Redevelopment Authority of the City of Milwaukee

Request for Proposal #57384 — Addendum #1
Audit Services — September 21, 2012

THIS ADDENDUM TO THE SECIFICATION IS ISSUED TO MODIFY, CLARIFY OR CORRECT THE ORIGINAL DOCUMENTS AND IS HEREBY MADE A PART OF SAID DOCUMENTS.

Questions and Answers:

1. Pursuant to us formulating our bid and questions, will you please send us the prior year financials for RACM, CCRC, and NIDC? **Please see attached.**

2. Could we get a copy of the 2011 management letter, Audited financial statements and A-133 audit report? **Financial statements and A-133/single audit report is attached. It is the policy of the Agencies not to release the management letter because it is intended for review by senior management and the Board of each Agency only**.

3. Do you anticipate a significant change in funding during 2012 - 2014? **No.**

4. Why have the Agencies decided to solicit an audit RFP? **Per the procurement policy**.

5. Are there any disputes with the current auditor? **No**.

6. Are there any known instances of fraud within the Agencies? **No.**

7. Approximately how many days and how many persons were on-site for the 2011 audit? **For the 2011 audit, preliminary field work was two days with 3-4 people and final field work was 9 days with 3-4 people**.

8. What were the fees for the 2011 audit? **Pursuant to the integrity of the procurement process, that information is not available at this time.**

9. How many audit adjustments were there for 2011? Could we get a copy of the entries? **There were none.**

10. Has there been any change in key personnel from the prior year? **Yes. NIDC lead accountant has been replaced**.

11. What is the experience of the key accounting personnel? **All have bachelor degrees in accounting. The 4 lead accountants have a combined municipal accounting experience of over 75 years.**

12. What type of CPE has been provided to the agency in the past by the auditors? **Annual GAAP update and topic specific training.**

13. How many 990s would be required to be prepared? **One. NIDC.**

14. Will the financial statements and footnotes that the Agency will be preparing be available at the beginning of field work? **A draft of the financial statements will be available at the beginning; footnotes will be completed during; and the intent is to have them both finalized by the end of the final field work period.** Will a Schedule of Awards be prepared by the Agencies as well? **Yes.**

15. What were the fees for the prior 5 years for each of the entities? **See answer to #8**.

16. What was the level of effort required for each entity during the last 5 years? **We are unable to answer this question as it is too vague/broad**.

17. Who was the auditor of record for each entity? **Baker Tilly-Virchow Krause**

18. Can we get the full audit report and the A-133 reports for each entity? **See attached.**

19. How and when would you know if A-133 audits are required? **The 2011 Audit for NIDC and RACM required A-133. We anticipate the same moving forward**.

20. Why is DCD issuing this RFP? **See answer to #4.**

21. How many accountants work for each entity? **Six total accountants work for all the agencies**.

22. What is the extent of report preparation by your accountants? **See RFP Section I(C), paragraphs 1 and 2**.

23. The SBE requirement. Is it 18% for each entity? **Section II.A.10 of the RFP should read, "The Agencies encourage use of Small Business Enterprises." The 18% SBE Participation goal applies to the total of the fees for RACM, CCRC and NIDC combined for each year**.

24. Is DCD open to joint proposals instead of a subcontracting relationship? **No. The agencies are looking for a prime contractor (with subcontractors as needed)**.

25. What are the primary funding sources for each entity? **City, State and Federal funding, plus miscellaneous revenue**.

26. Item #5 on page 6 refers to "sample of previous work from a similar project", what exactly are you looking for? **A final audit report from a similar size and type of agency.**

27. Which of the 3agencies are required to file IRS form #990? **NIDC only.**

28. Are there any page limitations for the proposal? **No, but brevity is encouraged**.

29. Who has been invited to Bid? **Because the proposals are available to anyone accessing the website, there is no way to answer this questions specifically**.

30. Were there any disagreements with management of RACM, NIDC, or CCRC, over any technical accounting issues with the predecessor auditor? **No.**

31. Please provide copies of all financial statements, single audit report, management letter, and any other final documents issued for RACM, NIDC and CCRC. **See answers to #1 and #2.**

32. Are there any changes to the internal controls in place at RACM, NIDC, or CCRC, that may impact any significant deficiencies or material weaknesses noted in the prior year's management letter? **No.**

33. What is the typical makeup of the audit team for the RACM, NIDC, and CCRC audits (number of days or preliminary and final fieldwork and number of staff, seniors, managers, etc)? **See answers above as they relate to this question.**

34. Do you have information on prior year fees for RACM, NIDC and CCRC available? **See answer to #8**.

35. When are the records of RACM, NIDC, and CCRC complete and available to audit? **The specific audit schedule is to be determined with the chosen vendor**.

