of leadership and communication skills for students who are not considered “traditional leaders.”

### **Effective and Efficient Operations**

The MPS Department of Communications and Outreach was recognized by the Wisconsin School Public Relations Association with four Awards of Merit, the highest honor WSPRA gives for communications excellence for school public relations efforts.

There have been a number of advancements in the area of workforce development including development of a marketing plan to attract staff, including great use of social media. Fifty-seven percent of MPS campuses and departments were enrolled in wellness programs. In order to support the district's focus on equity, a diversity and inclusion position was added.

The Office of Operations supported the building additions, program expansions and program moves included Fernwood Montessori, Rufus King International Middle School, Milwaukee Excellence Charter School, Milwaukee Spanish Immersion School, and Morse Middle School for the Gifted and Talented.

Breakfast in the classroom was expanded to serve even more students.

The district received the National Recreation and Park Association's Kudos Award for the “Now Playing Everywhere” marketing campaign to promote summer playgrounds.

The Office of Finance was awarded the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award and their Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report.

Implementation began for the initial phases of the 10-year Outdoor Recreation Facilities Master Plan to address current and future recreational needs.

To achieve these outcomes set forth in the district goals and the Eight Big Ideas, the Administration will implement significant programs/projects during the 2016-17 school year, including but not limited to:

- \*a focus on equity, including professional development and implementation of Culturally Responsive Teaching Practices, Restorative Justice, and Project Success, an improved PBIS system for high schools;

- \*alignment of the four Strategic Academic Priorities, including Reading Foundations (grades K-5), Algebra Readiness (grades 4-8), Disciplinary Literacy (grades 6-12), and Climate, Culture, and Equity (grades K-12);

- \*system-wide Learning Walks and Instructional Rounds aligned to educator effectiveness and best teaching practices;

- \*Career Pathways in many of our high schools and academic and career plans for all students in grades 6-12;

- \*implementation of a 1:1 Chromebook-to-student ratio at the high-school level this fall and in all other grades 1:1 within two years;

- \*a Family Empowerment University that will develop institutes for families and staff, engage partners in workshops for families, and focus on specific priority areas such as special education, fatherhood engagement, etc.;

- \*year-round retention strategy and "smart" recruitment efforts that maintain and recruit students through robust outreach strategies; and

- \*an employee-wellness program that builds off recent success and continues to improve and expand, building participation across the district and especially at school sites.

## **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**

As articulated in the *Major Initiatives* section, the district is focused on improving its core business of educating Milwaukee's children. The Eight Big Ideas articulate how that requires a multi-dimensional approach. This will impact long-term financial stability insofar as the public will support the district as measured through enrollment and tax revenues.

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. Lobbying efforts will continue to ensure that legislators and other key decision makers are aware of the challenges in providing K-12 education in a high-poverty district. Private funding is growing through a variety of sources, and efforts will continue to secure such support.

The administration will continue to budget conservatively so as to have resources available when unexpected costs are incurred. A proactive and enterprise-wide risk management strategy is in place to limit the district's exposure to financial burdens.

While state budget provisions are difficult to predict, the district will continue to develop forecasts which incorporate factors that are known. Future debt obligations, multi-year phase-out provisions in legislation and capital improvement plans are examples of opportunities and challenges which can be prepared for in advance. The district will continue to use best available tools and obtain external expertise as appropriate to plan for resource needs.

Finally, a continuous strategy to develop effective and efficient operations is under way. One result of this effort is cost containment which frees up district resources to address critical needs. With compensation being the majority of MPS's costs, the administration will continue to bring proposals to the board for sustainable wage and benefit enhancements.

## **FINANCIAL POLICIES**

The Board and administration have adopted policies and procedures that ensure effective and efficient use of the district's financial resources. In August 2016, financial policy and procedure updates were adopted by the Board to reflect and underscore best current practices.

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.

Note: The board also approves adjustments and sets tax levy amounts by fund in October of the fiscal year. This is due to the timing of receiving final state aid amounts and other adjustments related to September enrollment.

### ***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, 2016 totaled \$376,470,900. Of this total, \$17,128,786 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 \$359,342,114 represents capital lease obligations, bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations. Additionally, for the year ended June 30, 2016, the District deposited \$4,836,538 of principal payments into a Bond Sinking Fund to make Qualified School Construction Bond principal payments at maturity. Sinking fund principal payments on deposit as of June 30, 2016 total \$11,561,538.

## **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, 2016, 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, 2015. We believe that our current report conforms to the Certificate program requirements. Accordingly, we are submitting it to GFOA to determine its eligibility for certification.

## **ACKNOWLEDGMENTS**

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

Respectfully submitted,

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

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

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# BOARD OF SCHOOL DIRECTORS

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

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

## STANDING COMMITTEES

### STUDENT ACHIEVEMENT AND SCHOOL INNOVATION COMMITTEE

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

### LEGISLATION, RULES AND POLICIES COMMITTEE

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

### ACCOUNTABILITY, FINANCE AND PERSONNEL COMMITTEE

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

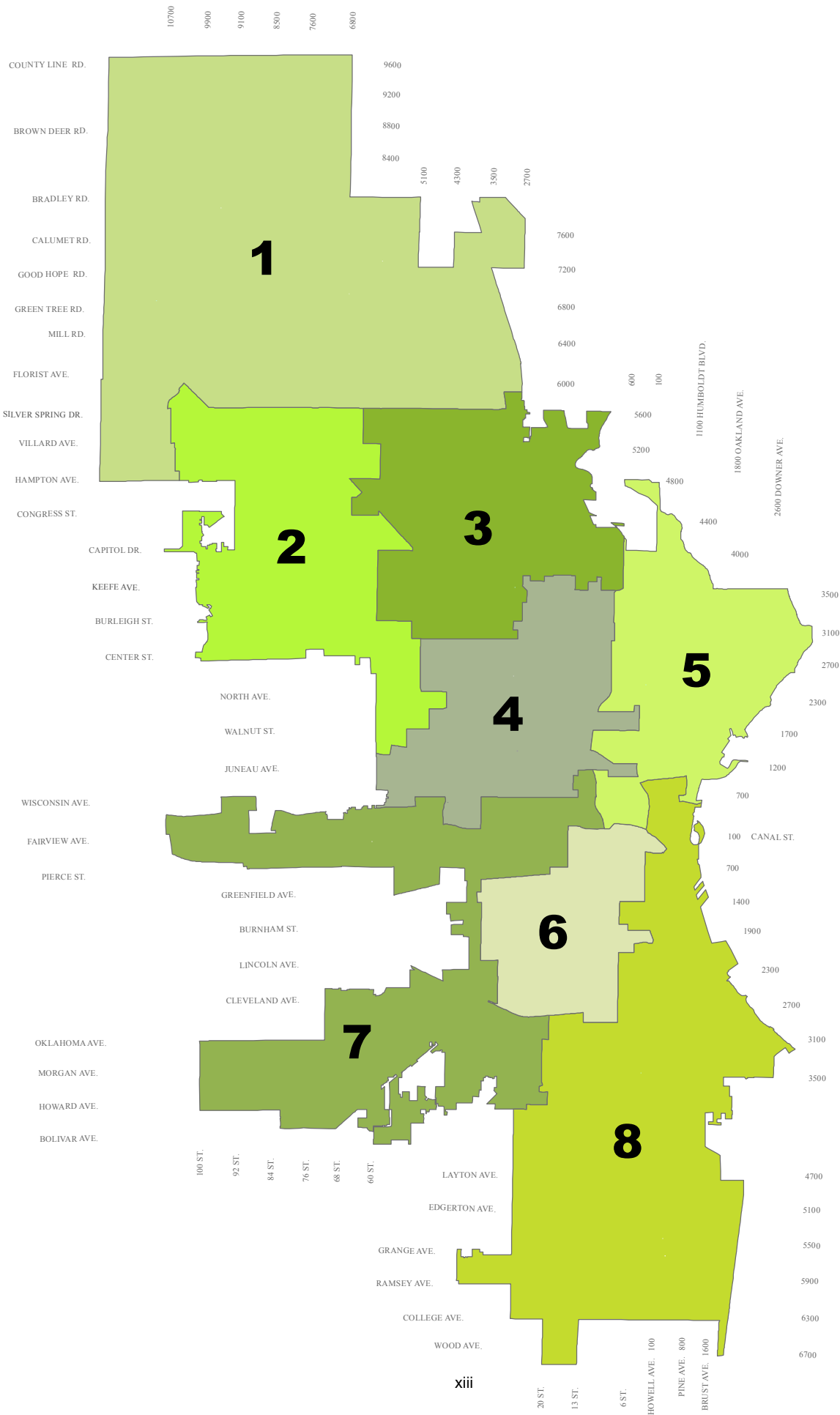
### STRATEGIC PLANNING AND BUDGET COMMITTEE

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

### PARENT AND COMMUNITY ENGAGEMENT COMMITTEE

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

# MILWAUKEE SCHOOL BOARD DISTRICTS



**MILWAUKEE PUBLIC SCHOOLS  
ADMINISTRATIVE OFFICERS**

**SUPERINTENDENT OF SCHOOLS**

Ms. Darienne B. Driver, Ed.D.

Chief of Staff

Ms. Gina Spang, P.E.

Chief Innovation and Information Officer

Ms. Tonya Adair

Chief Academic Officer

Ms. Ruth Maegli

Chief Human Resources Officer

Mr. Daniel J Chanen, J.D.

Chief Financial Officer

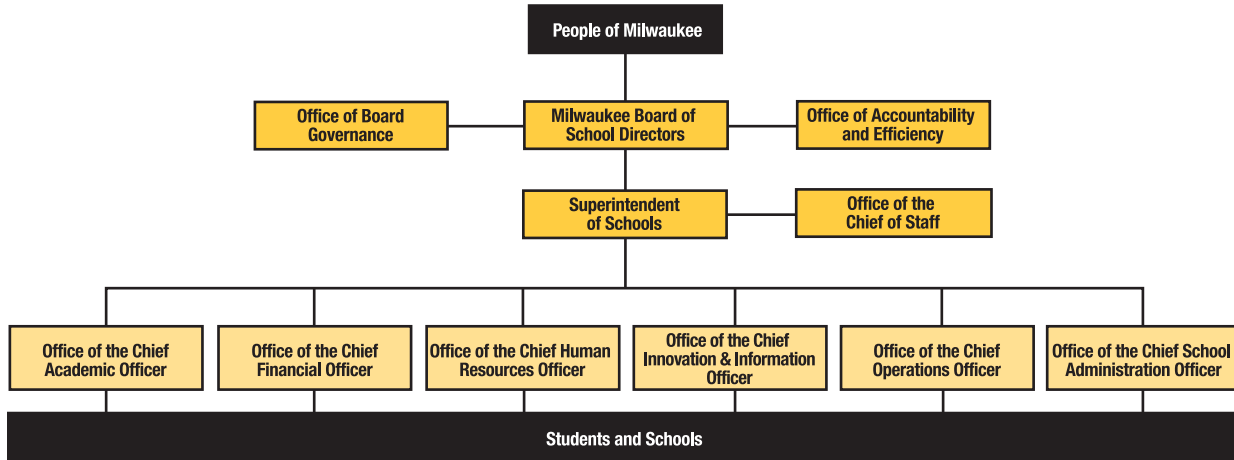
Mr. Gerald J. Pace, J.D.

Chief Operations Officer

Mr. Wendell Willis

Chief School Administration Officer

Mr. Keith Posley, Ed.D.



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Milwaukee Public Schools for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

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, 2015**

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, 2016, 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, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Milwaukee Public Schools's basic financial statements. The introductory 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.

To the Board of Directors  
Milwaukee Public Schools

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017 on our consideration of Milwaukee Public Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milwaukee Public Schools's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
January 27, 2017

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# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2016

(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, 2016. The intent of the management discussion and analysis is to look at the financial performance of MPS as a whole. It should be read in conjunction with the financial statements.

### FINANCIAL HIGHLIGHTS

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

- Total net position of MPS decreased to (\$79.4 million) at June 30, 2016, from (\$70.6 million) at June 30, 2015, a decrease of approximately \$8.8 million, or 12.5%. This decrease is primarily due to *GASB Statement No. 68, Accounting for Pensions* which accounted for \$25 million of the decrease, an approximately \$12 million increase in capital assets, and a \$4.5 million decrease in unearned revenues.
- Total revenues increased to \$1.179 billion in fiscal year 2016 (FY16), up from \$1.176 billion in fiscal year 2015, an increase of approximately 0.3% or \$3 million. The increase is primarily attributable to \$3.9 million in equalization aid.
- Total expenses increased to \$1.188 billion, up from \$1.131 billion for the year ended June 30, 2015, an increase of 5.0% or \$57 million. This increase primarily attributable to *GASB Statement No. 68, Accounting for Pensions* which accounted for \$25 million of the increase and \$17 million of the Regional Development Plan.

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

- Total fund balances of the District's governmental funds decreased \$480,243 in fiscal year 2016. This decrease included a \$.7 million increase in the General Fund, a \$5.5 million decrease in the Construction Fund, a \$4.3 million increase in the School Nutrition Fund, and no change in the Nonmajor Governmental Funds.
- The \$662,309 increase in the General Fund balance is the result of a prior bond sinking fund expense reclassified as a prepaid asset.
- The decrease in the Construction fund balance is the result of project construction costs.
- The \$4.3 million increase in the School Nutrition fund balance is attributable to increase in federal meal reimbursements due to the District's participation in the Community Eligibility Program (CEP) which provides a healthy breakfast and lunch at no charge to all students at MPS schools. The CEP program resulted in a reduction in lunch room sales.
- Total fund balances for all governmental funds at June 30, 2016 were \$129.4 million. Of this amount, \$12.0 million was nonspendable, \$54.8 million was restricted for self-insurance, debt service, flex spending, school nutrition services, long term capital investment and capital projects, \$21.0 million was committed for construction, \$1.0 million was assigned, and \$40.6 million remains unassigned.

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2016

(Unaudited)

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

#### 2. Basic Financial Statements

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

#### 3. Required Supplementary Information (RSI)

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

**Management's Discussion and Analysis** section discusses the financial performance of MPS during the year ending June 30, 2016. It includes an overview of the financial statements of the District and a report on the budgetary highlights.

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

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

**MILWAUKEE PUBLIC SCHOOLS**

Management’s Discussion and Analysis

June 30, 2016

(Unaudited)

**Table 1**

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

	Government-Wide	Fund Statements	
	<u>Statements</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>- Statement of net position</li> <li>- Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>- Balance sheet</li> <li>- Statement of revenues, expenditures, and changes in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>- Statement of fiduciary net position</li> <li>- Statement of changes in fiduciary net position</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resource focus
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	All revenues and expenses occurring during the year, regardless when cash is received or paid	Revenues when cash is received by year-end, or soon after; expenditures when goods and services have been received and payment is due by year-end, or soon after	All revenues and expenses occurring during the year, regardless of when cash is received or paid

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2016

(Unaudited)

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

#### Statement of Net Position

Total net position decreased from the prior year by \$8.8 million. This decrease is primarily due to implementation of *GASB Statement No. 68, Accounting for Pensions* which accounted for \$25 million of the decrease, an approximately \$11 million increase in capital assets, and a decrease of \$4.5 million of unearned revenues.

MPS ended its fiscal year with a net position of (\$79.4) million, of which \$500.0 million was net investment in capital assets, \$14.4 million was restricted for debt service, and (\$593.8) million was an unrestricted deficit. The unrestricted deficit is primarily the result of a \$516.2 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, 2016 the balance of the outstanding pension debt grew to \$188.8 million due to the pension financing including capital appreciation securities which accrete over time.

**MILWAUKEE PUBLIC SCHOOLS**

Management's Discussion and Analysis

June 30, 2016

(Unaudited)

**Table 2**

**Condensed Statement of Net Position (Deficit)**

(in thousands)

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Difference</b>
Capital assets, net	\$ 632,475	\$ 620,524	\$ 11,951
Noncapital assets and deferred outflows of resources	636,268	449,476	186,792
Intangible assets	<u>15,812</u>	<u>16,153</u>	<u>(341)</u>
Total assets and deferred outflows of resources	<u>1,284,555</u>	<u>1,086,153</u>	<u>198,402</u>
Current liabilities	125,208	123,946	1,262
Noncurrent liabilities and deferred inflows of resources	<u>1,238,720</u>	<u>1,032,823</u>	<u>205,897</u>
Total liabilities and deferred inflows of resources	<u>1,363,928</u>	<u>1,156,769</u>	<u>207,159</u>
Net position:			
Net investment in capital assets	500,042	489,612	10,430
Restricted	14,369	83,694	(69,325)
Unrestricted (deficit)	<u>(593,784)</u>	<u>(643,922)</u>	<u>50,138</u>
Total net position (deficit)	<u>\$ (79,373)</u>	<u>\$ (70,616)</u>	<u>\$ (8,757)</u>

Capital Assets increased by \$12.0 million. The increase is the net result of Construction in Progress increasing by \$18.9 million, Buildings, and Furniture increasing by \$15.6 million, and Accumulated Depreciation increasing by \$22.5 million.

Notable changes in Noncapital Assets is the result of *GASB Statement No. 68, Accounting for Pensions* which accounted for \$163.4 million of the increase and Deferred Cash Flow Hedges-Unrealized Loss on Derivatives is reported as the District applies hedge accounting for derivatives that are deemed effective hedges. Under hedge accounting, a decrease in the fair value of a hedge is reported as a deferred cash flow hedge on the statement of net position. For the reporting period, all the District's derivatives met the effectiveness test. The noncurrent asset component of the increase in fair value is \$24.2 million and the noncurrent asset component is \$73.9 million.



# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2016

(Unaudited)

Current liabilities increased \$1.3 million in the current year. This is primarily due to \$1.1 million of pension bond payments.

A notable change in Noncurrent liabilities is the result of \$24.2 million increase in derivative instruments and *GASB Statement No. 68, Accounting for Pensions* which accounted for \$188.6 million of the increase.

### **Statement of Activities**

Table 3 shows that on a government-wide basis, the District ended fiscal year 2016 with a decrease in net position of \$8.8 million, compared to an increase of \$45.4 million in fiscal year 2015.

**MILWAUKEE PUBLIC SCHOOLS**

Management's Discussion and Analysis

June 30, 2016

(Unaudited)

**Table 3**

**Schedule of Revenues and Expenses**

(in thousands)

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Difference</b>
Program revenues:			
Charges for services	\$ 19,548	\$ 17,160	\$ 2,388
Operating grants and contributions	265,979	286,680	(20,701)
Capital grants and contributions	16,348	849	15,499
Total program revenues	<u>301,875</u>	<u>304,689</u>	<u>(2,814)</u>
General revenues:			
Property taxes	300,634	302,279	(1,645)
Other taxes	810	1,837	(1,027)
Federal and state aid	570,219	563,629	6,590
Interest and investment earnings	4,349	2,913	1,436
Gain on sale of capital assets	333	-	333
Miscellaneous	1,020	933	87
Total general revenues	<u>877,365</u>	<u>871,591</u>	<u>5,774</u>
Total revenues	<u>1,179,240</u>	<u>1,176,280</u>	<u>2,960</u>
Expenses:			
Instruction	681,195	647,365	33,830
Community services	27,789	29,312	(1,523)
Pupil and staff services	128,939	131,799	(2,860)
General administration	112,899	98,125	14,774
Business services	169,413	160,678	8,735
School nutrition	50,101	47,234	2,867
Interest on long-term debt	17,652	16,332	1,320
Bond issuance cost	9	-	9
Total expenses	<u>1,187,997</u>	<u>1,130,845</u>	<u>57,152</u>
Increase (decrease) in net position	(8,757)	45,435	(54,192)
Net Position-Beginning of Year	<u>(70,616)</u>	<u>(116,051)</u>	<u>45,435</u>
Net Position-End of Year	<u><u>\$ (79,373)</u></u>	<u><u>(70,616)</u></u>	<u><u>(8,757)</u></u>

Total revenues increased \$3.0 million or 0.3% over the prior year. The greatest changes came in the area of General-Federal and State Aid. Federal and State Aid increased by \$3.9 million due to increase in equalization aid.

Total expenses increased by \$57 million, or 5.0%. This increase in instruction expense is primarily attributable to *GASB Statement No. 68, Accounting for Pensions* which accounted for \$25 million of the increase and \$17 million of the Regional Development Plan.

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2016

(Unaudited)

### Capital Assets

Table 4 shows that at June 30, 2016, MPS had \$1.255 billion in capital and intangible assets including Land, Buildings, Leasehold Improvements, Furniture and Equipment, and Software. This amount represents a net increase of \$38.1 million from the previous year. The primary driver of this increase is the Construction In Progress, Buildings and Software, which rose \$18.9 million, \$15.2 million and \$3.6 million respectively.