36. What is the preferred timing of the fieldwork? **See answer to #35.**

37. What is the nature of any audit adjustments/reclassifications last year? **See the answer to #9.**

38. Has there been a change in key personnel from the prior year? **See the answer to #10.**

39. Is there any change in the level or type of federal and state funding for RACM, NIDC or CCRC that would impact the single audit? **Nothing significant.**

40. Is the auditor responsible for preparing the financial statements or the schedule of federal and state awards? **No**

41. The RFP indicates that unique reporting requirements may apply and require the assistance of the auditors, i.e. tax form preparation, special reports, and opinions for the federal government, etc. In addition, guidance will be required related to the CCRC New market Tax Credit transactions. Please clarify if you expect to see these services included as part of cost proposal, or if these would be considered additional services based on the billing rates provided. **Yes, include as part of the cost proposal**. Also, please provide information as to the types of these reports that were required during 2011, and if any significant changes are known. **2011 NIDC tax forms and consultation on new market tax credit issues**.

42. What type of internal control documentation will you have available to document the processes you have in place for significant account balances and classes of transactions? **Internal procedures for accounts payable, purchasing, and payroll as well as various procedures and policies.**

43. Describe any anticipated funding over the life of the contract received through ARRA. **Anticipate ARRA grant expenditures through the life of the contract**.

44. Describe any decentralized accounting functions that may require site visits during the audit. **All agency accounting activities occur at 809 N. Broadway. Site visits occur at this location.**

45. Who was the prior year auditor? **See the answer to #17**

46. When may we begin audit fieldwork? **See the answer to #35**

47. When will the Agencies be ready for the audit to begin? **See the answer to #35**

48. What was the fee for the prior year audit (in total and per agency)? **See the answer to #8**.

49. When would the Agencies expect us to deliver CPE training? **CPE to be scheduled with selected vendor**.

50. Please forward the available (2010 or 2011) tax forms for these entities. **It is the policy of the Agencies not to release this information.**

ALL PROPONENTS SHALL ACKNOWLEDGE RECEIPT AND ACCEPTANCE OF ADDENDUM NUMBER 1 (DATED September 21, 2012) FOR REQUEST FOR PROPOSAL #57384, BY SIGNING IN THE SPACE PROVIDED AND SUBMITTING THE SIGNED ADDENDUM WITH YOUR REQUEST FOR PROPOSAL. PROPOSALS SUBMITTED WITHOUT THIS ADDENDUM MAY BE CONSIDERED NON-RESPONSIVE.

SIGNED THIS _________ DAY OF _________________, 2012.

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SIGNATURE

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COMPANY NAME

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

(A Component Unit of the City of Milwaukee, Wisconsin)

Financial Statements

December 31, 2011 and 2010

REDEVELOPMENT AUTHORITY OF
THE CITY OF MILWAUKEE

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December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Redevelopment Authority of the City of Milwaukee
Milwaukee, Wisconsin

We have audited the accompanying basic financial statements of the Redevelopment Authority of the City of Milwaukee (the Authority), a component unit of the City of Milwaukee, Wisconsin, as of December 31, 2011 and 2010 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years, then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other postemployment benefits schedule of funding progress 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, economical, 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.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 26, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Redevelopment Authority of the City of Milwaukee
Management's Discussion and Analysis
December 31, 2011 and 2010
(Unaudited)

The Redevelopment Authority of the City of Milwaukee (Authority) is providing to its readers this analysis and discussion of its 2011 and 2010 Financial Statements. We offer this narrative to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position.

The Authority

The Authority is responsible for activities related to the prevention and elimination of blight and slum conditions. The Authority's powers include the ability to establish redevelopment areas; take title to property; sell or lease that property for use in accordance with a redevelopment plan; assist private acquisition, improvement, and development of blighted property; and to issue bonds to finance its activities. Urban renewal and redevelopment recommendations are submitted to the Common Council for approval. Funds to operate the Authority are provided through the Community Development Block Grant (CDBG). The Authority also generates income from its own activities and these funds are retained by the Authority for operating purposes. Employees and specific services are provided to the Authority by the City of Milwaukee through a cooperation agreement and the Authority reimburses the city for those costs. The Authority often holds CDBG land for development or sale and revenues generated are returned to the Block Grant Agency. The Authority also acts as an agent for the city in development projects and services a development loan portfolio. For additional information on the Authority, please refer to the footnotes starting on page 16.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of the 1) statement of net assets, 2) statement of revenues, expenses, and changes in net assets, 3) statement of cash flow and 4) notes to the financial statements. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of America.

Statement of Net Assets

The statement of net assets is similar to a balance sheet in corporate accounting. The statement of net assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals net assets, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as current (convertible into cash within one year), and noncurrent. The focus of the statement of net assets is to show a picture of the liquidity and health of the organization as of the end of the year.