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

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

	<u>Beginning balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending balance</u>
Governmental activities:							
Capital and intangible assets:							
Land	\$ 31,106	\$	—	\$	—	\$	31,106
Construction in progress	14,293		34,078		15,218		33,153
Buildings	1,050,173		15,218		—		1,065,391
Leasehold improvements	12,219		—		—		12,219
Furniture and equipment	51,893		1,144		695		52,342
Software	57,475		6,612		3,017		61,070
Total capital and intangible assets	1,217,159		57,052		18,930		1,255,281
Accumulated depreciation and amortization	(580,483)		(27,194)		(683)		(606,994)
Total Capital and intangible assets, net	\$ 636,676	\$	29,858	\$	18,247	\$	648,287

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2016

(Unaudited)

### Long-term Debt

Long-term debt at June 30, 2016 was \$359.3 million with debt retirements totaling \$7.8 million.

**Table 5**

#### Change in Long-term Debt and Capital Lease Obligations

(in thousands)

	<u>July 1, 2015</u>		<u>Issuances</u>		<u>Retirements</u>		<u>June 30, 2016</u>
Governmental activities:							
Americans with Disabilities							
Act loans	\$ 3,482	\$ —		\$ 870		\$	2,612
Neighborhood School							
Initiative bonds	76,172	—		6,113			70,059
Qualified School Construction Bonds	49,018			(28)			49,046
Qualified Zone Academy bonds	1,418	—		505			913
Pension refinancing debt	187,706	—		(1,086)			188,792
Capital leases	38,000	—		—			38,000
Other intergovernmental debt	11,354	—		1,434			9,920
Total debt	\$ 367,150	\$ —		\$ 7,808		\$	359,342

The Neighborhood School Initiative (NSI) debt is part of a state of Wisconsin-sponsored program intended to increase the capacity and improve the quality of Milwaukee's neighborhood schools. The outstanding debt is in the form of revenue bonds issued by the Redevelopment Authority of the City of Milwaukee on behalf of MPS, and is secured through bond insurance and a moral obligation pledge by the state of Wisconsin. A total of \$112,040,000 of NSI debt was issued, with the first tranche issued in February 2002 (Series 2002A) in the amount of \$33,300,000, and the second tranche sold on November 5, 2003 (Series 2003A) in the amount of \$78,740,000. On February 1, 2007 MPS completed an advance refunding of \$29,260,000 of the second tranche (Series 2003A) and also retired \$5.1 million of bonds from that same tranche. On May 6, 2013, the District, through RACM, issued \$45,570,000 of Refunding Revenue Bonds for a current refunding of Series 2002 and Series 2003 bonds callable on August 1, 2013. This resulted in a \$6.4 million gain for the district over the life of the refunded debt. Approximately \$6.1 million of NSI debt was retired in fiscal year 2016.

The Qualified Zone Academy Bond (QZAB) debt is in the form of lease-purchase agreements collateralized by the assets purchased with the proceeds. The QZAB program is sponsored by the Internal Revenue Service (IRS) and provides interest-free capital for the purpose of promoting academic programs in partnership with the business community. QZAB debt has been used to support the purchase of furniture and equipment, and to make building improvements at several MPS schools. Interest on the debt is paid by the IRS via tax credits to the lender. QZAB debt decreased by \$505,293 in fiscal year 2016.

## MILWAUKEE PUBLIC SCHOOLS

### Management's Discussion and Analysis

June 30, 2016

(Unaudited)

In December 2003, the city of Milwaukee, in connection with an intergovernmental cooperation agreement, issued \$168,051,136 in bonds on behalf of the District to refund pension-related debt for the Wisconsin Retirement System totaling \$165,505,293. In June 2006, MPS spent \$5.9 million to retire \$8.5 million of face value pension-related capital appreciation notes. The fiscal year 2016 ending balance is greater than the beginning balance given a portion of the District's pension debt is in the form of capital appreciation securities which appreciate each year.

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

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

### FUND FINANCIAL STATEMENTS

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

- The year-end General fund balance increased \$662,309 over the prior year-end. The increase in the General fund balance is the result of a prior bond sinking fund expense reclassified as a prepaid asset.
- The decrease in the Construction fund balance is the result of project construction costs.
- The \$4,338,214 increase in the School Nutrition fund balance is attributable to increase in federal meal reimbursements due to the District's participation in the Community Eligibility Program (CEP) which provides a healthy breakfast and lunch at no charge to all students at MPS schools. The CEP program resulted in a reduction in lunch room sales.

### NOTES TO BASIC FINANCIAL STATEMENTS

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

### BUDGETARY HIGHLIGHTS

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

In May 2015, the MPS Board of School Directors (the Board) adopted the District's fiscal 2016 budget (July 1, 2015 – June 30, 2016). The adopted budget by necessity used a *projection* of the fiscal 2016 student enrollment. In October 2015, the Board amended the budget to take into account the *actual* student enrollment as measured on the third Friday in September 2015, 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.

# MILWAUKEE PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2016

(Unaudited)

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 2015, the Board approved a revised fiscal year 2016 (FY16) General Fund expenditure budget in the amount of \$1,121,986,436. This amount included prior year encumbrances and carryover authority.

Actual General Fund expenditures for FY16 were over 95% of the FY16 revised General Fund budget.

### **Current Economic Facts and Next Year's Budget**

In October 2016, the MPS Board approved a revised FY17 General Fund budget of \$1,142,661,444. The FY17 budget includes prior year encumbrances and carryover appropriation authority and is up 0.7% from the FY16 General Fund Budget.

The District's revenue limit for FY17 is \$822,405,065, a \$3.3 million or 0.4% decrease below FY16. The FY17 revenue limit is based on prior year revenues, three-year enrollment trends and other factors determined by the biennial state budget process.

State general aids, primarily equalization aid, increased 1.7% to \$549,888,607. Equalization aid is based on the following: (1) expenditures and enrollment of the prior year, (2) district property values, which the State considers to be a measure of community wealth. The MPS aid required for Milwaukee Parental Choice Program (MPCP) in FY17 is \$48.6 million.

The MPS District-Wide FY17 Amended Adopted Budget totals \$1,196,354,446. This is 2.4% more than the FY16 Amended Adopted Budget of \$1,168,690,105. The increase is the result of planned borrowing of \$27 million in the construction fund.

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

District total enrollment, based on Third Friday September 2016 counts, is 83,654. This is up 0.4% from FY16. Enrollment in the District's Traditional, Charter, and Non-Instrumentality Charter Schools enrollment is up 1.7% from FY16 to FY17.

The 2016-17 Budget reflects the district's ongoing commitment to fiscal responsibility and an emphasis on student achievement. Resources have been allocated to allow for an increase of support positions in schools, some for the direct support of students and others for the ongoing development of teachers. The district is expanding summer school as well as city-wide programs to serve youth in non-school hours.

**MILWAUKEE PUBLIC SCHOOLS**

Management's Discussion and Analysis

June 30, 2016

(Unaudited)

**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](http://www.milwaukee.k12.wi.us)**

**BASIC FINANCIAL  
STATEMENTS**



**MILWAUKEE PUBLIC SCHOOLS**

Statement of Net Position (Deficit)

As of June 30, 2016

	<b>Governmental Activities</b>
<b>Assets and Deferred Outflows of Resources</b>	
Currents:	
Assets:	
Cash and investments (note 2)	\$ 86,618,975
Accounts receivable, net (note 3)	9,157,832
Due from other governments (note 3)	78,356,134
Inventory and other assets (note 1(g))	1,643,145
Prepaid items (note 1(g))	9,453,791
Total current assets	<u>185,229,877</u>
Noncurrent assets:	
Restricted cash and investments (note 1(d))	39,133,052
Deposits for self-insurance (note 1(I))	8,069,749
Capital assets not being depreciated (note 5)	64,258,068
Capital assets being depreciated, net (note 5)	568,217,332
Intangible assets, net (note 5A)	15,811,812
Restricted Assets (note 10)	
Bond Sinking Fund (note 7)	11,561,538
Total noncurrent assets	<u>707,051,551</u>
Deferred outflows of resources:	
Deferred loss on refunding	618,206
Deferred cash flow hedges - unrealized loss on derivatives (note 7)	73,890,990
Related to pension - WRS	232,979,797
Related to pension - ERS	66,693,849
Related to pension - ASC & Teachers Supplementals	18,091,047
Total assets and deferred outflows of resources	<u>1,284,555,317</u>
<b>Liabilities and Deferred Inflows of Resources</b>	
Current liabilities:	
Accounts payable and other current liabilities	92,671,770
Accrued interest payable on long-term liabilities	3,841,646
Current portion of long-term obligations (note 7)	28,694,202
Total current liabilities	<u>125,207,618</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations (note 7)	862,772,539
Net Pension Liability - WRS	43,792,878
Net Pension Liability - ERS	53,735,000
Net Pension Liability - ASC & Teachers Supplementals	98,198,863
Total noncurrent liabilities	<u>1,058,499,280</u>
Deferred inflows of resources:	
Deferred gain on refunding	88,545
Unearned revenue	7,118,832
Derivative instruments liability (note 7)	73,890,990
Related to pension - WRS	92,161,365
Related to pension - ERS	4,019,000
Related to pension - ASC & Teachers Supplementals	2,942,914
Total liabilities and deferred inflows of resources	<u>1,363,928,544</u>
<b>Net Position</b>	
Net investment in capital assets	500,041,665
Restricted for debt service	14,368,921
Unrestricted (Deficit)	(593,783,813)
Total net position (deficit)	<u>\$ (79,373,227)</u>

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS**

Statement of Activities

For the Year Ended June 30, 2016

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Net (expenses) revenues and changes in net position</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>		<u>Capital grants and contributions</u>
Governmental activities:					
Instruction	\$ 681,195,330	8,619,364	184,229,896	16,348,227	(471,997,843)
Support services:					
Community services	27,789,456	4,365,200	5,559,121	—	(17,865,135)
Pupil and staff services	128,939,561	—	18,367,601	—	(110,571,960)
General, administration, and central services	112,898,587	—	—	—	(112,898,587)
Business services	169,413,167	5,398,788	5,580,111	—	(158,434,268)
School nutrition services	50,101,295	1,164,444	52,242,705	—	3,305,854
Interest on long-term debt	17,651,925	—	—	—	(17,651,925)
Bond issuance costs	8,762	—	—	—	(8,762)
Total support services	<u>506,802,753</u>	<u>10,928,432</u>	<u>81,749,538</u>	<u>—</u>	<u>(414,124,783)</u>
Total school district	\$ <u>1,187,998,083</u>	<u>19,547,796</u>	<u>265,979,434</u>	<u>16,348,227</u>	<u>(886,122,626)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					268,759,174
Property taxes levied for construction					10,600,000
Property taxes levied for debt service					4,209,121
Property taxes levied for community services					17,065,872
Other taxes					810,337
Federal and state aid not restricted to a specific purpose:					
General (equalization aid)					509,173,092
Other					61,046,450
Miscellaneous					1,019,580
Interest and investment earnings					4,349,251
Gain on sale of capital assets					332,510
Total general revenues					<u>877,365,387</u>
Change in net position					(8,757,239)
Net position—Beginning of Year (deficit)					<u>(70,615,988)</u>
Net position—Ending of Year (deficit)					\$ <u><u>(79,373,227)</u></u>

See accompanying notes to basic financial statements.

MILWAUKEE PUBLIC SCHOOLS

Balance Sheet  
Governmental Funds  
As of June 30, 2016

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)	\$ 62,547,125	24,071,850	—	—	86,618,975
Receivables, net:					
Accounts (note 3)	6,751,905	2,405,927	—	—	9,157,832
Due from other governmental units (note 3)	67,438,621	—	7,326,315	3,591,198	78,356,134
Due from other funds (note 4)	—	5,111,130	—	—	5,111,130
Total receivables	74,190,526	7,517,057	7,326,315	3,591,198	92,625,096
Restricted cash and investments (note 1(d))	18,438,783	20,694,269	—	—	39,133,052
Inventories and other assets (note 1(g))	1,643,145	—	—	—	1,643,145
Prepaid items (note 1(g))	9,453,791	—	—	—	9,453,791
Deposits for self-insurance (note 1(l))	8,069,749	—	—	—	8,069,749
Total assets	\$ 174,343,119	52,283,176	7,326,315	3,591,198	237,543,808
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 47,224,534	5,308,399	1,961,394	42,494	54,536,821
Accrued salaries and wages	11,083,482	—	—	—	11,083,482
Accrued claims for self-insurance (note 9)	22,748,521	—	—	—	22,748,521
Accrued pension payable (note 10)	4,287,016	—	—	—	4,287,016
Other accrued expenditures	15,930	—	—	—	15,930
Due to other funds (note 4)	1,076,535	—	485,891	3,548,704	5,111,130
Total liabilities	86,436,018	5,308,399	2,447,285	3,591,198	97,782,900
Deferred inflow of resources (note 1(o))					
Unearned revenue	7,607,958	2,770,000	1,387	—	10,379,345
Fund balances:					
Non-Spendable					
Noncurrent Receivable	923,445	—	—	—	923,445
Inventories and other assets	1,643,145	—	—	—	1,643,145
Prepaid items	9,453,791	—	—	—	9,453,791
Noncurrent Advances	—	—	—	—	—
Restricted:					
Self-insurance deposits	8,069,749	—	—	—	8,069,749
Debt service	18,438,783	—	—	—	18,438,783
Restricted for capital projects	—	20,444,142	—	—	20,444,142
School Nutrition Services	—	—	4,877,643	—	4,877,643
Flex Spending	228,216	—	—	—	228,216
Long Term Capital Investment Fund	—	2,750,127	—	—	2,750,127
Committed:					
Construction	—	21,010,508	—	—	21,010,508
Assigned for 2017 budget appropriation	975,383	—	—	—	975,383
Unassigned	40,566,631	—	—	—	40,566,631
Total fund balances	80,299,143	44,204,777	4,877,643	—	129,381,563
Total liabilities, deferred inflows and fund balances	\$ 174,343,119	52,283,176	7,326,315	3,591,198	237,543,808

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, 2016

Total fund balances—governmental funds		\$ 129,381,563
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		529,661
Bond sinking cost reported as an asset at the government-wide level and reported as an expenditure for government funds		11,561,538
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	\$ 1,194,211,487	
Accumulated depreciation	<u>(561,736,087)</u>	
Net capital assets		632,475,400
Intangible assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:		
Cost of intangible assets	\$ 61,069,606	
Accumulated depreciation	<u>(45,257,794)</u>	
Net capital assets		15,811,812
Deferred outflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds		317,764,693
Net Pension Liabilities used in the governmental activities are not financial uses and, therefore, are not reported as liabilities in the governmental funds		(195,726,741)
Grant and other receivables that are not collected within 90 days after year-end are not considered to be available to pay for the current period's expenditures and, therefore, are unearned in the funds		3,260,513
Deferred inflows of resources related to pensions do not relate to current financial resources and, therefore, are not reported in the funds		(99,123,279)
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	(399,125,383)	
Bonds premium and discounts	(4,824,714)	
Discount on capital appreciation bonds	82,607,983	
Capital leases payable	(38,000,000)	
Accrued interest payable	(3,841,646)	
Compensated absences payable (vacation and sick leave)	(8,709,351)	
OPEB liability	(516,178,187)	
Workers' compensation claims payable	(4,666,907)	
Self-insurance claims payable	(325,672)	
Life insurance benefits and other long-term liabilities	<u>(2,244,510)</u>	
Total long-term debt liabilities		<u>(895,308,387)</u>
Total net position—governmental activities (deficit)		\$ <u><u>(79,373,227)</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, 2016

	<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>
<b>Revenues:</b>					
Property tax levy	\$ 285,825,045	10,600,000	—	4,209,121	300,634,166
Other taxes	810,337	—	—	—	810,337
Lunchroom sales	—	—	1,164,437	—	1,164,437
Other local sources	23,386,121	927,528	394,365	—	24,708,014
Microsoft Settlement Refunds	5,918,672	—	—	—	5,918,672
State aid:					
Equalization aid	509,173,092	—	—	—	509,173,092
Special classes	50,423,437	—	—	—	50,423,437
Integration	31,692,817	—	—	—	31,692,817
Other state aid	58,271,730	5,135	957,983	—	59,234,848
Federal aid:					
Education Consolidation Improvement Act	68,908,095	—	—	—	68,908,095
School nutrition services	—	—	49,598,103	—	49,598,103
Erate refunds	9,682,625	—	—	—	9,682,625
Other federal aid	42,859,924	—	1,292,252	17,217,042	61,369,218
Intergovernmental aid from the City of Milwaukee	—	—	—	—	—
Miscellaneous	1,100,712	69,020	114,350	—	1,284,082
Interest and investment earnings	4,309,635	39,616	—	—	4,349,251
Total revenues	<u>1,092,362,242</u>	<u>11,641,299</u>	<u>53,521,490</u>	<u>21,426,163</u>	<u>1,178,951,194</u>
<b>Expenditures:</b>					
Current:					
Instructional services:					
Undifferentiated curriculum	339,332,220	—	—	—	339,332,220
Regular and other curriculum	136,707,351	—	—	—	136,707,351
Special curriculum	147,768,628	—	—	4,709,472	152,478,100
Total instructional services	<u>623,808,199</u>	<u>—</u>	<u>—</u>	<u>4,709,472</u>	<u>628,517,671</u>
Community services:					
Community services	27,347,401	—	—	—	27,347,401
Pupil and staff services	114,359,927	—	—	12,507,570	126,867,497
General and school building administration	111,159,224	—	—	—	111,159,224
Business services	163,928,809	5,198,205	—	—	169,127,014
School nutrition services	—	—	48,841,829	—	48,841,829
Capital Outlay	26,055,298	12,063,456	341,447	—	38,460,201
Debt Service:					
Principal	—	—	—	14,648,669	14,648,669
Interest	—	—	—	14,797,376	14,797,376
Bond administrative fees	—	—	—	8,762	8,762
Total expenditures	<u>1,066,658,858</u>	<u>17,261,661</u>	<u>49,183,276</u>	<u>46,671,849</u>	<u>1,179,775,644</u>
Excess of revenues over (under) expenditures	<u>25,703,384</u>	<u>(5,620,362)</u>	<u>4,338,214</u>	<u>(25,245,686)</u>	<u>(824,450)</u>
<b>Other financing sources (uses):</b>					
Transfers In (Out)	(25,245,686)	—	—	25,245,686	—
Insurance Proceeds	173,962	50,000	—	—	223,962
Proceeds from the sale of capital assets	30,649	89,596	—	—	120,245
Total other financing sources (uses), net	<u>(25,041,075)</u>	<u>139,596</u>	<u>—</u>	<u>25,245,686</u>	<u>344,207</u>
Net change in fund balances	662,309	(5,480,766)	4,338,214	—	(480,243)
<b>Fund balances:</b>					
Beginning of year	79,636,834	49,685,543	539,429	—	129,861,806
End of year	<u>\$ 80,299,143</u>	<u>44,204,777</u>	<u>4,877,643</u>	<u>—</u>	<u>129,381,563</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, 2016

Net change in fund balances—total governmental funds	\$	(480,243)
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	\$	38,460,201
Depreciation and amortization expense reported in the statement of activities		<u>(27,194,377)</u>
Amount by which capital outlays are more than depreciation and amortization in the current period		11,265,824
The net effect of miscellaneous transactions involving capital assets donated to the District that increases net position		400,267
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals) is to decrease net position		(11,696)
Bond sinking cost reported as asset at the government-wide level and reported as an expenditure for government funds	4,836,538	<u>(925,000)</u>
Some revenues will not be collected for several months after the District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds		3,911,538
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		(67,124,130)
Net pension liabilities		(89,488,014)
Deferred outflows of resources related to pensions		230,547,910
Deferred inflows of resources related to pensions		(99,123,279)
Gain on refunding		(88,545)
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.		
Bonds and notes		10,737,131
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	73,975	
Accretion of interest on capital appreciation bonds	(3,595,895)	
Amortization of bond premium, discount and refunding deferred	667,371	
Net increase in compensated absences payable (vacation and sick pay)	110,059	
Net decrease in workers' compensation claims payable	2,789,018	
Net increase in OPEB liability	(9,215,201)	
Net decrease in general insurance claims payable	58,208	
Net decrease in life insurance benefits payable	<u>207,524</u>	
Net adjustment		<u>(8,904,941)</u>
Change in net position of governmental activities	\$	<u><u>(8,757,239)</u></u>

See accompanying notes to basic financial statements.

**MILWAUKEE PUBLIC SCHOOLS**

Statement of Fiduciary Net Position

As of June 30, 2016

<b>Assets</b>	<b>Pension and Other Post Employment Benefits trusts</b>	<b>Private purpose trust</b>	<b>Agency</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Deposits with City of Milwaukee and other cash (note 2)	\$ —	—	5,477,368
Investments (note 2)	—	1,670,873	—
Money market accounts	79,849,182	—	—
Treasury and agency securities	17,300,088	—	—
Mortgage-backed securities	69	—	—
Nongovernment obligations	31,902,276	—	—
Municipal bonds	1,447,259	—	—
Investment in the State of Wisconsin	175,141,159	—	—
Receivables-interest and contributions	11,352,978	—	—
Total assets	<u>316,993,011</u>	<u>1,670,873</u>	<u>5,477,368</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	5,245,218	—	—
Due to student organizations	—	—	5,477,368
Total liabilities	<u>5,245,218</u>	<u>—</u>	<u>5,477,368</u>
<b>Net Position</b>			
Net Position restricted for:			
Pensions	311,747,793	—	—
Endowments	—	1,670,873	—
Total net position	<u>\$ 311,747,793</u>	<u>1,670,873</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, 2016

	<u>Pension and Other Post Employment Benefits trusts</u>	<u>Private purpose trust</u>
Additions:		
Employer contributions	\$ 56,995,835	—
Participants contributions	9,100,339	—
Private donations	—	211,829
Interest income	—	889
Investment income:		
Net investment from the State of Wisconsin:		
Core Retirement Investment Trust Fund	1,415,843	—
Variable Retirement Trust Fund	(327,851)	—
Net investment income from other investments	1,744,808	—
Total investment income:	<u>2,832,800</u>	<u>—</u>
Investment expenses	(19,565)	—
Net investment income	<u>2,813,235</u>	<u>—</u>
Total additions	<u>68,909,409</u>	<u>212,718</u>
Deductions:		
Benefits paid to participant's or beneficiaries	\$ 79,078,601	—
Non-trust expenses	—	1,062,403
Distribution of participant contribution accounts	19,399	—
Administrative expenses	319,279	—
Scholarships and awards	—	268,479
Total deductions	<u>79,417,279</u>	<u>1,330,882</u>
Changes in net position	(10,507,870)	(1,118,164)
Net position—beginning of year	<u>322,255,663</u>	<u>2,789,037</u>
Net position—end of year	<u>311,747,793</u>	<u>1,670,873</u>

See accompanying notes to basic financial statements.



# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### (1) Summary of Significant Accounting Policies

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

#### (a) Reporting Entity

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

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

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

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

### **(b) Basis of Presentation**

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor governmental funds:

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

### Categorically Aided Programs

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

Additionally, the District reports the following fund types:

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

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

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

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

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

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

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

(d) ***Restricted Assets***

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

**(e) Receivables**

General accounts receivable have been adjusted for all known uncollectible accounts. An allowance for uncollectible accounts is reported at year-end for \$894,150.

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

**(f) Investments**

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

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

**(g) Inventories, 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.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

**(h) Capital Assets and Intangible Assets**

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

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

**(i) Property Taxes**

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

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

**(j) Deferred Outflows of Resources**

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

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

**Gain/Loss on Refundings of Debt**

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

**(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 \$8,069,749 at June 30, 2016 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 of General Fund –primarily unavailable grant revenues of \$2.8 million and available grants of \$4.3 million plus long term receivable of \$2.8 million in the Construction Fund.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### (p) *Net Position*

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

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

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

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

### (q) *Fund Balance*

Governmental fund balances are displayed as follows:

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



# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

**(r) *Use of Estimates***

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

**(s) *Pension***

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

**(t) *New Accounting Pronouncements***

In February 2015, The GASB issued Statement No. 72 –*Fair Value Measurement and Application*. This Standard establishes financial reporting standards for fair value measurement. This District made the decision to implement this standard, effective July 1, 2015.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

(2) **Deposits and Investments**

**District's Deposits and Investments, Exclusive of Pension Trusts**

	Carrying Value	Bank Balance
Cash at the City	\$ 82,060,434	\$ 85,536,366
Demand deposits	8,934,998	15,683,220
Repurchase Agreement	3,000,000	-
Money market funds	114,162,303	114,249,396
Non-Government Obligations	22,191,128	22,191,128
U.S. Treasury Notes and Agencies	17,300,088	17,300,088
State and Municipal Notes	1,447,259	1,447,259
Total Cash and Investments	\$ 249,096,210	\$ 256,407,457
Reconciliation to financial statements		
Per statement of net position		
Unrestricted cash and investments	\$ 86,618,975	
Restricted cash and investments	39,133,052	
Per statement of net position – Fiduciary Funds		
Private purpose trust	1,670,873	
Other post employment benefits trust	116,195,942	
Agency	5,477,368	
Total Cash and Investments	\$ 249,096,210	

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

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

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

- 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 overnight repurchase agreements, money market funds, non-government obligations, U.S. Treasury Notes and Agencies and State and Municipal notes. The U.S. Treasury Notes and Agencies of \$17,300,088 are AA+ rated (Standard & Poor’s) and AAA rated (Fitch). State and Municipal of \$1,447,259 are rated AA+ to A+ (Standard and Poor’s). The non-government obligations of \$22,191,128 range from AAA rated to BBB.

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

As of June 30, 2016 the District had the following investments, shown with their maturities.

<u>Investment Type</u>	<u>Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Less Than 5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasury Notes and Agencies	\$ 17,300,088	\$ -	\$ 11,893,192	\$ 2,673,848	\$ 2,733,048
State and Municipal	1,447,259	-	1,276,810	170,449	-
Non-Government obligations	22,191,128	-	14,541,131	7,648,674	1,323
	<u>\$ 40,938,475</u>	<u>\$ -</u>	<u>\$ 27,711,133</u>	<u>\$ 10,492,971</u>	<u>\$ 2,734,371</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 \$15,683,220. Of the \$15,683,220 bank balance, \$2,085,475 was covered by the Federal Depository Insurance Corporation (FDIC) and the state of Wisconsin Public Deposit Guarantee Fund, and \$13,597,745 was uninsured. Certain deposits are collateralized through a deposit security agreement or have posted securities at 102% of the value of repurchase agreements. 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, \$4,247,629 is uninsured and uncollateralized and \$9,350,116 is uninsured and collateralized by securities held by a third party not in the District’s name.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

The money market funds total \$114,249,396 of which \$113,999,269 is uninsured and uncollateralized and \$250,127 is uninsured and collateralized by securities held by a third party not in the District's name.

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

Funds held and controlled by the treasurer of the City are insured by the FDIC and the Wisconsin Public Deposit Guarantee Fund. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (excluding interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. Milwaukee Public Schools' deposits with the City Treasurer for investments are all insured or collateralized on June 30, 2016.

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

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

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

<u>Investment Type</u>	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bonds	\$ -	\$ 17,496,870	\$ -	\$ 17,496,870
Foreign Bonds	-	4,694,258	-	4,694,258
Municipal Bonds	-	1,447,259	-	1,447,259
Treasury/Federal Agencies	-	17,300,088	-	17,300,088
	<u>\$ -</u>	<u>\$ 40,938,475</u>	<u>\$ -</u>	<u>\$ 40,938,475</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"), 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, 2016, the SWIB Core Fund strategic targets were 25% to U.S. Stocks, 39% to Fixed Income, 23% to International Stocks,

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

7% to Real Estate, and 10% to Alternative Investments. On June 15, 2016, the SWIB Variable Fund asset-mix targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments.

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

### A. Interest Rate Risk

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

The following schedule summarizes the duration and fair value of the investments at BMO as of June 30, 2016 and the fair value at SWIB as of June 30, 2016.

<u>Investment</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
SWIB Core and Variable Funds	Details on SWIB fixed income investments as of 12/31/15 are included below.	\$ 42,606,775
Money market accounts (at BMO)	0.1	\$ 1,388,538
Mutual Funds (at BMO)	3.7	\$ 2,533,101
Mortgage Backed Securities	N/A	\$ 69

SWIB information provided within the accompanying financial statement is as of December 31, 2015. There has been no significant change in SWIB's investment strategies, asset allocations and investment pricing methods from December 31, 2015 to June 30, 2016. Based on SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2015 is a fair representation for June 30, 2016.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2015.

<b><u>SWIB Investments</u></b>	<b><u>Duration (Years)</u></b>	<b><u>Fair Value</u></b>
Asset Backed Securities	1.8	\$ 47 Million
Commercial Paper	<1	\$ 323 Million
Corporate Bonds and Private Placements	5.7	\$ 4,788 Million
Foreign Gov't/Agency Bonds	8.1	\$ 3,524 Million
Municipal Bonds	9.7	\$ 119 Million
Repurchase Agreements	1 day	\$ 805 Million
US Government Agencies	3.8	\$ 284 Million
US TIPS	7.7	\$ 6,704 Million
U.S. Treasury Securities	5.0	\$ 4,154 Million
Commingled Funds	0.2 to 6.3	\$ 8,489 Million

Note: On June 30, 2016, SWIB's Core Fund and Variable Fund had \$87.6 billion and \$6.7 billion in assets, respectively. As of June 30, 2016, the Plan's assets were invested 81% in the SWIB Core Fund, 11% in the SWIB Variable Fund, and 7% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### 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, 2015 and in the separate accounts managed by BMO on June 30, 2016. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

<u>Ratings*</u>	<u>SWIB</u> <u>12/31/2015</u>	<u>BMO</u> <u>6/30/2016</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	2%	35%
AA/Aa	41%	N/A
A	8%	N/A
BBB/Baa	9%	N/A
BB/Ba	2%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	0%	N/A
C	0%	N/A
D	0%	N/A
Commingled Trusts & Mutual Funds***	29%	65%
Not-Rated	5%	0%

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

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

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

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

## MILWAUKEE PUBLIC SCHOOLS

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

#### **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 \$431.3 million on December 31, 2015. In addition, SWIB held certificate of deposit which were covered by depository insurance with a fair value of \$39.2 on December 31, 2015, all of which were uncollateralized and uninsured. In total, these deposits represented 0.50% of the combined assets of the SWIB Core and Variable Funds, on December 31, 2015.

*Investments* - Custodial credit risk for investments is the risk that, in the event of the failure of counterparty to a transaction, the fund will not be able to recover the value of investments that are in the possession of an outside party. The repurchase agreements held by the fund were 9 agreements totaling \$804.9 million as of December 31, 2015. 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 0.9% of the combined assets of the SWIB Core and Variable Funds on December 31, 2015.

#### **D. Concentration of Credit Risk**

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

#### **E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2015, \$22.6 billion of the SWIB Funds' \$86.8 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure. The risk definitions noted above are from the Governmental Accounting Standards Board. The data, risk descriptions, and guidelines for the SWIB Funds were provided by SWIB and the data and risk information for the other investment types were provided by BMO.



# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### **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, 2016, the Plan's interest in the plan net position of the Core Trust was approximately 0.043% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.077%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at December 31, 2015 (in thousands):

	<u>12/31/2015</u>
Future contracts	\$ 10,893,341
Foreign exchange forward and spot contracts – sold	2,264,028
Foreign exchange forward and spot contracts – purchased	(2,260,754)
OTC Derivative Investments subject to Counterparty Credit Risk-Receiveable (Fair Value)	2,773,146
OTC Derivative Investments subject to Counterparty Credit Risk-Payable (Fair Value)	(2,760,197)
Options – puts	(338,835)
Options - calls	(42,911)

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended June 30, 2016.

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.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

<u>Investment Type</u>	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ -	\$ 1,388,538	\$ -	\$ 1,388,538
Mortgage-back securities	-	69	-	69
Mutual Funds:				
Short-Term Investment				
Grade Bond Funds	661,236	-	-	661,236
Intermediate-Term				
Investment Grade Bond Fund	1,871,865	-	-	1,871,865
	<u>\$ 2,533,101</u>	<u>1,388,607</u>	<u>-</u>	<u>\$ 3,921,708</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 fund with a duration greater than three years.

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

The Trustees of the Plan have adopted a Statement of Investment Policy (the “Policy”). It articulates asset allocation targets; guidelines for interest rate risk, credit risk, and concentration of credit risk for separately managed portfolios; and performance benchmarks. Under Wisconsin statutes, equities, other than investments in the State of Wisconsin Employee Trust Funds (“SWIB funds”), are subject to the statutory limitation that they may not exceed 50% of the market value of the plan assets. The Plan has no equity investments other than those in the SWIB funds. The Policy targets equities in the SWIB Variable Fund to equal 150% of the amount in Fixed Income securities at BMO, with the remainder of the portfolio allocated to the SWIB Core Fund. The Policy target for Fixed Income is the sum of six months benefit payments plus six months administrative expense. The portfolio is rebalanced toward the Policy targets quarterly. On June 30, 2016, the SWIB Core Fund strategic targets were 25% to U.S. Stocks, 39% to Fixed Income, 23% to International Stocks, 7% to Real Estate, and 10% to Alternative Investments. The strategic target allocations total 107%, reflecting the possibility of introducing leverage into the portfolio. On June 30, 2016, the SWIB Variable Fund strategic targets were 70% to U.S. Stocks, 30% to International Stocks, and 0% to Alternative Investments. Under the SWIB Investment Policy, the Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. For the SWIB funds, when a major liquid asset class (i.e., Total Public Equities, Total Public Fixed Income) exceeds plus or minus 4% of its target allocation, a rebalancing exercise will be initiated. The Plan’s investment portfolio (the Fund) has two investment managers: the State of Wisconsin Investment Board (SWIB) and BMO. Each investment manager is responsible for managing the portion of the Fund assets under its control in accordance with its policy and guidelines. BMO is also responsible for managing its Plan portfolios in accordance with the guidelines adopted by the Trustees. Milwaukee Public Schools completes a comprehensive review of the Fund relative to the Policy on an annual basis.

#### **A. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Milwaukee Public Schools uses both duration and weighted average maturity as methods of monitoring interest rate risk. SWIB data is expressed in terms of modified duration and option adjusted duration. Modified duration, which is stated in years, is the

## MILWAUKEE PUBLIC SCHOOLS

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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, 2016 and at the fair value at SWIB as of June 30, 2016.

<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 12-31-15 are included below.	\$ 132,534,384
Money market accounts (at BMO)	0.1	\$ 3,203,177
Mutual Funds (at BMO)	3.7	\$ 7,178,047

SWIB information provided within the accompanying financial statement is as of December 31, 2015. There has been no significant change in SWIB's Investment strategies, asset allocations and Investment pricing methods from December 31, 2015 to June 30, 2016. Based on the SWIB information, the District feels the information presented for SWIB Investments as of December 31, 2015 is a fair representation for June 30, 2016.

The following schedule displays the duration or weighted average maturity of the investments by type of investment at SWIB as of December 31, 2015.

<u>SWIB Investments</u>	<u>Duration (Years)</u>	<u>Fair Value</u>
Asset Backed Securities	1.8	\$ 47 Million
Commercial Paper	<1	\$ 323 Million
Corporate Bonds and Private Placements	5.7	\$ 4,788 Million
Foreign Gov't/Agency Bonds		\$ 3,524 Million
Municipal Bonds	9.7	\$ 119 Million
Repurchase Agreements	1 day	\$ 805 Million
US Government Agencies	3.8	\$ 284 Million
U.S. TIPS	7.7	\$ 6,704 Million
U.S. Treasury Securities	5.0	\$ 4,154 Million
Commingled Funds	0.2 to 6.3	\$ 8,489 Million

Note: On June 30, 2016, SWIB's Core Fund and Variable Fund had \$87.6 billion and \$6.7 billion in assets, respectively. As of June 30, 2016, the Plan's assets were invested 83% in the SWIB Core Fund, 11% in the SWIB Variable Fund, and 6% in portfolios managed by BMO. For SWIB, the duration of each U.S. Fixed Income portfolio shall remain within 15% of the assigned benchmark's duration. For the bond portfolio for the payment of benefits and expenses, the duration will be within a range of 50% to 150% of the duration of the benchmark index.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### 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, 2015 and in the separate accounts managed by BMO on June 30, 2016. For SWIB, the schedule displays the lowest credit rating assigned by several nationally recognized statistical rating organizations.

<u>Ratings*</u>	<u>SWIB</u> <u>12/31/2015</u>	<u>BMO</u> <u>6/30/2016</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	2%	31%
AA/Aa	41%	N/A
A	8%	N/A
BBB/Baa	9%	N/A
BB/Ba	2%	N/A
B	2%	N/A
CCC/Caa	1%	N/A
CC/Ca	N/A	N/A
C	N/A	N/A
D	N/A	N/A
Commingled Funds & Mutual Funds***	29%	69%
Not-Rated	5%	0%

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

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

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

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

## MILWAUKEE PUBLIC SCHOOLS

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

#### **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 \$431.3 million on December 31, 2015. In addition, SWIB held certificate of deposit which were covered by depository insurance with a fair value of \$39.2 million on December 31, 2015 all of which were uncollateralized and uninsured. In total, these deposits represented 0.50% of the combined assets of the SWIB Core and Variable Funds on December 31, 2015.

*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 9 agreements totaling \$804.9 million as of December 31, 2015. 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 0.9% of the combined assets of the SWIB Core and Variable Funds on December 31, 2015.

#### **D. Concentration of Credit Risk**

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

#### **E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of December 31, 2015, \$22.6 billion of the SWIB Core and Variable Funds' \$86.8 billion in currency exposure was denominated in foreign currency. For the BMO managed portfolios, there was no foreign currency exposure.

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### **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, 2016, the Plan's interest in the plan net position of the Core Trust was approximately 0.134% and the Plan's interest in the plan net position of the Variable Trust was approximately 0.225%. The SWIB Funds are exposed to credit risk in the event of non-performance by counterparties to financial instruments. Exposure to market risk, the risk that future changes in market conditions may make an instrument less valuable, is managed in accordance with risk limits through buying or selling instruments or entering into offsetting positions.

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

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

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

## MILWAUKEE PUBLIC SCHOOLS

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

The following table summarizes the aggregate notional or contractual amounts for SWIB's derivative financial instruments at December 31, 2015 (in thousands):

	<u>12/31/2015</u>
Future contracts	\$ 10,893,341
Foreign exchange forward and spot contracts – sold	2,264,028
Foreign exchange forward and spot contracts – purchased	(2,260,754)
OTC Derivative Investment subject to Counterparty Credit Risk-Receivable (Fair Value)	2,773,146
OTC Derivative Investments subject to Counterparty Credit Risk-Payable (Fair Value)	(2,760,197)
Options – puts	(338,835)
Options - calls	(42,911)

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes to the methodologies during the year ended June 30, 2016.

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.



**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

<u>Investment Type</u>	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ -	\$ 3,203,177	\$ -	\$ 3,203,177
Mutual Funds:				
Short-Term Investment				
Grade Bond Funds	1,878,718	-	-	1,878,718
Intermediate-Term				
Investment Grade Bond Fund	5,299,329	-	-	5,299,329
	<u>\$ 7,178,047</u>	<u>3,203,177</u>	<u>-</u>	<u>\$ 10,381,224</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 fund with a duration greater than three years.

**(3) Receivables**

Receivables as of June 30, 2016 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	\$ 7,646,055	2,405,927	—	—	10,051,982
Intergovernmental-federal	37,701,510	—	7,326,315	3,591,198	48,619,023
Intergovernmental-state	29,737,111	—	—	—	29,737,111
Intergovernmental-other	—	—	—	—	—
Gross receivables	<u>75,084,676</u>	<u>2,405,927</u>	<u>7,326,315</u>	<u>3,591,198</u>	<u>88,408,116</u>
Less allowance for uncollectibles	<u>(894,150)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(894,150)</u>
Total receivables, net	<u>\$ 74,190,526</u>	<u>2,405,927</u>	<u>7,326,315</u>	<u>3,591,198</u>	<u>87,513,966</u>

The District expects to collect all receivables within one year except for \$923,445.