In the statement of net assets, unrestricted net assets are designed to represent the net available liquid (noncapital) assets, net of liabilities, for the entire Authority. Net assets (formerly equity) are reported in three broad categories:

- *Net assets invested in capital assets, net of related debt* – this component of net assets consists of all capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* – this component of net assets consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws, and regulations, etc.
- *Unrestricted net assets* – consists of net assets that do not meet the definition of net assets invested in capital assets, net of related debt, or restricted net assets.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets is similar to an income statement in the corporate world. This statement includes operating revenues, such as rental income and interest income on notes receivable; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenue and expenses, such as grant revenue, investment income, interest expense, and operating subsidy from the City of Milwaukee. The focus of the statement of revenues, expenses, and changes in net assets is the change in net assets. This is similar to net income or loss and portrays the results of operations of the organization for the entire operating period.

Statement of Cash Flows

The statement of cash flows discloses net cash provided by, or used for operating activities, investing activities, noncapital financing activities, and from capital and related financing activities. This statement also portrays the health of the Authority in that current cash flows are sufficient to pay current liabilities.

Notes to Financial Statements

The notes to financial statements are an integral part of the basic financial statements and describe in detail significant accounting policies, related party transactions, deposits and investments, notes receivable, long term debt, environmental remediation costs, retirement plans and post-employment benefits, and the Community Development Block Grant. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

Financial Analysis

The following table presents a condensed summary of net assets (in thousands) as of December 31, 2011, 2010 and 2009:

Statement of Net Assets

	2011	2010	2009
Cash and cash equivalents	$ 8,240	$ 13,598	$ 8,153
Investments	5,684	1,300	6,800
Other current assets	5,126	3,395	1,891
Real estate held for redevelopment	6,580	4,885	4,811
Capital assets	95,361	110,729	104,230
Restricted cash and investments	10,741	10,372	9,052
Notes receivable	37,240	19,120	19,098
Other noncurrent assets	802	782	820
Total assets	169,774	164,181	154,855
Current liabilities	3,013	6,728	3,271
Net OPEB obligation	266	173	75
Long-term debt	78,615	82,084	84,103
Due to City of Milwaukee	19,306	15,102	15,437
Refundable advance from federal government	2,655	3,076	3,238
Other noncurrent liabilities	6,772	8,436	10,093
Total liabilities	110,627	115,599	116,217
Net assets:			
Invested in capital assets, net of related debt	28,230	39,798	29,999
Restricted	8,516	4,128	4,395
Unrestricted	22,401	4,656	4,244
Total net assets	$ 59,147	$ 48,582	$ 38,638

Year Ended December 31, 2011

The Authority's assets totaled $169.8M at December 31, 2011, up 3.4%, from $164.2M at December 31, 2010. This increase is the net result of decreases in cash and cash equivalents and capital assets along with increases in investments, other current assets, real estate held for redevelopment, restricted cash and investments, notes receivable and other noncurrent assets.

Cash and cash equivalents decreased $5.4M compared to prior year while investments increased $4.4M. The decrease in cash and cash equivalents and the corresponding increase in investments were due mostly to the transfer of cash to fund an actively managed investment account.

Other current assets increased $1.7M compared to 2010. This increase was the net result of increases of $3M in restricted cash and investments, $38K in current portion of notes receivable, $5K in due from MEDC, $328K in accrued interest and $28K in prepaid items combined with decreases of $1.5M in grant receivable, $77K in accounts receivable, and $117K in due from City of Milwaukee.

Real estate held for redevelopment increased $1.7M compared to prior year. This increase is the result of a net $658K decrease in net acquisition and sales activity for the year combined with a $2.4M property transfer from capital assets.

In 2011, the Authority sold the Talgo and T-Mobile properties, located at the Century City site, to the Century City Redevelopment Corporation. The Talgo sale which decreased assets $11M along with an increase of $116K in Cathedral parking structure assets and a $50K increase in intangibles combined with a transfer of $2.4M from capital assets to real estate held for resale resulted in a net decrease of $13.2M to capital assets. This $13.2M decrease along with a net $2.2M increase in accumulated depreciation accounts for the $15.4M decrease in net capital assets.

Summary of Capital Assets

	2011	2010	2009
Land	$ 13,620,834	$ 16,627,532	$ 16,627,532
Development in progress - intangibles	-	515,390	230,390
Buildings and improvements	92,989,047	103,232,916	93,940,819
Site improvements	842,946	842,946	842,946
Infrastructure	378,739	378,739	788,739
Intangilbles	565,390	-	-
Total capital assets	108,396,956	121,597,523	112,430,426
Less: accumulated depreciation	(13,036,301)	(10,868,855)	(8,200,258)
Net capital assets	$ 95,360,655	$ 110,728,668	$ 104,230,168

For additional information on the Authority's capital assets, see Note 5.