Accounts Receivable includes \$2.4 million from a Land Contract property sale. On February 1, 2013, the City of Milwaukee (for the benefit of MPS) entered into a Land Contract to sell the property located at 4601 N. 84<sup>th</sup> Street to Hmong American Peace Academy, Ltd. (HAPA), an MPS-Non-Instrumentality Charter School.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

Remaining payments due as of June 30, 2016 are as follows:

Fiscal years:		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	112,983	70,633	183,616
2018		116,420	67,196	183,616
2019		119,961	63,655	183,616
2020		123,610	60,006	183,616
2021		127,369	56,247	183,616
2022 - 2026		697,369	220,712	918,081
2027 - 2031		810,076	108,005	918,081
2032 - 2033		<u>298,139</u>	<u>7,888</u>	<u>306,027</u>
Totals	\$	<u>2,405,927</u>	<u>654,342</u>	<u>3,060,269</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, 2016 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>Fund</u>		
		<u>Total</u>		
Due to other funds:				
General Fund	\$	—	1,076,535	—
Nutrition fund		—	485,891	—
Nonmajor funds		—	3,548,704	—
Total	\$	—	<u>5,111,130</u>	—

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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, 2016 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	\$25,245,686	To fund current year debt service

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,105,876	—	—	31,105,876
Construction in progress	<u>14,292,671</u>	<u>34,077,589</u>	<u>15,218,068</u>	<u>33,152,192</u>
Total capital assets, not being depreciated	<u>45,398,547</u>	<u>34,077,589</u>	<u>15,218,068</u>	<u>64,258,068</u>
Capital assets, being depreciated:				
Buildings	1,050,173,559	15,218,068	—	1,065,391,627
Leasehold improvements	12,219,204	—	—	12,219,204
Furniture and equipment	<u>51,893,382</u>	<u>1,144,083</u>	<u>694,877</u>	<u>52,342,588</u>
Total capital assets, being depreciated	<u>1,114,286,145</u>	<u>16,362,151</u>	<u>694,877</u>	<u>1,129,953,419</u>
Less accumulated depreciation for:				
Buildings	(486,579,826)	(21,282,240)	—	(507,862,066)
Leasehold improvements	(4,816,952)	(540,942)	—	(5,357,894)
Furniture and equipment	<u>(47,764,082)</u>	<u>(1,435,226)</u>	<u>(683,181)</u>	<u>(48,516,127)</u>
Total accumulated depreciation	<u>(539,160,860)</u>	<u>(23,258,408)</u>	<u>(683,181)</u>	<u>(561,736,087)</u>
Total capital assets, being depreciated	<u>575,125,285</u>	<u>(6,896,257)</u>	<u>11,696</u>	<u>568,217,332</u>
Capital assets, net	<u>\$ 620,523,832</u>	<u>27,181,332</u>	<u>15,229,764</u>	<u>632,475,400</u>

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

Depreciation expense for governmental activities for the year ended June 30, 2016 was charged to functions/programs as follows:

Governmental activities:		
Instruction	\$	13,769,847
Community services		539,419
Pupil and staff services		2,504,655
General, administration and central services		2,192,687
Business services		3,281,715
School nutrition		<u>970,085</u>
Total depreciation	\$	<u><u>23,258,408</u></u>

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

**(5A) Intangible Assets**

Intangible assets activity for the year ended June 30, 2016 was as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Intangible assets, not being amortized:				
Work in progress	\$ <u>1,039,601</u>	<u>3,594,729</u>	<u>3,017,021</u>	<u>1,617,309</u>
Total intangible assets, not being amortized	<u>1,039,601</u>	<u>3,594,729</u>	<u>3,017,021</u>	<u>1,617,309</u>
Intangible assets, being amortized:				
Software	\$ <u>56,435,276</u>	<u>3,017,021</u>	<u>—</u>	<u>59,452,297</u>
Total intangible assets, being amortized	<u>56,435,276</u>	<u>3,017,021</u>	<u>—</u>	<u>59,452,297</u>
Less accumulated amortization for:				
Software	<u>(41,321,825)</u>	<u>(3,935,969)</u>	<u>—</u>	<u>(45,257,794)</u>
Total accumulated amortized	<u>(41,321,825)</u>	<u>(3,935,969)</u>	<u>—</u>	<u>(45,257,794)</u>
Total intangible assets being amortized	<u>15,113,451</u>	<u>(918,948)</u>	<u>—</u>	<u>14,194,503</u>
Intangible assets, net	<u>\$ <u>16,153,052</u></u>	<u><u>2,675,781</u></u>	<u><u>3,017,021</u></u>	<u><u>15,811,812</u></u>

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

Amortization expense for governmental activities for the year ended June 30, 2016 was charged to functions/programs as follows:

Governmental activities:		
Instruction	\$	2,330,241
Community services		91,285
Pupil and staff services		423,857
General, administration and central services		371,064
Business services		555,357
School nutrition		<u>164,165</u>
Total amortization	\$	<u><u>3,935,969</u></u>

### (6) Short-term Borrowings

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

### (7) Long-term Obligations

The City school bonds, notes and capital lease obligations outstanding at June 30, 2016 totaled \$376,470,900. Of this total, \$17,128,786 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 \$359,342,114 represents bonds and promissory notes, the debt service of which is being reimbursed by the District to the City from the District's property tax levy. Since the District does have an obligation to repay this debt under intergovernmental cooperation agreements with the City, this debt is reflected in the District's long-term obligations. Additionally, for the year ended June 30, 2016, the District deposited \$4,836,538 of principal payments into a Bond Sinking Fund to make Qualified School Construction Bond principal payments at maturity. Sinking fund principal payments on deposit as of June 30, 2016 total \$11,561,538.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

Long-term obligations of the District are as follows:

	<u>Original amount</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Life to Date Sinking Fund Contribution</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee:							
American with Disabilities Act loans:							
2002A Refund (Trust Loans & C5, O, R & T)	\$ 5,395,000	545,804	—	339,550	206,254	—	206,254
4.0 – 5.0%, due in annual installments to September 2015	4,582,676	149,625	—	149,625	—	—	—
2.5 – 3.0%, due in annual installments to February 2019	2,700,000	1,080,000	—	270,000	810,000	—	270,000
5.0%, due in installments to February 2024	1,350,000	1,350,000	—	—	1,350,000	—	—
5.25%, due August 15th, 2014 to February 2019	443,810	355,906	—	110,952	244,954	—	110,954
General Obligation Bonds:							
5.0%, due in installments to May 2021	4,095,000	3,580,000	—	535,000	3,045,000	—	555,000
Plus: Premium on issuance	787,801	525,202	—	87,533	437,669	—	—
4.0%, due in installments to March 2025	3,175,000	3,175,000	—	—	3,175,000	—	—
Plus: Premium on Issuance	387,059	341,734	—	45,325	296,409	—	—
2.0 -4.0%, due in installments to to March 2020	3,732,791	3,732,791	—	766,711	2,966,080	—	820,648
Qualified School Construction Bonds:							
1.18%, due in December 2025	12,000,000	12,000,000	—	—	12,000,000	2,750,000	925,000
Less: Discount on issuance	(450,000)	(281,250)	—	(28,125)	(253,125)	—	—
5.25%, due August 15th, 2014 to February 2027	37,300,000	37,300,000	—	—	37,300,000	7,350,000	2,450,000
Neighborhood Schools Initiative Bonds (NSI), 3.5% – 4.875%, due in annual installments to August 2023	143,905,000	71,265,000	—	5,550,000	65,715,000	—	6,010,000
Plus: Premium on issuance	1,357,121	80,939	—	31,231	49,708	—	—
Less: Discount on 2007A issuance	(338,503)	(146,131)	—	(21,360)	(124,771)	—	—
Plus: Premium on 2013A issuance	—	4,971,591	—	552,767	4,418,824	—	—
QZAB—Qualified Zone Academy Bonds, 0%, due in annual installments to August 2019	19,318,100	1,418,388	—	505,293	913,095	—	310,665
Pension debt refinancing:							
Capital appreciation note, due in annual installments beginning April 1, 2005 through April 1, 2023	46,715,000	32,535,000	—	2,510,000	30,025,000	—	3,570,000
Less: Discount	(25,232,986)	(7,993,788)	—	(1,510,049)	(6,483,739)	—	—
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)	(78,210,090)	—	(2,085,846)	(76,124,244)	—	—
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 QSCB2015	38,000,000	38,000,000	—	—	38,000,000	1,461,538	1,461,538
Total intergovernmental cooperation agreement debt		\$ 367,150,721	—	7,808,607	359,342,114	11,561,538	16,690,059



**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2016</u>	<u>Life to Date Sinking Fund Contribution</u>	<u>Amount due in one year</u>
Intergovernmental cooperation agreements with the City of Milwaukee (from previous page)	\$ 367,150,721	—	7,808,607	359,342,114	11,561,538	16,690,059
Accrued compensated absences	8,819,410	7,034,343	7,144,402	8,709,351	—	7,000,000
Accrued OPEB Obligation	506,962,986	62,287,640	53,072,439	516,178,187	—	—
Net Pension Liability	106,238,727	156,612,144	67,124,130	195,726,741	—	—
Workers' compensation claims	7,455,925	5,065,210	7,854,228	4,666,907	—	4,600,000
General insurance claims	383,880	247,766	305,974	325,672	—	4,500
Life insurance benefits	2,166,983	—	207,524	1,959,459	—	399,643
Liability for other long-term benefits	285,051	—	—	285,051	—	—
<b>Total long-term obligations</b>	<b>\$ 999,463,683</b>	<b>231,247,103</b>	<b>143,517,304</b>	<b>1,087,193,482</b>	<b>11,561,538</b>	<b>28,694,202</b>

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

The District has recognized workers' compensation claims liability in the governmental funds of approximately \$3,985,628 as of June 30, 2016. Accordingly, the total liability for workers' compensation claims was approximately \$8.7 million.

Aggregate scheduled debt service requirements for the retirement of the intergovernmental cooperation agreement debt (excluding capital lease obligations) as of June 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30:			
2017	\$ 15,228,521	12,722,142	27,950,663
2018	14,956,579	12,364,332	27,320,911
2019	16,540,099	11,949,349	28,489,448
2020	17,405,445	11,502,439	28,907,884
2021	16,962,520	11,056,238	28,018,758
2022 – 2026	82,467,222	48,255,089	130,722,311
2027 – 2031	54,230,001	29,582,825	83,812,826
2032 – 2036	71,390,000	18,858,950	90,248,950
2037 – 2041	81,320,001	10,123,713	91,443,714
2042 – 2044	18,525,000	1,729,283	20,254,283
<b>Total</b>	<b>\$ 389,025,388</b>	<b>168,144,360</b>	<b>557,169,748</b>

Interest on the \$130,850,000 variable rate pension debt (index-linked bonds), included in the schedule of future payments above, is based upon the one-month LIBOR rate (the London Interbank Offered Rate) plus 25 basis points (.25%) and is adjusted monthly. The LIBOR interest rate was 0.46505% as of June 30, 2016.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

The District leases, land and buildings with a historical cost and accumulated depreciation of \$4,656,365 and \$177,792, respectively. The District is also holding approximately \$18 million of restricted cash and investments under capital lease arrangements.

Future maximum lease payments under these capital leases at June 30, 2016 are as follows:

Fiscal year ended June 30:

2017	\$	3,423,478
2018		3,423,478
2019		3,423,478
2020		3,423,478
2021		3,423,478
2022 – 2026		17,117,392
2027 – 2031		17,117,393
2032 – 2034		17,117,393
2035 – 2041		17,117,393
Total remaining maximum lease payments		<u>85,586,961</u>
Less amount representing interest		<u>49,048,500</u>
Present value of maximum lease payments	\$	<u>36,538,461</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 2016 was \$25,980,469,600 and the 5% debt limit was \$1,299,023,480. No referendum-approved debt is outstanding at June 30, 2016.

The District has pledged future Intradistrict Aid revenues to repay \$109,545,000 million in Neighborhood School Initiative Bonds due between the fiscal years ending June 30, 2004 and June 30, 2024. The bonds are payable solely from pledged revenues and are payable through August 1, 2023. Annual principal and interest payments on the bonds are expected to require 33.6% of net revenues at the point of the highest debt service payment, due August 1, 2023. The total principal and interest remaining to be paid on the bonds as of June 30, 2016 is \$78,190,953. Principal and interest paid for the year ended June 30, 2016 was \$8,554,385 while the Intradistrict Aid revenues were \$29,913,303.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

Revenue debt payable at June 30, 2016 consists of the following:

Neighborhood Schools Initiative Bonds			
Amounts Outstanding			
	Principal	Interest	Total
Fiscal year ended:			
2017	\$ 6,010,000	2,773,185	8,783,185
2018	6,530,000	2,489,735	9,019,735
2019	7,120,000	2,148,485	9,268,485
2020	7,740,000	1,776,985	9,516,985
2021	8,390,000	1,404,153	9,794,153
2022	9,030,000	1,030,310	10,060,310
2023	10,015,000	635,500	10,650,500
2024	10,880,000	217,600	11,097,600
	<u>\$ 65,715,000</u>	<u>12,475,953</u>	<u>78,190,953</u>

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

***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, 2016 and the changes in fair value of such derivative instruments for the year then ended as reported in the 2016 financial statements are as follows (amounts in thousands; gains shown as positive amounts, losses as negative):

	2016 Change in Fair Value		Fair Value, End of 2016		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<b>Governmental activities</b>					
Interest Rate Derivatives:					
Pay-fixed interest rate swaps	Deferred outflow	(\$24,153)	Derivative	(\$73,891)	\$130,850

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### *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, 2016, 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.	(\$11,995)	A/A2/A+
B	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$49,595	09/23/2011	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$27,988)	AA- /Aa2/AA
C	Pay fixed, receive variable interest rate swap	Hedge of changes in cashflow on the Series 2003 D bonds	\$60,000	12/23/2003	10/1/2043	Receive LIBOR + 20 basis points, pay LIBOR + 25 basis points.	(\$33,908)	BBB+/A3/A
Total Fair Value							(\$73,891)	

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

### *Risks of Derivative Instruments*

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

As of June 30, 2016 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, 2016 the swap's currently have a cumulative negative fair value of \$73.89 million.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

*Swap payments and associated debt* – Using rates as June 30, 2016, debt service requirements of the variable-rate index-linked bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (as rates vary, variable rate interest payments and net swap payments will vary):

	Variable-rate bonds		Interest	Total
	Principal	Interest	rate swaps, net	
Fiscal year ended June 30:				
2017	—	608,518	6,732,167	7,340,685
2018	—	608,518	6,732,167	7,340,685
2019	—	608,518	6,732,167	7,340,685
2020	—	608,518	6,732,167	7,340,685
2021	—	608,518	6,732,167	7,340,685
2022 – 2026	18,825,000	2,940,453	32,530,876	54,296,329
2027 – 2031	31,250,000	2,289,984	25,334,591	58,874,575
2032 – 2036	31,250,000	1,563,343	17,295,607	50,108,950
2037 – 2041	31,000,000	839,221	9,284,491	41,123,712
2042 – 2044	18,525,000	143,352	1,585,931	20,254,283
Totals	\$ 130,850,000	10,818,943	119,692,331	261,361,274

**(8) Fund Balance**

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

The formula established by this action, and the application thereof as of June 30, 2016, is as follows:

General fund unassigned fund balance	\$ 40,566,631
Amount required to fund six months of the school operation's property tax levy:	
Subsequent year’s school operations school levy (\$260,069,165)	
multiplied by a ratio of subsequent year’s tax days from	
July 1 to December 31 (76) to total calendar	
school year days (180)	<u>109,806,981</u>
General fund unassigned fund balance deficiency	\$ <u><u>(69,240,350)</u></u>

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### **(9) Risk Management**

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

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

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

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

Effective January 1, 2015 The District approved providing post-Medicare benefits to eligible retirees through a fully-insured Medicare Advantage plan. This fully-insured Medicare Advantage plan provides comparable benefits to the current self-insured PPO and EPO plans, however 2016 premium rates are 67% lower than the monthly premium for the EPO and 65% less expensive than the monthly premium for the PPO.

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



**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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:

	<b>Year ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Beginning of year liability	\$ 27,421,514	34,035,943
Current year claims and changes in estimate	149,298,712	159,439,692
Claim payments	(146,751,145)	(166,054,121)
End of year liability	<u>\$ 29,969,081</u>	<u>27,421,514</u>

The District has recognized the liability for health and dental benefits, which totaled \$18,746,365 and \$15,948,420 as of June 30, 2016 and 2015, respectively, in the general fund. The District has also recognized a liability of \$3,985,628 and \$1,181,255 as of June 30, 2016 and 2015, respectively, in the general fund for workers' compensation claims that were due as of the respective year-end. Accrued claims also include \$16,528 of other insurance related liabilities. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements.

**(10) Retirement Plans**

**Wisconsin Retirement System**

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

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.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

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Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

During the reporting period, the WRS recognized \$26,030,474 in contributions from the district.

Contribution rates as of June 30, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

At June 30, 2016, the district reported a liability of \$43,792,878 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actual valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions of benefit terms occurred between the actuarial valuation date and the measurement date. The district's proportion of the net pension asset was based on the district's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the district's proportion was 2.69497853% which was a decrease of .03779237% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the district recognized pension expense of \$53,745,612.

At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,512,404	\$ 92,161,365
Changes in assumptions	30,639,404	-
Net differences between projected and actual earnings on pension plan investments	179,637,871	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,813,128	-
Employer contributions subsequent to the measurement date	13,376,990	-
Total	<u>\$ 232,979,797</u>	<u>\$ 92,161,365</u>

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

\$13,376,990 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 57,098,097	\$ 22,303,220
2018	57,098,097	22,303,220
2019	57,098,097	22,303,220
2020	47,320,708	22,303,220
2021	987,808	2,948,485
Thereafter	-	-

*Actuarial assumptions.* The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Valuation Date	December 31, 2014
Measurement Date of Net Pension Liability(Asset)	December 31, 2015
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 2012 using experience from 2009-2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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

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Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
US Equities	27 %	23 %	7.6 %	4.7 %
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
US Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5

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

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

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

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

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For the Year Ended June 30, 2016

	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)	\$ 307,164,084	\$ 43,792,878	\$ (161,904,729)

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

**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, 2015, 2014, and 2013, were \$7,645,538, \$5,676,000, and \$5,716,000, respectively, equal to the required contributions on behalf of the plan members for each year.

At June 30, 2016, the district reported a liability of \$53,735,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015 the district's proportion was 12.7772411% which was an increase of 0.420653% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the district recognized pension expense of \$7,098,984.

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Notes to Basic Financial Statements

For the Year Ended June 30, 2016

At June 30, 2016, 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	\$ -	\$ 2,924,000
Changes in assumptions	-	507,000
Net differences between projected and actual earnings on pension plan investments	61,283,250	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	534,000	588,000
Employer contributions subsequent to the measurement date	4,876,599	-
Total	<u>\$ 66,693,849</u>	<u>\$ 4,019,000</u>

\$4,876,599 reported as deferred outflows related to pension resulting from the System employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 16,474,375	\$ 1,255,938
2018	16,474,375	1,255,938
2019	16,474,375	1,255,938
2020	12,394,125	251,186
2021	-	-
Thereafter	-	-

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

*Actuarial assumptions.* The last actuarial valuation was performed as of January 1, 2015, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2015, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

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Actuarial valuation date	December 31, 2014
Measurement Date of Net Pension Liability	December 31, 2015
Actuarial cost method	Entry age normal-Level Percentage of Pay
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The differences between projected and actual earnings are amortized over a closed period of five years.
Asset Valuation Method	Fair Market value
Actuarial Assumptions:	
Investment rate of return and discount rate	8.25% for calendar years through 2017, and 8.50% beginning with calendar year 2018
Projected Salary increases	General City 3.0%-7.5% Police & Fire 3.0% - 14.4%
Inflation Assumption	3.00%
Cost of living Adjustments	Vary by Employee Group as explained in summary of plan provisions
Mortality Table	For regular retirees and for survivors, the RP-2000 Combined Mortality Table projected nine years using Scale AA. Future generational rates are projected from 2009 based on Scale AA. For duty and ordinary disability retirees, use the RP-2000 Disability Mortality Table. For death in active service, the rates are similar to those used for regular retirees and survivors with a 6-year setback.
Experience Study	The actuarial assumptions used in December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2007-December 31, 2011.



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Notes to Basic Financial Statements

For the Year Ended June 30, 2016

*Long-term expected rate of return*-the long-term expected rate of return on pension plan investments was determined using Callan Associates' 10 year geometric capital market projections. Projected long term rates of return for each major asset class in the Retirement System's target asset allocation as of December 31, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Policy</u>	<u>Actual</u>	<u>Long-term Expected Rate of Return</u>
Domestic Equity	25.00%	28.70%	9.22%
International Equity	20.00%	21.40%	7.14%
Global Equity	10.00%	7.03%	8.00%
Fixed Income	24.00%	24.14%	1.41%
Cash	1.00%	0.84%	0.87%
Real Estate	7.00%	8.38%	6.91%
Real Assets	3.00%	0.00%	5.45%
Private Equity	5.00%	3.84%	12.40%
Absolute Return	5.00%	5.67%	4.68%
	<u>100.00%</u>	<u>100.00%</u>	

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

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

	<u>1% Decrease (7.50%)</u>	<u>Current Discount (8.50%)</u>	<u>1% Increase (9.50%)</u>
District proportionate share of the net pension liability (asset)	\$126,306,000	53,735,000	(7,454,000)

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

# MILWAUKEE PUBLIC SCHOOLS

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

## 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.

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

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

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

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

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

## MILWAUKEE PUBLIC SCHOOLS

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

- 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 post-retirement increases.

The District maintains a separate “member contribution account” for each participant. Annually, as of June 30, the portion of investment income of the fund attributable to the participants’ contribution is credited to the respective member contribution accounts. If a participant leaves covered employment or dies, accumulated employee contributions, plus related investment earnings, are refunded to the employee or designated beneficiary based on

## MILWAUKEE PUBLIC SCHOOLS

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

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

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

The plan is a 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.

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 55<sup>th</sup> birthday.

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

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

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

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Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

At June 30, 2016, the district reported a net pension liability of \$91,636,673 for the Plans. The net pension liability was measured as of June 30, 2016.

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

For the year ended June 30, 2016, the district recognized pension expense of \$2,059,619.

At June 30, 2016, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Changes in assumptions	-
Net differences between projected and actual earnings on pension plan investments	4,457,329
Total	<u>\$ 4,457,329</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>	Deferred Outflows of Resources
2017	\$ 1,266,903
2018	1,266,903
2019	1,266,904
2020	656,619
2021	-
Thereafter	-

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Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

For the year ended June 30, 2016, the district recognized pension expense of \$3,921,518.

At June 30, 2016, 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	\$ -	\$ 2,942,914
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	13,633,718	-
Total	<u>\$ 13,633,718</u>	<u>\$ 2,942,914</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>	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 3,864,061	\$ 1,446,808
2018	3,864,061	1,227,349
2019	3,864,061	268,757
2020	2,041,535	-
2021	-	-
Thereafter	-	-

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Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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, 2015 and data rolled forward to June 30, 2016, above using the following actuarial methods and assumptions:

	<b>Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>
Actuarial valuation date	July 1, 2015	July 1, 2015
Measurement date of Net Pension Liability	June 30, 2016	June 30, 2016
Actuarial cost method	Entry Age Normal	Entry age normal
Asset Valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return and discount rate	7.5%	7.5%
Inflation	2.8%	0.0%
Salary increases	Certificated participants: In addition to price inflation, service based increases of up to 3.7% per year. Classified Participants :4.0% to 5.0% per year.	No longer needed as Plan was frozen effective July 1, 2013. Therefore salary increases after this date will not be considered pensionable under the Plan.
Mortality rate	Wisconsin Projected Experience Table-2005 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.

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

### 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, 2015 are as follows:

### **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>
Domestic Equity	23.00%	4.70%
International Equity	22.00%	5.60%
Fixed Income	37.00%	1.60%
Inflation Sensitive Assets	20.00%	1.40%
Real Estate	7.00%	3.60%
Private Equity/Debt	7.00%	6.50%
Multi-Asset	4.00%	3.80%
Cash	(20.00)%	0.90%
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%	4.70%
International Equity	30.00%	5.60%
Portfolio Target Allocation	14.00%	
BMO Fund		
Intermediate Fixed Income		1.00%
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, 2016

**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>
Domestic Equity	23.00%	4.70%
International Equity	22.00%	5.60%
Fixed Income	37.00%	1.60%
Inflation Sensitive Assets	20.00%	1.40%
Real Estate	7.00%	3.60%
Private Equity/Debt	7.00%	6.50%
Multi-Asset	4.00%	3.80%
Cash	(20.00)%	0.90%

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%	4.70%
International Equity	30.00%	5.60%
Portfolio Target Allocation	10.00%	

**BMO Fund**

Intermediate Fixed Income		1.00%
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, 2016

*Sensitivity of Net Pension Liability to the Single Discount Rate Assumption*

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

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

	1% Decrease 6.5%	Current Discount 7.5%	1% Increase 8.5%
Net Pension Liability	<u>\$11,014,676</u>	<u>\$6,562,190</u>	<u>\$2,698,254</u>

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

	1% Decrease 6.5%	Current Discount 7.5%	1% Increase 8.5%
Net Pension Liability	<u>\$114,508,963</u>	<u>\$91,636,673</u>	<u>\$72,187,664</u>

**(11) Post-Employment Life and Healthcare Insurance Benefits**

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

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

Effective July 1, 2010 the District established an IRC Section 115 trust for the purpose of holding assets and funding for the District's postemployment health and life insurance benefits. The trust is reported as a fiduciary fund in the District's financial statement. For fiscal year ending June 30, 2016, the District contributed \$53,072,438 (including pre-funding contributions) to the Retiree Plan. For fiscal year ending June 30, 2016, total member contributions to the Retiree Plan were \$2,654,446.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

Annual required contribution	\$ 87,848,228
Interest on Net OPEB Obligation	23,066,818
Adjustment to annual required contribution	(48,627,406)
	<hr/>
Annual OPEB cost	62,287,640
MPS Contributions made	(53,072,439)
	<hr/>
Decrease in Net OPEB Liability	9,215,201
Net OPEB obligation, beginning of year	506,962,986
	<hr/>
Net OPEB obligation, end of year	<u><u>\$516,178,187</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2016 and the two preceding years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$ 62,287,640	85.2%	\$516,178,187
6/30/15	75,250,634	131.5%	506,962,986
6/30/14	93,541,008	109.1%	530,646,634

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

Actuarial accrued liability (AAL)	\$ 997,489,628
Actuarial value of plan assets	<u>128,837,270</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 868,652,358</u></u>
Funded ratio (actuarial value of plan assets/AAL)	12.9%
Covered payroll (active plan members)	\$ 376,737,589
UAAL as a percentage of covered payroll	230.6 %

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the

# MILWAUKEE PUBLIC SCHOOLS

## Notes to Basic Financial Statements

For the Year Ended June 30, 2016

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

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

The District's OPEB financial disclosure information for fiscal year ending, June 30, 2016 was based on the assumptions and methods in the October 21, 2016 actuarial valuation. The District made significant changes to the retiree healthcare plan provisions and eligibility conditions effective during 2012 and 2013 which reduced both the annual OPEB cost and growth of actuarial liabilities. The impact of these changes and the anticipated accelerated retirements during fiscal years 2012 and 2013 due to these changes were measured in the valuation as of July 1, 2011. The entry age normal actuarial cost method was used. The District established an IRC Section 115 trust to contribute 105 percent of actual retiree healthcare claims to the trust beginning July 1, 2010. The actuarial assumptions include a 4.55 percent investment rate of return that reflects the District's prefunding policy and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 7 years. Both rates include a 3 percent inflation assumption. The Retiree Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. In accordance with the GASB No. 45 standard, the unfunded actuarial liability is amortized over a 25 year period with an open amortization method. Financial statements of the Other Post Employment Benefits Trust are included on pages 102 and 103.

### **(12) Limitation on District Revenues**

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

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

For the fiscal year ended June 30, 2016, the District was under its revenue limitation by \$6,219.

**MILWAUKEE PUBLIC SCHOOLS**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

**(13) Excess Expenditures Over Appropriations**

The following funds and departments had an excess of actual expenditures over appropriations for the year ended June 30, 2016:

Fund	Excess Expenditures
General Fund:	
Middle Schools	\$ 4,510
Multilevel Schools	272,481
Supplemental School Support	338,707
Art, Music, Physical Education, Library	2,157,183
School Nurses	237,886
Substitute Teachers	6,050,378
School Office Staff, Support and School Safety	2,325,238
Central Guidance	862,368
Interscholastic Athletics & Academics	10,230
Itinerant Allied Health Services	582,499
Summer School	154,020
District Insurance & Judgements	1,191,058
Transportation Operations	1,437,973
Insurance and Utilities	31,525
CAMP	4,745,210
Debt Service Fund	12,844,472

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, 2016 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, 2016

### (b) *Contractual Commitments*

The District has \$47.7 million of encumbrances outstanding as of June 30, 2016 of which \$38.2 million are contractual commitments. The encumbrances and contract commitments by major and non-major funds are as follows:

	Encumbrance totals of 6/30/16	Contract Commitments at 6/30/16
Major Funds		
General Fund	\$ 36,452,326	\$ 27,439,360
Construction Fund	10,694,061	10,573,887
Nutrition Fund	474,115	189,733
Total Major Funds	\$ 47,620,502	\$ 38,202,980
Non-Major Funds	69,473	35,352
Total Encumbrances and Contract Commitments	\$ 47,689,975	\$ 38,238,332

### (c) *Litigation*

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

### (d) *FCC Channels*

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

### (15) **Subsequent Events**

To finance on an interim basis MPS' general operating expenses pending receipt of state school aid payments, the City of Milwaukee issued \$45,000,000 of commercial paper on September 29, 2016, maturing October 25, 2016. \$180,000,000 of Revenue Anticipation Notes (RANs), Series 2016 M8, was issued on October 20, 2016. The RANs mature on October 1, 2017. Interest is payable on April 1, 2017 and at maturity.



## MILWAUKEE PUBLIC SCHOOLS

### Notes to Basic Financial Statements

For the Year Ended June 30, 2016

On December 1, 2016, \$26,455,000 in Redevelopment Authority of the City of Milwaukee (RACM) Lease Revenue Bond proceeds with a premium of \$2,292,963 was received. \$27,277,963 will be used in fund Energy-Efficiency projects at three District schools and \$1,470,000 in Qualified Zone Academy Bonds (QZAB) will be used to fund Culinary Academies at four District schools and Art Academies at four District schools.

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

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

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

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

Statement No. 77, Tax Abatement Disclosures

Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

Statement No. 80, Certain External Investment Pools and Pool Participants

Statement No. 81, Irrevocable Split-Interest Agreements

Statement No. 82, Pension Issues - an amendment of GASB Statements 67, 68, 73

Statement No. 83, Certain Asset Retirement Obligations

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, 2016

	Budgeted amounts		Actual (GAAP basis)	Variance with Revised Budget
	Adopted	Revised		
<b>REVENUES:</b>				
Property Tax Levy	\$ 288,037,815	\$ 285,825,045	\$ 285,825,045	\$ -
Equalization & Integration Aids	550,329,868	552,750,297	552,785,243	34,946
Other State Aids	62,334,835	72,005,730	71,956,333	(49,397)
Federal Aids	14,371,039	12,554,768	16,196,591	3,641,823
Other Local Revenues	12,126,545	22,804,205	26,352,965	3,548,760
Applied Surplus	2,732,369	2,732,369	-	(2,732,369)
<b>SCHOOL OPERATIONS &amp; EXTENSION</b>	<b>929,932,471</b>	<b>948,672,414</b>	<b>953,116,177</b>	<b>4,443,763</b>
<b>CAMP</b>	<b>-</b>	<b>-</b>	<b>5,135,422</b>	<b>5,135,422</b>
<b>GRANTS</b>	<b>132,238,679</b>	<b>144,535,497</b>	<b>134,110,643</b>	<b>(10,424,854)</b>
<b>Total Revenues</b>	<b>1,062,171,150</b>	<b>1,093,207,911</b>	<b>1,092,362,242</b>	<b>(845,669)</b>
<b>EXPENDITURES:</b>				
<b>PROGRAM ACCOUNTS</b>				
High Schools	60,176,595	59,993,519	58,989,431	1,004,088
Middle Schools	12,209,378	11,501,430	11,505,940	(4,510)
K-8 Schools	105,212,392	100,141,441	100,015,364	126,077
Multilevel Schools	20,162,236	19,180,974	19,453,455	(272,481)
Elementary Schools	61,166,606	57,272,177	56,673,102	599,075
Charter Schools	63,652,679	64,803,137	64,470,804	332,333
Supplemental School Support	2,151,152	4,867,339	5,206,046	(338,707)
Art, Music, Physical Education, Library	19,615,694	18,480,456	20,637,639	(2,157,183)
Grant Transitional	3,162,784	3,304,409	3,290,217	14,192
School Nurses	2,045,013	1,927,498	2,165,384	(237,886)
Substitute Teachers	6,473,373	6,083,344	12,133,722	(6,050,378)
School Office Staff, Support and School Safety	61,919,590	56,678,899	59,004,137	(2,325,238)
Central Guidance	7,802,737	7,313,877	8,176,245	(862,368)
Education Maintenance	2,309,718	4,210,290	4,114,410	95,880
Career and Technical Education	-	191,479	172,538	18,941
Credit Recovery	2,628,914	2,746,175	2,566,829	179,346
Advanced Studies	622,539	989,200	618,826	370,374
Interscholastic Athletics & Academics	4,456,208	4,624,123	4,634,353	(10,230)
Milwaukee County Collaborative	1,074,339	1,053,587	393,562	660,025
MPS Alternative Schools/Programs	9,184,048	8,914,010	8,314,041	599,969
Itinerant Allied Health Services	5,400,003	5,247,990	5,830,489	(582,499)
Special Education Services	171,758,354	161,608,751	159,870,580	1,738,171
Summer School	2,809,160	3,020,422	3,174,442	(154,020)
Partnership/Contracted Programs	12,296,194	13,747,113	9,474,687	4,272,426
School Special and Unallotted	70,963,305	73,319,476	50,770,896	22,548,580
<b>TOTAL - PROGRAM ACCOUNTS</b>	<b>\$ 709,253,011</b>	<b>\$ 691,221,116</b>	<b>\$ 671,657,139</b>	<b>\$ 19,563,977</b>

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, 2016

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Adopted</u>	<u>Revised</u>	<u>(GAAP basis)</u>	<u>with Revised Budget</u>
<b>INDIRECT &amp; SUPPORT SERVICES</b>				
Board/Office of Board Governance	\$ 2,957,532	3,739,700	2,502,170	1,237,530
Office of Accountability and Efficiency	1,246,768	1,412,334	901,640	510,694
Office of Superintendent	809,983	878,270	823,435	54,835
Office of School Administration	9,199,743	9,895,049	7,695,982	2,199,067
Office of Academic	12,591,770	12,386,508	10,872,906	1,513,602
Office of Finance	5,691,951	5,656,333	4,991,630	664,703
Office of Operations	26,743,052	34,237,166	31,360,402	2,876,764
Office of the Chief of Staff	2,968,306	3,135,297	2,510,904	624,393
Office of Human Capital Services	5,355,537	6,529,108	4,985,299	1,543,809
Office of Innovation	15,632,337	16,560,018	13,722,670	2,837,348
<b>TOTAL - INDIRECT &amp; SUPPORT</b>	<u>83,196,979</u>	<u>94,429,783</u>	<u>80,367,038</u>	<u>14,062,745</u>
<b>OTHER ACCOUNTS</b>				
Building Operations Sites, Tenant Costs, Utilities	54,711,662	53,775,157	51,175,309	2,599,848
Debt Service	197,162	-	-	-
District Insurance & Judgements	9,154,555	9,783,303	10,974,361	(1,191,058)
Management Intern Program	492,301	459,566	236,138	223,428
Safe Schools Supplement	-	1,500	-	1,500
Special & Contingent Funds	1,835,000	4,024,380	2,520,015	1,504,365
Transportation Operations	61,715,490	61,715,691	63,153,664	(1,437,973)
Regional Development	-	27,591,024	17,307,852	10,283,172
Technology Licenses & Equipment	10,298,582	17,999,113	17,304,294	694,819
<b>TOTAL - OTHER ACCOUNTS</b>	<u>138,404,752</u>	<u>175,349,734</u>	<u>162,671,633</u>	<u>12,678,101</u>
<b>DIVISION OF RECREATION AND COMMUNITY SERVICES</b>				
Playgrounds & Recreation Centers	10,630,576	11,871,911	9,728,112	2,143,799
Summer School Wrap-around	5,430,818	6,498,223	5,209,241	1,288,982
Educational Programs	945,536	1,323,433	735,187	588,246
Partnership for the Arts/Humanities	1,751,386	2,639,227	1,807,744	831,483
Facilities	2,491,435	2,519,899	1,229,350	1,290,549
Insurance and Utilities	542,073	542,073	573,598	(31,525)
Benefits Clearing Account	6,416	116,416	(507,131)	623,547
<b>TOTAL DIVISION OF RECREATION AND COMMUNITY SERVICES</b>	<u>21,798,240</u>	<u>25,511,182</u>	<u>18,776,101</u>	<u>6,735,081</u>
<b>OFFSET FOR CHARGES TO SCHOOLS AND OTHER ADJUSTMENTS TOTAL - CHARGES</b>				
	<u>(39,765,243)</u>	<u>(9,060,876)</u>	<u>(7,835,803)</u>	<u>(1,225,073)</u>
<b>SCHOOL OPERATIONS &amp; EXT. FUND</b>	<u>912,887,739</u>	<u>977,450,939</u>	<u>925,636,108</u>	<u>51,814,831</u>
<b>CAMP</b>	<u>-</u>	<u>-</u>	<u>4,745,210</u>	<u>(4,745,210)</u>
<b>GRANTS</b>	<u>132,238,679</u>	<u>144,535,497</u>	<u>136,277,540</u>	<u>8,257,957</u>
<b>Total Expenditures</b>	<u>1,045,126,418</u>	<u>1,121,986,436</u>	<u>1,066,658,858</u>	<u>55,327,578</u>
<b>Excess of revenues over (under) expenditures</b>	17,044,732	(28,778,525)	25,703,384	(54,481,909)
Transfer In (Out)	(17,044,732)	(12,401,214)	(25,245,686)	12,844,472
Insurance Proceeds	-	-	173,962	(173,962)
Proceeds from sale of capital assets	-	-	30,649	(30,649)
<b>Change in Fund Balance</b>	\$ <u>-</u>	\$ <u>(41,179,739)</u>	662,309	\$ <u>41,842,048</u>
<b>Fund balance-beginning of year</b>			79,636,834	
<b>Fund balance-end of year</b>			\$ <u>80,299,143</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, 2016

	<u>Budgeted amounts</u>		<u>Actual (GAAP basis)</u>	<u>Variance with Revised Budget</u>
	<u>Adopted</u>	<u>Revised</u>		
Revenues:				
Lunchroom sales	\$ 1,002,986	\$ 1,002,986	\$ 1,164,437	\$ 161,451
Other local sources	—	—	394,365	394,365
State aid:				
School nutrition aid	1,051,827	950,000	957,983	7,983
Federal aid:				
School nutrition aid	46,657,432	46,657,432	49,598,103	2,940,671
Other federal aid	1,521,306	1,345,932	1,292,252	(53,680)
Miscellaneous	—	—	114,350	114,350
Total revenues	<u>50,233,551</u>	<u>49,956,350</u>	<u>53,521,490</u>	<u>3,565,140</u>
Expenditures:				
Current operating:				
School Nutrition Services	49,333,551	50,002,420	48,841,829	1,160,591
Capital Outlay	900,000	1,002,912	341,447	661,465
Total expenditures	<u>50,233,551</u>	<u>51,005,332</u>	<u>49,183,276</u>	<u>1,822,056</u>
Excess of revenues over(under)				
expenditures	—	(1,048,982)	4,338,214	5,387,196
Net change in fund balances	\$ —	<u>(1,048,982)</u>	4,338,214	<u>5,387,196</u>
Fund balance—beginning of year			539,429	
Fund balance—end of year			<u>\$ 4,877,643</u>	

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

MILWAUKEE PUBLIC SCHOOLS

Required Supplementary Information

For the Year Ended June 30, 2016

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

Wisconsin Retirement System

Fiscal Year end date	Proportion of the Net Pension Net Asset/(Liability)	Proportionate Share of the Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
6/30/2016	0.0269497853%	\$ 43,792,878	\$ 382,623,535	11.45%	98.20%
6/30/2015	0.0273277092	(67,124,330)	369,586,810	18.16	102.74

Employees' Retirement System

Fiscal Year end date	Proportion of the Net Pension Net Asset/(Liability)	Proportionate Share of the Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
6/30/2016	12.7771027471%	\$ 53,735,000	n/a	n/a	n/a
6/30/2015	12.3564611222	14,021,000	n/a	n/a	n/a

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

Fiscal Year end date	Proportion of the Net Pension Net Asset/(Liability)	Proportionate Share of the Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
6/30/2016	100%	\$ 6,562,190	\$ 15,674,128	41.87%	294.18%
6/30/2015	100	4,502,572	17,917,354	-25.13	276.23

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Fiscal Year end date	Proportion of the Net Pension Net Asset/(Liability)	Proportionate Share of the Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
6/30/2016	100%	\$ 91,636,673	\$ 250,768,000	36.54%	56.44%
6/30/2015	100	87,715,155	262,224,327	-33.45	56.19

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Wisconsin Retirement System

Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2016	\$ 26,030,471	\$ 26,030,471	-	\$ 382,623,535	6.80%
6/30/2015	25,878,102	25,878,102	-	369,586,810	7.00

Employees' Retirement System

Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2016	\$ 9,574,716	\$ 9,574,716	-	n/a	n/a
6/30/2015	9,719,624	9,719,624	-	n/a	n/a

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

Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2016	\$ 1,618,641	\$ 1,498,910	119,731	\$ 15,674,128	9.56%
6/30/2015	2,346,545	1,710,809	-	17,917,354	9.55

Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers

Fiscal Year end date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2016	\$ 9,897,438	\$ 9,888,196	9,242	\$ 250,768,000	3.94%
6/30/2015	10,329,340	9,540,139	-	262,424,327	3.64

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

**MILWAUKEE PUBLIC SCHOOLS**  
 Required Supplementary Information  
 For the Year Ended June 30, 2016

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

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

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

**Schedule of Employer Contributions**

Postemployment Health Care Plan

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

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

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

# MILWAUKEE PUBLIC SCHOOLS

## Required Supplementary Information

Year ended June 30, 2016

### (1) Budgeting

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

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

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

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

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

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

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

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

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

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



## MILWAUKEE PUBLIC SCHOOLS

### Required Supplementary Information

Year ended June 30, 2016

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

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

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

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

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

#### **(4) Supplemental Retirement Plans**

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

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

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

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

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS  
AND SCHEDULES**

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## 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, 2016

	<b>Assets</b>	<u>Special Revenue</u>		
		<u>Categorically Aided Programs</u>	<u>Debt Service</u>	<u>Total</u>
Receivables due from other governmental units	\$	3,591,198	—	3,591,198
Total assets	\$	<u>3,591,198</u>	<u>—</u>	<u>3,591,198</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$	42,494	—	42,494
Due to other funds		<u>3,548,704</u>	<u>—</u>	<u>3,548,704</u>
Total liabilities		<u>3,591,198</u>	<u>—</u>	<u>3,591,198</u>
Fund balances:				
Restricted		<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances		<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities and fund balances	\$	<u>3,591,198</u>	<u>—</u>	<u>3,591,198</u>

**MILWAUKEE PUBLIC SCHOOLS**

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

For the Year Ended June 30, 2016

	<u>Special Revenue</u> <u>Categorically</u> <u>Aided</u> <u>Programs</u>	<u>Debt</u> <u>Service</u>	<u>Total</u>
Revenues:			
Property taxes	\$ —	4,209,121	4,209,121
Federal aid:			
Other federal aid	17,217,042	—	17,217,042
Total revenues	<u>17,217,042</u>	<u>4,209,121</u>	<u>21,426,163</u>
Expenditures:			
Instructional services—			
special curriculum	4,709,472	—	4,709,472
Pupil and staff services	12,507,570	—	12,507,570
Debt service:			
Principal	—	14,648,669	14,648,669
Interest	—	14,797,376	14,797,376
Bond administrative fees	—	8,762	8,762
Total expenditures	<u>17,217,042</u>	<u>29,454,807</u>	<u>46,671,849</u>
Excess of revenues over (under) expenditures	—	(25,245,686)	(25,245,686)
Other financing sources:			
Transfers In	—	25,245,686	25,245,686
Total other financing sources, net	<u>—</u>	<u>25,245,686</u>	<u>25,245,686</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, 2016

	<b>Budgeted amounts</b>		<b>Actual</b>
	<b>Adopted</b>	<b>Revised</b>	<b>(GAAP basis)</b>
Revenues:			
Federal aid:			
Other federal aid	\$ 21,426,978	21,426,978	17,217,042
Total revenues	<u>21,426,978</u>	<u>21,426,978</u>	<u>17,217,042</u>
Expenditures:			
Current operating:			
Special curriculum	5,861,039	5,861,039	4,709,472
Pupil and staff services	<u>15,565,939</u>	<u>15,565,939</u>	<u>12,507,570</u>
Total expenditures	<u>21,426,978</u>	<u>21,426,978</u>	<u>17,217,042</u>
Net change in fund balance	\$ <u>—</u>	<u>—</u>	<u>—</u>
Fund balance—beginning of year			<u>—</u>
Fund balance—end of year			\$ <u><u>—</u></u>

**MILWAUKEE PUBLIC SCHOOLS**

Debt Service Fund

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

For the Year Ended June 30, 2016

	<b>Budgeted amounts</b>		<b>Actual (GAAP basis)</b>
	<b>Adopted</b>	<b>Revised</b>	
Revenues:			
Property taxes	\$ —	4,209,121	4,209,121
Total revenues	—	4,209,121	4,209,121
Expenditures:			
Current operating:			
Debt service	17,044,732	16,610,335	29,454,807
Total expenditures	17,044,732	16,610,335	29,454,807
Excess of revenues over (under) expenditures	(17,044,732)	(12,401,214)	(25,245,686)
Other financing sources			
Transfers In	17,044,732	12,401,214	25,245,686
Total other financing sources, net	17,044,732	12,401,214	25,245,686
Net changes in fund balances	\$ —	—	—
Fund balance—beginning of year			—
Fund balance—end of year			\$ —



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## 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, 2016

	<b>Milwaukee Board of School Directors Early Retirement Supplemental and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>	<b>Other Post Employment Benefits trust</b>	<b>Total</b>
<b>Assets</b>				
Investments				
Money market accounts	\$ 1,388,538	3,203,177	75,257,467	79,849,182
U.S. treasury and agency securities	—	—	17,300,088	17,300,088
Mortgage-backed securities	69	—	—	69
Nongovernmental obligations	2,533,101	7,178,047	22,191,128	31,902,276
Municipal Bonds	—	—	1,447,259	1,447,259
Investment in the State of Wisconsin	42,606,775	132,534,384	—	175,141,159
Receivables-interest and contributions	4,079	10,297	11,338,602	11,352,978
Total assets	<u>46,532,562</u>	<u>142,925,905</u>	<u>127,534,544</u>	<u>316,993,011</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	421,796	1,397,096	3,426,326	5,245,218
Total liabilities	<u>421,796</u>	<u>1,397,096</u>	<u>3,426,326</u>	<u>5,245,218</u>
<b>Net Position</b>				
Net position restricted for pensions	\$ <u>46,110,766</u>	<u>141,528,809</u>	<u>124,108,218</u>	<u>311,747,793</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, 2016

	<b>Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan</b>	<b>Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers</b>	<b>Other Post Employment Benefits trust</b>	<b>Total</b>
Additions:				
Employer contributions	\$ 1,498,910	9,888,196	45,608,729	56,995,835
Participants contributions	—	—	9,100,339	9,100,339
Investment income:				
Net investment from the State of Wisconsin:				
Core Retirement Investment Trust Fund	365,044	1,050,799	—	1,415,843
Variable Retirement Trust Fund	(91,466)	(236,385)	—	(327,851)
Net investment income from other investments	77,507	163,404	1,503,897	1,744,808
Total investment income:	351,085	977,818	1,503,897	2,832,800
Investment expenses	(5,759)	(13,806)	—	(19,565)
Net investment income	345,326	964,012	1,503,897	2,813,235
Total additions	1,844,236	10,852,208	56,212,965	68,909,409
Deductions:				
Benefits paid to participant's or beneficiaries	5,145,099	16,607,340	57,326,162	79,078,601
Distribution of participant contribution accounts	19,399	—	—	19,399
Administrative expenses	62,511	174,658	82,110	319,279
Total deductions	5,227,009	16,781,998	57,408,272	79,417,279
Changes in net position	(3,382,773)	(5,929,790)	(1,195,307)	(10,507,870)
Net Position—Beginning of Year	49,493,539	147,458,599	125,303,525	322,255,663
Net Position—Ending of Year	\$ 46,110,766	141,528,809	124,108,218	311,747,793

**MILWAUKEE PUBLIC SCHOOLS**  
 Agency Fund  
 Statement of Changes in Assets and Liabilities  
 For the Year Ended June 30, 2016

<b>Assets</b>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Cash and cash equivalents	\$ 5,191,789	6,453,414	(6,167,835)	5,477,368
Total assets	\$ <u>5,191,789</u>	<u>6,453,414</u>	<u>(6,167,835)</u>	<u>5,477,368</u>
<b>Liabilities</b>				
Liabilities:				
Due to student organizations	\$ 5,191,789	6,453,414	(6,167,835)	5,477,368
Total liabilities	\$ <u>5,191,789</u>	<u>6,453,414</u>	<u>(6,167,835)</u>	<u>5,477,368</u>



**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.

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

**MILWAUKEE PUBLIC SCHOOLS**  
**Statement of Net Position**  
**Last Ten Fiscal Years**

**Governmental activities**

	<u>2016</u>	<u>2015</u>	<u>2014(a)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net investment in capital assets	\$ 500,041,665	489,612,270	483,025,586	490,235,574	495,794,462	499,760,461	494,531,410	499,644,800	483,877,761	473,612,564
Restricted for debt service	14,368,921	16,570,259	9,914,758	6,866,476	13,472,018	11,247,463	4,699,678	8,351,394	16,045,169	14,472,771
Restricted for pensions	—	67,124,130								
Unrestricted (Deficit)	<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>	<u>(249,579,105)</u>	<u>(102,111,255)</u>
Total net position	<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>	<u>250,343,825</u>	<u>385,974,080</u>

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

See accompanying independent auditors' report.



**MILWAUKEE PUBLIC SCHOOLS**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Expenses:</b>										
Instruction	\$ 681,195,330	647,364,824	666,593,314	714,036,147	685,589,990	863,184,570	887,815,447	864,409,791	826,151,034	676,103,840
Support services:										
Community services	27,789,456	29,311,872	27,612,053	30,536,990	26,041,483	27,499,000	25,538,287	25,574,386	19,658,453	20,110,243
Pupil and staff services	128,939,561	131,798,496	127,673,917	130,189,957	135,648,452	160,715,900	143,517,392	138,220,288	132,463,255	122,202,632
General, administration, and central services	112,898,587	98,125,128	101,276,207	103,502,882	113,952,373	117,817,193	132,145,392	118,454,437	117,404,599	111,430,021
Business services	169,413,167	160,678,353	167,752,510	149,452,181	154,701,665	169,960,141	159,725,009	161,738,970	176,006,641	162,219,265
School nutrition services	50,101,295	47,234,192	43,656,550	44,945,680	44,527,282	44,205,351	40,555,069	40,891,942	40,654,079	36,515,840
Interest on long-term debt	17,660,687	16,331,690	20,088,560	16,147,608	17,790,345	17,926,945	17,166,361	16,181,174	16,771,008	18,130,489
Loss on sale/disposal of assets	-	-	-	260,129	4,028,012	-	-	-	-	-
Total support services	\$ 506,802,753	483,479,731	488,059,797	475,035,427	496,689,612	538,124,530	518,647,510	501,061,197	502,958,035	470,608,490
Total expenses	\$ 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	1,329,109,069	1,146,712,330
<b>Program revenues:</b>										
Charges for services:										
Instruction	\$ 8,619,364	7,144,293	7,347,485	6,135,034	4,897,115	5,270,970	4,668,475	5,508,572	9,168,741	8,224,655
Community services	4,365,200	4,144,116	1,904,323	1,789,570	1,844,915	1,981,562	2,022,823	1,994,701	2,333,636	2,934,878
Business services	5,398,788	5,068,641	4,899,266	3,230,905	2,613,852	1,962,560	1,755,862	2,000,182	1,571,882	296,678
Nutrition services	1,164,444	802,764	3,127,925	2,933,140	3,027,221	3,233,097	3,900,398	4,186,989	3,915,031	3,991,342
Operating grants and contributions:										
Instruction	184,229,896	201,995,731	202,656,277	218,784,528	218,860,380	284,307,386	288,369,454	314,249,488	211,544,865	187,252,284
Community services	5,559,121	6,141,526	5,865,138	6,689,857	6,286,075	6,693,672	7,218,268	8,472,311	6,389,186	6,031,898
Pupil and staff services	18,367,601	22,295,180	20,743,806	17,344,944	27,257,411	16,187,840	15,608,318	15,106,248	10,811,749	3,679,418
Business services	5,580,111	7,056,988	6,747,421	6,045,771	6,758,686	7,058,695	6,631,649	7,140,808	6,867,633	2,779,926
Nutrition services	52,242,705	49,190,624	41,820,458	39,875,043	39,259,843	39,640,325	37,770,914	34,803,122	32,462,000	30,879,192
Capital grants and contributions:										
Instruction	16,348,227	849,132	3,546,175	6,491,624	3,244,501	11,532,654	11,118,264	1,698,541	10,906,976	5,371,128
Total program revenues	\$ 301,875,457	304,688,995	298,658,274	309,320,416	314,049,999	377,868,761	379,064,425	395,160,962	295,971,699	251,441,399
Net (expense)/revenue	\$ (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)	(1,033,137,370)	(895,270,931)
<b>General revenues and other changes in net position:</b>										
Taxes:										
Property taxes levied for general purposes	\$ 268,759,174	271,012,144	270,306,782	269,493,379	270,368,281	259,744,794	274,190,085	257,763,742	223,761,147	192,891,583
Property taxes levied for construction	10,600,000	9,600,000	9,600,000	8,619,687	5,127,012	14,729,342	9,074,793	17,001,718	16,975,373	14,580,539
Property taxes levied for debt service	4,209,121	4,600,529	2,477,582	5,426,145	5,475,630	5,698,454	2,342,002	1,870,414	-	13,546,414
Property taxes levied for community services	17,065,872	17,065,872	17,065,871	17,065,871	16,815,871	13,334,418	10,226,234	11,142,826	10,340,610	9,327,455
Other taxes	810,337	1,837,208	53,662	32,559	533,466	1,729,836	59,021	49,468	133,509	2,369,741
Federal and state aid not restricted to a specific purpose:										
General (equalization aid)	509,173,092	505,323,745	500,659,964	494,557,826	496,690,640	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661
Other	61,046,450	58,305,357	58,682,525	58,969,122	63,378,858	73,161,388	75,412,753	78,351,979	70,601,690	71,253,170
Interest and investment earnings	4,349,251	2,913,071	2,541,815	254,662	224,216	289,979	759,476	1,159,402	2,496,060	3,535,723
Gain on sales of fixed assets	332,510	-	111,363	113,881	-	-	-	-	817,921	-
Other	1,019,580	932,736	497,674	2,624,753	3,285,553	4,636,939	1,075,826	1,045,095	-	916,544
Total general revenues	\$ 877,365,387	871,590,662	861,997,238	857,157,885	861,899,527	918,239,879	888,130,980	838,297,285	895,938,956	895,004,830
Change in net position	\$ (8,757,239)	45,435,102	6,002,401	(22,593,273)	(6,330,076)	(105,200,460)	(139,267,552)	(132,012,741)	(137,198,414)	(266,101)

See accompanying independent auditors' report.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>General Fund</b>										
Nonspendable										
Inventories	\$ 1,643,145	1,026,248	973,880	907,073	746,342	586,777	-	-	-	-
Prepaid expenditures	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	923,445	573,763	671,498							
Restricted										
Self-insurance deposits	8,069,749	7,243,936	5,550,712	4,408,669	4,454,209	3,723,449	-	-	-	-
Debt service	18,438,783	20,759,322	10,395,435	10,599,746	16,305,038	15,818,504	-	-	-	-
Flex spending	228,216	273,097	263,746	253,825	191,658	241,978	-	-	-	-
Committed for Construction				2,122	2,122	2,122	-	-	-	-
Assigned	975,383	2,732,369	2,421,323	3,104,129	4,925,111	1,123,863	-	-	-	-
Unassigned	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	70,201,296	83,119,252
Unreserved	-	-	-	-	-	-	56,933,260	40,610,378	28,063,255	27,510,956
Total general fund	\$ 80,299,143	79,636,834	78,792,680	78,960,389	96,349,900	91,600,874	92,014,574	96,645,106	98,264,551	110,630,208
<b>Other Governmental Funds</b>										
Restricted										
Debt service	\$ -	-	3,657,983	941,258	940,863	-	-	-	-	-
Long term investment fund	2,750,127	250,000	-	-	-	-	-	-	-	-
School Nutrition Services	4,877,643	539,429	-	-	-	-	-	-	-	-
Capital projects	20,444,142	40,228,316	-	-	-	-	-	-	-	-
Committed										
Construction	21,010,508	9,207,227	18,002,317	17,075,169	27,013,589	44,604,504	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(2,736,923)	(4,973,734)	(3,786,936)	(2,251,164)	-	-	-	-
Reserved	-	-	-	-	-	-	9,341,521	9,191,384	12,494,623	14,210,055
Unreserved										
Construction fund	-	-	-	-	-	-	37,687,706	-	858,122	(1,328,640)
Special revenue fund	-	-	-	-	-	-	(2,154,013)	(5,557,534)	(5,628,473)	(4,214,279)
Total all other governmental funds	\$ 49,082,420	50,224,972	18,923,377	13,042,693	24,167,516	42,353,340	44,875,214	3,633,850	7,724,272	8,667,136

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)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>										
Property tax levy	\$ 300,634,166	302,278,545	299,450,235	300,605,082	297,786,794	293,507,008	295,833,114	287,778,700	251,077,130	230,345,991
Other taxes	810,337	72,837	79,171	75,084	104,824	108,820	97,291	92,608	88,839	291,341
Lunchroom sales	1,164,437	802,753	3,112,692	2,924,898	2,943,482	3,226,519	3,853,462	4,180,102	3,774,957	3,875,772
Other local sources	24,708,014	20,881,176	17,998,591	15,033,619	11,680,793	11,836,869	10,288,493	12,686,419	16,967,736	11,729,344
Microsoft Settlement Refunds	5,918,672	—	1,557,605	4,492,796	278,642	6,706,515	6,796,310	—	—	—
State aid:										
Equalization aid	509,173,092	505,323,745	500,659,964	494,557,826	496,690,640	544,914,729	514,990,790	469,912,641	570,812,646	586,583,661
Special classes	50,423,437	53,338,018	53,565,720	51,792,301	54,013,275	49,429,225	46,323,816	47,564,912	42,288,233	39,265,952
Integration	31,692,817	32,247,348	33,522,834	34,178,357	35,235,721	39,158,028	40,804,682	41,276,129	41,864,808	45,208,452
Other state aid	59,234,848	60,425,803	52,813,148	51,039,137	48,365,268	72,947,102	73,460,777	76,658,767	55,720,015	51,424,988
Federal aid:										
Education Consolidation Improvement Act	68,908,095	77,649,649	89,387,237	96,038,429	106,765,706	121,910,586	121,231,450	102,207,198	81,727,901	70,566,992
School nutrition services	49,598,103	46,739,199	40,115,810	38,289,523	37,629,945	38,163,553	36,525,598	33,501,200	31,387,925	30,114,964
Erate refunds	9,682,625	—	—	52,666	2,753,269	3,346,923	1,920,868	1,751,957	3,638,805	1,661,683
Other federal aid	61,369,218	69,073,018	69,125,693	70,965,810	82,063,530	102,780,085	111,175,515	157,572,767	79,462,513	69,013,674
Intergovernmental aid from the City of Milwaukee	—	—	—	—	—	—	191,000	—	6,000,000	—
Miscellaneous	1,284,082	1,231,850	567,085	3,190,257	3,346,721	4,533,161	1,222,859	932,475	816,009	916,544
Interest and investment earnings	4,349,251	2,913,071	2,541,815	2,185,550	2,242,215	289,981	759,476	—	2,496,060	3,535,721
<b>Total revenues</b>	<b>\$ 1,178,951,194</b>	<b>1,172,977,012</b>	<b>1,164,497,600</b>	<b>1,163,454,335</b>	<b>1,179,882,825</b>	<b>1,292,859,104</b>	<b>1,265,475,801</b>	<b>1,237,275,277</b>	<b>1,188,123,577</b>	<b>1,144,535,079</b>
<b>Expenditures:</b>										
Instructional services:										
Undifferentiated curriculum	\$ 339,332,220	346,521,378	350,611,296	364,488,175	379,231,430	408,281,267	419,013,141	426,468,415	420,350,045	420,196,158
Regular and other curriculum	136,707,351	137,364,946	140,829,291	147,099,479	129,989,610	153,723,073	162,055,281	152,019,378	139,085,524	113,231,381
Special curriculum	152,478,100	162,957,532	167,157,217	170,451,744	158,713,453	169,704,527	158,358,450	141,682,491	128,758,524	126,898,396
<b>Total instructional services</b>	<b>628,517,671</b>	<b>646,843,856</b>	<b>658,597,804</b>	<b>682,039,398</b>	<b>667,934,493</b>	<b>731,708,867</b>	<b>739,426,872</b>	<b>720,170,284</b>	<b>688,194,093</b>	<b>660,325,935</b>
Community services	27,347,401	29,162,858	26,962,332	29,146,352	24,841,805	23,467,701	23,184,162	23,482,483	19,337,638	20,022,461
Pupil and staff services	126,867,497	132,154,096	126,212,196	127,419,348	132,786,434	158,034,350	141,633,899	136,274,148	130,014,574	120,056,089
General and school building administration	111,159,224	99,027,539	99,204,832	101,012,616	111,351,669	118,430,195	128,618,542	118,520,404	112,066,634	109,867,741
Business services	169,127,014	160,159,754	163,583,290	161,469,675	155,497,490	170,709,794	160,335,051	161,983,843	154,214,637	160,817,367
School nutrition services	48,841,829	46,653,985	42,699,913	43,938,860	43,525,912	43,247,754	39,803,908	39,547,617	38,476,566	35,782,244
Capital Outlay	38,460,201	39,116,285	14,690,949	21,948,535	34,504,618	21,847,799	19,371,066	21,845,269	38,476,566	27,701,230
Debt service:										
Principal	14,648,669	21,671,993	12,955,845	67,860,692	11,374,372	14,099,135	18,929,274	11,849,070	11,037,918	14,931,291
Interest	14,797,376	13,523,580	13,963,568	14,312,624	14,528,046	14,176,335	13,261,491	13,407,173	13,698,240	14,426,612
Bond issuance cost	8,762	61,999	36,434	528,668	34,769	111,525	2,113,376	33,858	480,561	625,649
Other	—	—	—	—	—	—	—	—	—	—
<b>Total expenditures</b>	<b>\$ 1,179,775,644</b>	<b>1,188,375,945</b>	<b>1,158,907,163</b>	<b>1,249,676,768</b>	<b>1,196,379,608</b>	<b>1,295,833,455</b>	<b>1,286,677,641</b>	<b>1,247,114,149</b>	<b>1,205,997,427</b>	<b>1,164,556,619</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (824,450)</b>	<b>(15,398,933)</b>	<b>5,590,437</b>	<b>(86,222,433)</b>	<b>(16,496,783)</b>	<b>(2,974,351)</b>	<b>(21,201,840)</b>	<b>(9,838,872)</b>	<b>(17,873,850)</b>	<b>(20,021,540)</b>
<b>Other financing sources (uses) (note 7):</b>										
Long-Term Debt Issued	\$ —	—	—	—	—	—	49,300,000	4,050,000	—	—
Proceeds from qualified zone academy bonds	—	—	—	—	—	—	—	—	—	1,078,100
Proceeds from Sale of Assets	120,245	1,406,273	122,538	183,585	3,059,985	38,777	287,395	—	—	—
Premium on debt issued	—	387,058	—	7,415,704	—	—	—	—	—	—
Proceeds from capital leases	—	38,000,000	—	—	—	—	11,504,297	—	—	—
Insurance proceeds	223,962	843,560	—	—	—	—	60,980	79,005	2,997,170	1,000,000
Refunding bond debt issued	—	6,907,791	—	50,108,810	—	—	11,020,000	—	—	31,865,000
Payment for refunded bond debt	—	—	—	—	—	—	(14,360,000)	—	—	(30,982,607)
Discount on debt issued	—	—	—	—	—	—	—	—	—	(338,503)
<b>Total other financing sources (uses), net</b>	<b>\$ 344,207</b>	<b>47,544,682</b>	<b>122,538</b>	<b>57,708,099</b>	<b>3,059,985</b>	<b>38,777</b>	<b>57,812,672</b>	<b>4,129,005</b>	<b>2,997,170</b>	<b>2,621,990</b>
<b>Net change in fund balance</b>	<b>\$ (480,243)</b>	<b>32,145,749</b>	<b>5,712,975</b>	<b>(28,514,334)</b>	<b>(13,436,798)</b>	<b>(2,935,574)</b>	<b>36,610,832</b>	<b>(5,709,867)</b>	<b>(14,876,680)</b>	<b>(17,399,550)</b>
Debt service as a percentage of noncapital expenditures	2.6%	3.2%	2.4%	7.2%	2.3%	2.3%	2.8%	2.1%	2.2%	2.7%

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.

<b>Assessed Year</b>	<b>Assessed valuation</b>	<b>Assessed valuation increase (decrease) over prior years</b>	<b>Equalized valuation</b>
1986 .....	\$ 11,140,003	\$ 63,029	\$ 11,181,029
1987 .....	11,303,217	163,214	11,709,716
1988 .....	11,865,999	562,782	12,002,681
1989 .....	12,017,462	151,463	12,648,530
1990 .....	12,614,531	597,069	12,808,708
1991 .....	12,701,237	86,706	13,189,084
1992 .....	13,336,770	635,533	13,279,156
1993 .....	13,345,968	9,198	14,047,985
1994 .....	14,029,734	683,766	14,363,706
1995 .....	13,976,649	(53,085)	14,821,109
1996 .....	14,850,607	873,958	15,041,199
1997 .....	14,914,137	63,530	15,511,857
1998 .....	16,072,114	1,157,977	16,228,218
1999 .....	15,773,850	(298,264)	16,701,225
2000 .....	17,582,995	1,809,145	17,344,251
2001 .....	17,699,784	116,789	19,453,830
2002 .....	19,866,255	2,166,471	20,298,387
2003 .....	21,009,517	1,143,262	21,730,754
2004 .....	22,772,419	1,762,902	23,491,773
2005 .....	25,222,149	2,449,730	26,256,714
2006 .....	28,354,952	3,132,803	30,226,984
2007 .....	29,374,373	1,019,421	31,887,192
2008 .....	30,431,675	1,057,302	32,257,525
2009 .....	28,944,573	(1,487,102)	31,266,329
2010 .....	28,048,464	(896,109)	29,520,783
2011 .....	27,917,642	(130,822)	27,954,670
2012 .....	25,322,101	(2,595,541)	26,421,932
2013 .....	25,034,158	(287,943)	26,089,611
2014 .....	25,024,542	(9,616)	26,138,108
2015 .....	25,262,963	238,421	25,980,470

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

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

(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 )

<b>Budget Year (a)</b>	<b>School Operations</b>	<b>Construction</b>	<b>Extension</b>	<b>Total(b)</b>
2007	\$ 6.07	\$ 0.43	\$ 0.27	\$ 6.77
2008	6.60	0.50	0.31	7.41
2009	7.44	0.49	0.32	8.25
2010	8.36	0.53	0.35	8.94
2011	8.18	0.28	0.31	9.05
2012	8.61	0.47	0.42	9.30
2013	9.47	0.30	0.59	10.35
2014	9.61	0.30	0.60	10.51
2015	9.71	0.34	0.61	10.66
2016	9.29	0.33	0.58	10.20

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Tax Levies for School Purposes

Last Ten Years

<b>Budget Year (a)</b>	<b>School Operations</b>	<b>Construction</b>	<b>Extension</b>	<b>Total</b>
2007	\$ 206,437,997	\$ 14,580,539	\$ 9,327,455	\$ 230,345,991
2008	223,761,147	16,975,373	10,340,610	251,077,130
2009	259,634,156	17,001,718	11,142,826	287,778,700
2010	276,532,087	9,074,793	10,226,234	295,833,114
2011	265,443,248	14,729,342	13,334,418	293,507,008
2012	275,843,911	5,127,012	16,815,871	297,786,794
2013	274,919,524	8,619,687	17,065,871	300,605,082
2014	272,784,364	9,600,000	17,065,871	299,450,235
2015	275,612,673	9,600,000	17,065,871	302,278,544
2016	272,968,295	10,600,000	17,065,871	300,634,166

(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)**

<b>Employer</b>	<b>City's Fiscal Year 2015</b>			<b>City's Fiscal Year 2006</b>		
	<b>Assessed Value</b>	<b>Percentage of Total Assessed</b>	<b>%</b>	<b>Assessed Value</b>	<b>Percentage of Total Assessed</b>	<b>%</b>
U.S. Bank	\$ 233,436	0.88	%	\$ 231,041	0.81	%
Northwestern Mutual Life Insurance Company	140,428	0.56		172,345	0.61	
Mandel Group	138,190	0.55		—	—	
Forest County Potawatomi Community	124,506	0.49		—	—	
Marcus Corp./Mil. City Center/Pfister	95,989	0.38		97,492	0.34	
Metropolitan Associates	94,943	0.38		107,792	0.38	
Brewery Works/Riverbend Place	87,949	0.35		—	—	
100 E. Wisconsin Ave. Joint Venture	77,205	0.31		59,036	0.21	
Gorman & Co.	76,856	0.30		—	—	
Jackson Street Holdings	74,642	0.30		—	—	
NNN 411 E. Wisconsin LLC	—	—		97,877	0.35	
Towne Realty	—	—		94,774	0.33	
M&I Marshall & Ilsley Bank/Metavente Corp	—	—		80,462	0.28	
Crichton-Hauk/Shoreline/Juneau Village	—	—		73,276	0.26	
Miller-Coors Brewing	—	—		68,405	0.24	
	<u>\$ 1,144,144</u>	<u>4.50</u>	%	<u>\$ 1,082,500</u>	<u>3.81</u>	%

Source: City CAFR

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

Budget Year*	Taxes Levied for the Fiscal Year (Original Levy) (D)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy Levy Year (B)		Collections		Total Collections to Date	
				Current Tax Collections	Percent Original Levy Collected	Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
2006	\$ 261,685	\$ 25,413	\$ 287,098	\$ 255,823	97.76 %	\$ 15,664	\$ 15,496	\$ 286,983	99.96 %
2007	265,319	29,176	294,495	257,347	97.00	18,577	18,376	294,300	99.93
2008	286,180	36,016	322,196	277,115	96.83	23,945	20,860	321,920	99.91
2009	276,186	32,300	308,486	265,691	96.20	18,017	24,252	307,960	99.83
2010	291,943	28,908	320,851	281,196	96.32	16,482	21,557	319,235	99.50
2011	295,967	28,619	324,586	284,691	96.19	16,049	22,199	322,939	99.49
2012	301,051	25,364	326,415	288,749	95.91	13,596	20,858	323,203	99.02
2013	304,700	25,426	330,126	293,489	96.32	16,237	14,555	324,281	98.23
2014	307,246	24,552	331,798	295,624	96.21	13,875	11,108	320,607	96.63
2015	312,216	22,650	334,866	299,650	95.98	9,161	-	308,811	92.22

Milwaukee Public Schools		
Budget Year*	Total Tax Levy	Percentage of Levy
2006	\$ 230,346	100.00 %
2007	251,077	100.00
2008	287,779	100.00
2009	295,833	100.00
2010	293,507	100.00
2011	297,787	100.00
2012	300,605	100.00
2013	299,450	100.00
2014	302,279	100.00
2015	300,634	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 2015.

(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 2015.

(C) Collections of (A) in the year purchased. Prior years' amounts in this column have been revised to reflect activity in CAFR 2015.

(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)**

<b>Fiscal Year(1)</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value</b>	<b>Total Direct Tax Rate</b>	<b>Assessed Value as a Percentage of Actual Value</b>
<b>2006</b>	\$ 27,450,051	\$ 904,900	\$ 28,354,952	\$ 30,226,986	\$ 8.75	93.8 %
<b>2007</b>	28,430,813	943,560	29,374,373	31,887,192	7.99	92.1
<b>2008</b>	29,429,740	1,001,935	30,431,675	32,257,525	8.00	94.4
<b>2009</b>	27,961,413	983,160	28,944,573	31,266,329	8.09	92.6
<b>2010</b>	27,091,120	957,344	28,048,464	29,520,783	8.89	95.0
<b>2011</b>	27,007,839	909,804	27,917,643	27,954,670	9.12	99.9
<b>2012</b>	24,450,181	871,920	25,322,101	26,421,932	9.25	95.8
<b>2013</b>	24,169,993	864,165	25,034,158	26,089,611	10.25	96.0
<b>2014</b>	24,084,276	940,266	25,024,542	26,138,108	10.58	95.7
<b>2015</b>	24,412,068	850,895	25,262,963	25,980,470	10.71	97.2

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

Source: City CAFR & 2015 City Assessor's Office

**MILWAUKEE PUBLIC SCHOOLS**  
 Computation of Direct and Overlapping Governmental Activities  
 December 31, 2015  
 (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	\$ 358,724	100.00 %	\$ 359,342
Overlapping debt:			
City of Milwaukee	622,044	100.00	622,044
Milwaukee Area Technical College District Board	108,825	36.00	39,177
County of Milwaukee	662,419	44.35	293,783
Milwaukee Metropolitan Sewerage Area	960,000	45.23	434,208
Total overlapping debt			<u>1,389,212</u>
Total district and overlapping debt			<u>\$ 1,748,554</u>

Sources: City of Milwaukee CAFR 2015 except Milwaukee Public Schools based on 6-30-16.

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

Fiscal Year	General Obligation Bonds	QZAB	Pension Debt		Wisconsin Retirement System (UAAL)	General Bonded Debt Subtotal	Bonded Debt as a Percentage of Equalized Property Value <sup>1</sup>	Revenue Bonds	Capital Lease	TEACH Loans	Less: Debt Service	Total Debt	Total Debt as a Percentage of Personal Income <sup>2</sup>	Total Debt Per Capita
			Capital Appreciation Bonds	Variable Rate Debt										
2007	\$ 11,996,044	\$ 9,897,583	\$ 37,852,753	\$ 130,850,000	-	\$ 190,596,380	0.60 %	\$ 108,180,831	\$ 36,759,825	\$ 6,511,465	\$ 14,472,771	\$ 327,575,730	1.55 %	555
2008	9,804,615	8,369,589	40,250,009	130,850,000	-	189,274,213	0.59	106,447,870	33,222,400	4,520,395	16,045,169	317,419,709	1.46	537
2009	12,165,969	7,042,189	42,799,284	130,850,000	-	192,857,442	0.62	103,527,948	29,460,000	2,429,771	8,351,394	319,923,767	1.48	548
2010	71,415,847	5,668,324	45,510,230	130,850,000	-	253,444,401	0.86	99,607,279	14,625,679	1,659,026	4,699,678	364,636,707	1.61	628
2011	67,042,677	4,560,243	48,393,112	130,850,000	-	250,846,032	0.90	95,480,699	10,929,713	849,744	11,247,463	346,858,725	1.48	582
2012	62,607,058	3,681,039	51,458,848	130,850,000	-	248,596,945	0.94	90,994,121	10,245,000	-	13,472,018	336,364,048	1.39	565
2013	63,000,610	2,769,721	54,719,050	130,850,000	-	251,339,380	1.00	85,933,361	4,950,000	-	6,866,476	335,356,265	1.37	562
2014	61,880,101	2,054,976	56,259,857	130,850,000	-	251,044,934	N/A	81,869,778	4,375,000	-	9,914,758	327,374,954	N/A	549
2015	63,854,812	1,418,388	56,856,122	130,850,000	-	252,979,322	N/A	76,171,399	38,000,000	-	16,570,259	350,580,462	N/A	N/A
2016	61,578,241	913,095	57,942,017	130,850,000	-	251,283,353	N/A	70,058,760	38,000,000	-	14,368,921	344,973,192	N/A	N/A

(1) Equalized Value per the City of Milwaukee.

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

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

**Neighborhood Schools Initiative Bonds**

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<b>Fiscal Year</b>	<b>Intradistrict Aid</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
2007	\$42,212,564	\$ —	\$ 4,897,374	8.62
2008	38,625,243	1,790,000	4,373,834	6.27
2009	37,965,736	2,980,000	4,308,219	5.21
2010	37,439,086	3,985,000	4,204,253	4.57
2011	36,130,070	4,195,000	4,071,676	4.37
2012	32,120,101	4,555,000	3,919,868	3.79
2013	31,449,026	4,960,000	3,745,504	3.61
2014	31,282,469	4,430,000	3,675,067	3.86
2015	30,325,834	5,130,000	3,192,335	3.64
2016	29,913,303	5,550,000	3,004,385	3.50

**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)
2006	590,370	\$ 33,246,601	\$ 35,739	30.6	97,509	6.9 %
2007	590,190	34,216,111	36,734	30.6	87,360	6.9
2008	590,870	35,554,719	38,037	30.6	85,369	6.7
2009	584,000	35,850,307	38,031	30.6	82,444	11.4
2010	580,500	36,281,466	38,263	30.3	81,372	11.9
2011	595,525	37,492,098	39,404	30.3	80,098	10.9
2012	595,425	38,795,730	40,644	33.7	78,461	10.1
2013	596,500	38,464,560	40,219	33.7	78,502	8.7
2014	595,993	39,697,233	41,507	33.8	77,391	7.2
2015	595,787	Not available	Not available	34.0	75,568	6.7

(A) *The December 31, 2006 through 2015 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 2015 CAFR; (B) and (C) - Prior years' amounts have been revised to reflect activity in CAFR15.

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

<u>Employer</u>	<u>2015 Estimates (1)</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Aurora Health Care	24,509	1	5.45 %	15,054	1	3.51 %
Wheaton Franciscan Healthcare	11,281	2	2.51	10,840	2	2.53
Froedtert Memorial Lutheran Hospital and Community Health	9,800	3	2.18			
Roundy's Supermarkets	8,260	4	1.84	6,800	7	1.58
GE Healthcare	6,000	5	1.33			
Medical College of Wisconsin	5,170	6	1.15			
Northwestern Mutual Life	5,100	7	1.13			
ProHealth Care Inc.	4,729	8	1.05			
Childrens Hospital	4,530	9	1.01			
Columbia St. Mary Health System	4,500	10	1.00	5,749	9	1.34
U.S. Government (Includes Zablocki V.A. Medical Center)				10,800	3	2.52
Covenant Health Care				9,000	4	2.10
City of Milwaukee				7,263	5	1.69
Milwaukee Public Schools				7,137	6	1.66
M&I Marshall & Ilsley				6,139	8	1.43
Milwaukee County	-		-	5,568	10	1.30
	<u>83,879</u>		<u>18.65 %</u>	<u>84,350</u>		<u>19.66 %</u>

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

source: City of Milwaukee CAFR

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

	<b><u>Cost per pupil</u></b>
2006 – 2007 .....	12,174
2007 – 2008 .....	13,055
2008 – 2009 .....	13,783 **
2009 – 2010 .....	14,574 **
2010 – 2011 .....	14,803 **
2011 – 2012 .....	13,911 **
2012 – 2013 .....	14,059
2013 – 2014 .....	13,673
2014 – 2015 .....	14,269
2015 – 2016 .....	14,612

\*\*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		Increase or (decrease) over prior year	Attending public schools	Attending private schools	Total attending schools	Percent attending schools		
			Males	Females							
1981	130,215	(3,424)	66,550	(1,695)	63,665	(1,729)	82,520	31,238	113,758	87.4	
1982	131,748	1,533	67,085	535	64,663	998	80,683	29,623	110,306	83.7	
1983	134,734	2,986	68,642	1,557	66,092	1,429	83,148	31,149	114,297	84.8	
1984	140,729	5,995	71,689	3,047	69,040	2,948	87,243	31,601	118,844	84.4	
1985	147,347	6,618	75,066	3,377	72,281	3,241	93,406	31,464	124,870	84.7	
1986	148,768	1,421	75,391	325	73,377	1,096	96,520	30,961	127,481	85.7	
1987	145,593	(3,175)	73,844	(1,547)	71,749	(1,628)	94,744	30,997	125,741	86.4	
1988	148,416	2,823	75,196	1,352	73,220	1,471	98,438	31,140	129,578	87.3	
1989	150,714	2,298	76,520	1,324	74,194	974	99,988	29,988	129,976	86.2	
1990	150,723	9	76,382	(138)	74,341	147	99,079	29,346	128,425	85.2	
1991	*	128,540	(22,183)	65,230	(11,152)	63,310	(11,031)	86,407	27,012	113,419	88.2
1992		144,452	15,912	73,180	7,950	71,272	7,962	100,017	28,346	128,363	88.9
1993		145,499	1,047	73,772	592	71,727	455	100,728	27,956	128,684	88.4
1994		149,545	4,046	75,893	2,121	73,652	1,925	103,452	28,196	131,648	88.0
1995		151,541	1,996	76,471	578	75,070	1,418	106,886	27,816	134,702	88.8
1996		151,710	169	76,778	307	74,932	(138)	106,910	27,931	134,841	88.9
1997		151,027	(683)	76,429	(349)	74,598	(334)	107,121	27,455	134,576	89.1
1998		153,227	2,200	77,533	1,104	75,694	1,096	108,786	27,723	136,509	89.1
1999		154,328	1,101	78,141	608	76,187	493	111,712	27,207	138,919	90.0
2000		154,977	649	78,599	458	76,378	191	110,397	28,342	138,739	89.5
2001		150,256	(4,721)	76,048	(2,551)	74,208	(2,170)	107,905	26,479	134,384	89.4
2002		149,992	(264)	76,142	94	73,850	(358)	109,852	25,066	134,918	90.0
2003		162,011	12,019	82,187	6,045	79,824	5,974	122,631	23,760	146,391	90.4
2004		164,641	2,630	83,399	1,212	81,242	1,418	128,862	21,829	150,691	91.5
2005		165,279	638	85,193	1,794	82,596	1,354	130,664	22,879	153,543	92.9
2006		159,414	(5,865)	81,024	(4,169)	78,390	(4,206)	111,685	27,171	138,856	87.1
2007		153,233	(6,181)	77,570	(3,454)	75,663	(2,727)	107,950	26,507	134,457	87.7
2008		152,244	(989)	75,897	(1,673)	76,347	684	102,648	27,847	130,495	85.7
2009		152,323	79	75,840	(57)	76,483	136	104,316	28,010	132,326	86.9
2010		151,232	(1,091)	74,710	(1,130)	76,522	39	102,707	28,398	131,105	86.7
2011		148,293	(2,939)	74,624	(86)	73,669	(2,853)	100,101	27,395	127,496	86.0
2012		146,741	(1,552)	74,476	(148)	72,265	(1,404)	97,900	27,065	124,965	85.2
2013		144,870	(1,871)	74,017	(459)	70,853	(1,412)	95,602	26,799	122,401	84.5
2014	**	146,929	2,059	74,075	58	72,854	2,001	103,291	27,350	130,641	88.9
2015	**	146,940	11	73,852	(223)	73,088	234	103,399	31,228	134,627	91.6
2016	**	138,550	(8,390)	69,981	(3,871)	68,569	(4,519)	95,210	27,788	122,998	88.8

\* 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, 2016

<u>Ages**</u>	<u>Males</u>	<u>Females</u>	<u>Total**</u>	<u>Attended public school</u>	<u>Attended parochial or private school</u>	<u>Did not attend school</u>
Under 4	18,748	18,445	37,193	14,245	1,897	21,051
4 to 9	26,662	25,634	52,296	32,115	10,550	9,631
10 to 14	20,570	20,124	40,694	31,904	8,179	611
15 to 17	11,993	11,761	23,754	19,786	3,201	767
18 to 19	10,756	11,050	21,806	11,405	5,858	4,543
20	6,404	6,492	12,896	— *	— *	— *
Grand total	<u>95,133</u>	<u>93,506</u>	<u>188,639</u>	<u>109,455</u>	<u>29,685</u>	<u>36,603</u>

\*Unavailable.

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

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

<u>Fiscal year</u>	<u>Instruction</u>	<u>Community services</u>	<u>Pupil and staff services</u>	<u>General administrative and central services</u>	<u>Business services</u>	<u>School Nutrition Services</u>	<u>Interest on long-term debt</u>	<u>Loss on sale/disposal of buildings/software</u>	<u>Total</u>
2007	\$ 676,103	\$ 20,110	\$ 122,203	\$ 111,430	\$ 162,219	\$ 36,516	\$ 18,130	-	\$ 1,146,711
2008	826,151	19,658	132,463	117,405	176,007	40,654	16,771	-	1,329,109
2009	864,410	25,574	138,220	118,454	161,739	40,892	16,181	-	1,365,471
2010	887,815	25,538	143,517	132,145	159,725	40,555	17,166	-	1,406,463
2011	863,185	27,499	160,716	117,817	169,960	44,205	17,927	-	1,401,309
2012	685,590	26,042	135,649	113,952	154,702	44,527	17,790	4,028	1,182,280
2013	714,036	30,537	130,190	103,503	149,452	44,946	16,148	260	1,189,072
2014	666,593	27,612	127,674	101,276	167,753	43,657	20,089	-	1,154,653
2015	647,365	29,312	131,799	98,125	160,678	47,234	16,332	-	1,130,845
2016	681,195	27,789	128,940	112,899	169,413	50,101	17,661	-	1,187,998

**MILWAUKEE PUBLIC SCHOOLS**

Government-wide Revenues

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal year</b>	<b>Charges for services</b>	<b>Operating grants and contributions</b>	<b>Capital grants and contributions</b>	<b>Property taxes</b>	<b>Federal and state aid not restricted to a specific purpose</b>	<b>Interest and investment earnings</b>	<b>Miscellaneous</b>	<b>Total</b>
2007	\$ 15,447	\$ 230,623	\$ 5,371	\$ 232,716	\$ 657,837	\$ 917	\$ 3,535	\$ 1,146,446
2008	16,989	268,075	10,907	251,211	641,415	2,496	818	1,191,911
2009	13,690	379,772	1,699	287,828	548,265	1,159	1,045	1,233,459
2010	12,348	355,599	11,118	295,892	590,404	759	1,076	1,267,195
2011	12,448	353,888	11,533	295,237	618,076	290	4,637	1,296,109
2012	12,383	298,422	3,245	298,320	560,070	224	3,286	1,175,950
2013	14,089	288,740	6,492	300,637	553,527	255	2,738	1,166,478
2014	17,279	277,833	3,546	299,505	559,342	2,542	609	1,160,656
2015	17,160	286,680	849	304,116	563,629	2,913	933	1,176,280
2016	19,548	265,979	16,348	301,444	570,219	4,349	1,353	1,179,240

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

<b>Fiscal year</b>	<b>Instruction</b>	<b>Community services</b>	<b>Pupil &amp; staff services</b>	<b>General and school building administration</b>	<b>Business services</b>	<b>School Nutrition Services</b>	<b>Capital outlay</b>	<b>Debt service</b>	<b>Other</b>	<b>Total</b>
2007	\$ 660,326	\$ 20,022	\$ 120,056	\$ 109,868	\$ 160,818	\$ 35,782	\$ 27,701	\$ 29,984	—	\$ 1,164,557
2008	688,194	19,337	130,014	112,067	169,020	38,477	23,671	25,217	—	1,205,997
2009	720,170	23,483	136,274	118,520	161,984	39,548	21,845	25,290	—	1,247,114
2010	739,427	23,184	141,634	128,619	160,335	39,804	19,371	34,304	—	1,286,678
2011	731,709	23,468	158,034	118,430	170,710	43,248	21,848	28,387	—	1,295,834
2012	667,935	24,842	132,786	111,352	155,497	43,526	34,505	25,937	—	1,196,380
2013	682,039	29,146	127,419	101,013	161,470	43,939	21,949	82,702	—	1,249,677
2014	658,598	26,962	126,212	99,205	163,583	42,700	14,691	26,956	—	1,158,907
2015	646,844	29,163	132,154	99,028	160,160	46,654	39,116	35,257	—	1,188,376
2016	628,518	27,347	126,868	111,159	169,127	48,842	38,460	29,455	—	1,179,776

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

<b>Fiscal year</b>	<b>Property tax levy</b>	<b>Lunchroom sales</b>	<b>Other local sources</b>	<b>State aid</b>	<b>Federal aid</b>	<b>Intergovernmental aid</b>	<b>Other federal aid</b>	<b>Miscellaneous</b>	<b>Interest and investment earnings</b>	<b>Total</b>
2007	\$ 230,346	\$ 3,876	\$ 12,020	\$ 722,482	\$ 171,358	\$ -	\$ -	\$ 917	\$ 3,536	\$ 1,144,535
2008	251,077	3,775	17,056	710,686	196,218	6,000	-	816	2,496	1,188,124
2009	287,779	4,180	12,779	635,413	295,033	-	-	932	1,159	1,237,275
2010	295,833	3,853	17,182	675,581	270,854	191	-	1,223	759	1,265,476
2011	293,507	3,227	18,652	706,449	266,201	-	-	4,533	290	1,292,859
2012	297,787	2,943	12,065	634,305	229,212	-	-	3,347	224	1,179,883
2013	300,605	2,925	19,601	631,567	205,347	-	-	3,190	219	1,163,454
2014	299,450	3,113	19,635	640,562	198,629	-	-	567	2,542	1,164,498
2015	302,279	803	20,954	651,335	193,461	-	-	1,232	2,913	1,172,977
2016	300,634	1,164	31,437	650,524	189,559	-	-	1,284	4,349	1,178,951

## MILWAUKEE PUBLIC SCHOOLS

### School Accommodations

Last Thirty-six Years

	<b>Instructional staff (a)</b>	<b>Number of school buildings (b)</b>	<b>Average school year daily membership</b>	
1980 – 1981	5,313	150	84,379	(c)
1981 – 1982	5,167	150	82,632	(c)
1982 – 1983	5,019	150	82,353	(c)
1983 – 1984	5,026	144	82,667	
1984 – 1985	5,126	143	84,443	
1985 – 1986	5,380	145	86,836	
1986 – 1987	5,474	144	87,283	
1987 – 1988	5,581	145	87,949	
1988 – 1989	5,675	146	89,675	
1989 – 1990	5,791	146	90,595	
1990 – 1991	5,920	149	90,487	
1991 – 1992	6,872	154	91,071	
1992 – 1993	6,811	156	94,694	
1993 – 1994	6,817	155	96,496	
1994 – 1995	6,816	155	98,312	
1995 – 1996	6,682	154	99,278	
1996 – 1997	6,785	154	101,622	
1997 – 1998	7,005	157	102,914	
1998 – 1999	7,187	157	102,097	
1999 – 2000	7,114	157	100,682	
2000 – 2001	7,128	158	99,332	
2001 – 2002	7,154	164	99,302	
2002 – 2003	7,137	164	99,054	
2003 – 2004	7,266	168	98,323	
2004 – 2005	6,512	173	96,874	
2005 – 2006	6,420	177	94,973	
2006 – 2007	6,033	177	92,224	
2007 – 2008	6,010	178	89,110	
2008 – 2009	5,961	178	87,137	
2009 – 2010	5,853	177	85,239	
2010 – 2011	5,501	174	84,422	
2011 – 2012	5,267	173	82,982	
2012 – 2013	4,959	175	81,754	
2013 – 2014	5,385	168	81,744	
2014 – 2015	5,298	169	80,437	
2015 – 2016	5,271	168	78,173	

(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

<b>Classifications</b>	<b>2006 – 2007</b>	<b>2007 – 2008</b>	<b>2008 – 2009</b>	<b>2009 – 2010</b>	<b>2010 – 2011</b>	<b>2011 – 2012</b>	<b>2012 – 2013</b>	<b>2013 – 2014</b>	<b>2014 – 2015</b>	<b>2015 – 2016</b>
Senior high and middle schools:										
Principals	29	32	30	29	25	22	18	20	18	23
Assistant principals	99	74	71	76	61	52	52	54	51	56
Teachers	1,724	1,701	1,464	1,404	1,432	1,510	1,406	1,425	1,204	1,392
Total	1,852	1,807	1,565	1,509	1,518	1,584	1,476	1,499	1,273	1,471
Elementary schools:										
Principals	100	110	101	104	96	96	84	92	88	92
Assistant principals	54	59	68	61	55	34	34	55	52	56
Teachers	3,497	3,425	3,678	3,610	3,452	2,987	2,616	2,898	2,961	2,912
Total	3,651	3,594	3,847	3,775	3,603	3,117	2,734	3,045	3,101	3,060
Special schools and classes:										
Principals	2	3	3	4	2	5	10	7	8	9
Assistant principals	7	4	4	7	4	6	7	8	9	11
Teachers	521	602	542	558	374	555	323	363	374	365
Total	530	609	549	569	380	566	340	378	391	385
Summary:										
Principals	131	145	134	137	123	123	112	119	114	124
Assistant principals	160	137	143	144	120	92	93	117	112	123
Teachers	5,742	5,728	5,684	5,572	5,258	5,052	4,345	4,686	4,539	4,669
Total	6,033	6,010	5,961	5,853	5,501	5,267	4,550	4,922	4,765	4,916
Superintendent, deputy and assistant superintendent, department directors and assistants, guidance and psychological counselors, librarians, and supervisors	415	418	420	421	406	416	409	463	476	484
Grand total	6,448	6,428	6,381	6,274	5,907	5,683	4,959	5,385	5,241	5,400

**MILWAUKEE PUBLIC SCHOOLS**

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

	<u>2006- 2007</u>	<u>2007- 2008</u>	<u>2008- 2009</u>	<u>2009- 2010</u>	<u>2010- 2011</u>	<u>2011- 2012</u>	<u>2012- 2013</u>	<u>2013- 2014</u>	<u>2014- 2015</u>	<u>2015- 2016</u>	
Total number of school age children according to city-wide child census	153,233	152,244	152,323	151,232	148,293	146,741	144,870	160,214	158,267	144,696	**
Enrollment for state aid:*											
Third Friday	95,332	91,947	90,053	87,914	87,157	85,886	84,725	84,597	83,126	80,617	
Summer school	329	428	430	374	382	115	107	163	155	123	
Total	<u>95,661</u>	<u>92,375</u>	<u>90,483</u>	<u>88,288</u>	<u>87,539</u>	<u>86,001</u>	<u>84,832</u>	<u>84,760</u>	<u>83,281</u>	<u>80,740</u>	
Average number enrolled:											
Senior high	28,966	28,466	27,839	27,308	26,660	25,337	24,769	24,516	23,957	23,680	
Junior high/middle	20,698	19,233	18,204	17,469	17,492	17,649	17,201	17,064	16,603	16,396	
Elementary	<u>47,845</u>	<u>46,273</u>	<u>46,218</u>	<u>45,269</u>	<u>45,262</u>	<u>44,932</u>	<u>44,762</u>	<u>45,259</u>	<u>44,419</u>	<u>43,389</u>	
Total	<u>97,509</u>	<u>93,972</u>	<u>92,261</u>	<u>90,046</u>	<u>89,414</u>	<u>87,918</u>	<u>86,732</u>	<u>86,839</u>	<u>84,979</u>	<u>83,465</u>	
Average number attending:											
Senior high	22,916	22,205	22,958	22,469	23,172	21,111	21,010	20,807	20,771	20,035	
Junior high/middle	18,413	17,047	16,015	15,623	15,737	16,037	15,682	15,491	15,531	15,311	
Elementary	<u>44,087</u>	<u>42,465</u>	<u>42,363</u>	<u>41,793</u>	<u>41,737</u>	<u>41,254</u>	<u>41,076</u>	<u>41,753</u>	<u>41,561</u>	<u>40,777</u>	
Total	<u>85,416</u>	<u>81,717</u>	<u>81,336</u>	<u>79,885</u>	<u>80,646</u>	<u>78,402</u>	<u>77,768</u>	<u>78,051</u>	<u>77,863</u>	<u>76,123</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**

<b>Fiscal Year</b>	<b>Enrollment For State Aid</b>	<b>Operating Expenses</b>	<b>Cost Per Pupil</b>	<b>Teaching Staff</b>	<b>Pupil/Teacher Ratio</b>
<b>2016</b>	80,740	\$1,187,998,083	\$ 14,714	5,687	14.20:1
<b>2015</b>	83,281	1,130,844,555	13,579	5,649	14.74:1
<b>2014</b>	84,760	1,154,653,111	13,623	5,545	15.29:1
<b>2013</b>	84,832	1,189,071,574	14,017	5,591	15.17:1
<b>2012</b>	86,001 (a)	1,182,279,602	13,747 (a)	5,505	15.62:1 (a)
<b>2011</b>	87,539 (a)	1,401,309,100	16,008 (a)	6,134	14.27:1 (a)
<b>2010</b>	88,288 (a)	1,406,462,957	15,930 (a)	6,602	13.37:1 (a)
<b>2009</b>	90,483 (a)	1,365,470,988	15,091 (a)	6,819	13.27:1 (a)
<b>2008</b>	92,375	1,329,109,069	14,388	6,944	13.30:1
<b>2007</b>	95,661	1,146,712,330	11,987	6,780	14.11:1

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

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

**Year Ending June 30,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Supervisory</b>										
Officials, Admin., Mgrs.	102	96	103	93	91	79	52	56	54	94
Principals	124	117	120	114	124	122	137	134	142	139
Part time profess/Ins.	534	511	419	317	396	361	439	682	574	556
Total supervisory	<u>760</u>	<u>724</u>	<u>642</u>	<u>524</u>	<u>611</u>	<u>562</u>	<u>628</u>	<u>872</u>	<u>770</u>	<u>789</u>
<b>Instruction</b>										
Asst. Prin. - Teach	123	114	116	101	91	118	144	143	165	142
Elementary Clsrn. Teach	2,913	2,922	2,867	2,960	3,003	3,264	3,610	3,678	3,697	3,658
Secondary Clsrn. Teach	1,131	1,142	1,173	1,412	1,396	1,546	1,404	1,464	1,680	1,584
Other Clsrn. Teach	625	643	648	343	441	499	558	542	589	452
Other Prof. Staff	497	463	390	417	358	354	494	484	397	441
Teacher Aides	398	365	351	358	216	353	392	508	416	503
Total instruction	<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>	<u>6,944</u>	<u>6,780</u>
<b>Student Services</b>										
Guidance	97	93	94	88	76	70	56	48	49	48
Psychological	137	137	128	135	139	150	163	152	145	159
Librarian/Audiovisual	30	33	30	25	27	36	44	39	32	36
Consultants/Supervisors	118	117	72	61	97	95	96	96	80	94
Technicians	96	94	64	52	70	71	65	71	64	70
Total student services	<u>478</u>	<u>474</u>	<u>388</u>	<u>361</u>	<u>409</u>	<u>422</u>	<u>424</u>	<u>406</u>	<u>370</u>	<u>407</u>
<b>Support and Administration</b>										
Clerical/Secretarial	339	359	353	388	350	435	491	520	583	529
Service Workers	408	397	387	397	572	573	416	415	415	415
Craft Workers - Skilled	309	312	354	362	339	351	352	382	448	393
Laborers - Unskilled	52	53	69	13	52	55	67	80	95	77
All other Part-time	3,687	3,820	3,710	4,081	3,928	4,396	4,107	4,961	4,786	4,801
Total support and administration	<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>	<u>6,327</u>	<u>6,215</u>
Total	<u><u>11,720</u></u>	<u><u>11,788</u></u>	<u><u>11,448</u></u>	<u><u>11,717</u></u>	<u><u>11,766</u></u>	<u><u>12,928</u></u>	<u><u>13,087</u></u>	<u><u>14,455</u></u>	<u><u>14,411</u></u>	<u><u>14,191</u></u>

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

Year Ending June 30,

	2016	2015*	2014	2013	2012	2011	2010	2009	2008	2007
<b>Number of schools participating in:</b>										
Lunch - regular schedule	156	158	163	164	158	164	171	175	170	173
Breakfast program	157	158	163	164	152	155	161	158	158	160
Snack program	66	70	93	83	65	82	85	100	99	68
<b>Student lunches served:</b>										
Free	9,529,532	9,570,975	7,928,445	7,784,596	8,005,894	7,876,717	7,686,178	7,246,531	7,176,603	7,288,629
Reduced	-	-	368,321	436,303	482,170	537,693	776,288	901,725	954,705	959,040
Fully paid	-	-	684,351	773,741	884,638	1,078,221	1,207,742	1,380,135	1,381,187	1,353,199
Total	9,529,532	9,570,975	8,981,117	8,994,640	9,372,702	9,492,631	9,670,208	9,528,391	9,512,495	9,600,868
<b>Non-federal program meals served:</b>	325,722	288,695	301,692	152,376	175,783	187,634	194,135	213,691	227,208	275,091
<b>Student breakfasts/snacks served:</b>										
Free	6,956,879	6,434,123	5,365,033	5,220,603	4,636,128	4,680,041	4,436,904	3,981,425	3,864,927	4,185,851
Reduced	-	-	177,137	207,954	223,890	253,677	355,182	379,262	384,493	339,181
Fully paid	-	-	364,781	392,529	407,651	504,831	498,973	517,415	484,573	405,121
Total	6,956,879	6,434,123	5,906,951	5,821,086	5,267,669	5,438,549	5,291,059	4,878,102	4,733,993	4,930,153
<b>Number of serving days:</b>										
Regular schedule	204	204	204	213	225	234	250	262	225	221
<b>Average daily participation:</b>										
Student lunch	46,713	46,917	44,025	42,228	41,656	40,567	38,681	40,720	42,278	43,443
Adult lunch	1,597	1,415	1,479	715	781	802	777	913	1,010	1,245
Student breakfast	31,178	29,197	26,278	26,060	22,417	22,157	19,744	19,226	19,331	17,906
Student snacks	2,071	2,178	2,108	2,184	2,184	2,856	2,773	3,588	3,331	2,868
<b>September 15 pupil count</b>	80,617	83,126	84,597	84,725	87,157	87,914	90,053	87,392	90,825	93,516
Percentage of students daily eating school lunch	57.94%	56.44%	52.04%	49.84%	47.79%	46.14%	42.95%	46.59%	46.55%	46.46%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Elementary Schools</b>										
Number of Buildings	124	120	119	119	119	121	121	122	121	121
Square Footage	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	8,479,854	8,479,854
Capacity	57,452 (a)	58,399 (a)	65,751	65,751	65,751	66,923	67,095	67,316	66,416	66,416
Enrollment	45,750	46,944	47,605	48,011	48,305	49,689	50,007	50,457	50,275	51,389
<b>Middle Schools</b>										
Number of Buildings	6	9	7	7	7	8	13	10	14	14
Square Footage	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	2,403,230	2,403,230
Capacity	5,393 (a)	7,586 (a)	5,900	5,900	5,900	6,620	11,480	8,300	12,420	10,620
Enrollment	4,174	4,098	4,559	5,198	5,993	6,286	6,343	6,841	8,213	9,651
<b>High Schools</b>										
Number of Buildings	16	12	13	13	13	13	11	12	14	14
Square Footage	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	4,080,365	4,080,365
Capacity	18,512 (a)	15,403 (a)	18,138	18,138	18,138	18,138	15,370	17,370	20,539	20,539
Enrollment	16,996	17,793	18,344	18,960	19,906	20,754	21,590	22,252	23,193	23,863
<b>Other Schools</b>										
Number of Buildings	13	19	22	22	22	22	16	17	12	11
Square Footage	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	2,373,065	2,297,767
Capacity	9,060 (a)	13,671 (a)	17,507	17,507	17,507	17,507	16,289	17,290	10,673	10,430
Enrollment	8,668	8,556	7,994	6,292	5,894	4,643	4,504	5,819	5,679	6,022
<b>Administrative/Service</b>										
Number of Buildings	56	56	56	56	56	56	58	58	55	55
Square Footage	833,650	833,650	833,650	833,650	833,650	832,871	838,839	838,839	705,268	705,268
<b>Athletics</b>										
Football Fields*	35	35	35	35	35	35	35	35	35	35
Soccer Fields**	21	21	21	21	21	21	21	21	21	21
Running Tracks	12	12	13	13	13	13	13	13	13	13
Baseball/Softball***	72	72	72	72	72	72	72	72	72	72
Swimming Pools	22	22	22	22	22	22	22	13	13	13
Playgrounds	141	141	144	144	144	147	147	147	147	147

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

Note: Excludes leased sites