Restricted cash and investments increased $369K, compared to 2010. This increase is mainly due to the net change in Cathedral and Kenilworth debt service fund investments. The Cathedral investment increased $1K while the Kenilworth investment increased $368K.

Notes receivable, less loan loss reserve, increased approximately $18.1M compared to prior year. This increase was the result of a new $13.4M loan to the Century City Investment Fund, a net increase of $4.1M in TID loans, and a net increase of $600K in other loans.

Other noncurrent assets, which consist of net bond issuance costs and due from CCRC, increased $21K compared to 2010. Due from CCRC is a new category in 2011 and represents the amount owed to the Authority for payments made on CCRC's behalf. CCRC owed the Authority $59K at the end of 2011. This $59K increase along with a $38K amortization of bond issuance costs caused the increase in net current assets.

Total liabilities decreased $5M, down from $115.6M at December 31, 2010. This decrease is due a decrease in current liabilities of $3.7M, a decrease in long-term debt of $3.4M, a decrease in refundable advance from federal government of $421K and a decrease of $1.7M in other noncurrent liabilities combined with an increase of $4.2M in due to City of Milwaukee and an increase of $93K net OPEB obligation.

The current liabilities decrease of $3.7M is the result of an $409K decrease in accounts payable and accrued liabilities, a $15K decrease in accrued interest payable, a $3.3M decrease in unearned revenue along with a $16K increase in due to MEDC. The accounts payable and accrued liabilities decrease is due mostly to a net decrease in the accrual of year-end expenses. The accrued interest payable decrease is due to lower interest rates on the Kenilworth and Cathedral bonds along with a decrease in the outstanding principal. The unearned revenue became earned after the sale of the Talgo property. The due to MEDC increase resulted from an increase in the amount owed to MEDC for services.

The net OPEB obligation increased $93K since the actual contribution for post-employment benefits was less than the actuary-calculated annual required contribution.

Long-term debt decreased $3.5M compared to prior year due to $2.0M of Cathedral bond redemptions and $1.5M of Kenilworth bond redemptions.

Summary of Long-term Debt

	2011	2010	2009
Cathedral Place Parking Facility Series 2002	$ 13,050,000	$ 15,005,000	$ 16,805,000
Cathedral Series 2002 bond discount	(84,455)	(90,750)	(97,045)
University of Wisconsin Milwaukee			
Kenilworth Project, Series 2005	65,650,000	67,170,000	67,395,000
Total long-term debt	$ 78,615,545	$ 82,084,250	$ 84,102,955

For additional information on the Authority's long-term debt, see Note 7.

Due to City of Milwaukee increased $4.2M. This net increase consists of a $4.4M net increase in loans payable along with a $219K decrease in other payables.

The $44K net additions in block grant funded property acquisitions combined with the $465K net decrease in book value of properties resulted in the $421K decrease in refundable advance from the federal government.

Other non-current liabilities decreased $1.7M in 2011. This net increase consists of a due to other governments increase of $2.2M and an accrued environmental remediation costs decrease of $3.9M. The due to other governments increase was caused by the valuation of TID-funded properties added to the Authority's inventory. The accrued environmental remediation costs decrease was due mainly to remediation activities undertaken at the Century City site.

Total net assets increased $10.6M in 2011, up 21.7% from $48.6M at December 31, 2010. This net increase is due to a decrease in net assets invested in capital assets net of related debt of $11.6M, an increase of $4.4M in restricted assets and an increase of $17.8M in unrestricted assets.

The $11.6M decrease in net assets invested in capital assets, net of related debt is due to a $15.4M decrease in land, structures and intangibles net of accumulated depreciation/amortization along with a decrease of $3.8M in related long-term debt. The $4.4M increase in restricted net assets is related to a net $1.4M increase in revolving loan program loans along with a $3M development grant contributed by the City for use at Century City. The $17.8M unrestricted net assets increase is comprised of the $10.6M increase in total net assets plus the $11.6M decrease in net assets invested in capital assets less the $4.4M increase in restricted net assets

<u>Year Ended December 31, 2010</u>

The Authority's assets totaled $164.2M at December 31, 2010, up 6%, from $154.9M at December 31, 2009. This increase is the net result of increases in cash and cash equivalents, other current assets, real estate held for redevelopment, capital assets, restricted cash and investments and notes receivable along with decreases in investments, and other noncurrent assets.

Cash and cash equivalents increased $5.4M compared to prior year while investments decreased $5.5M. The increase in cash and cash equivalents and the corresponding decrease in investments were due mostly to the liquidation upon maturity of the $5.5M CDARS investment.

Other current assets increased $1.5M compared to 2009. This increase was the net result of a $1.55M increase in grant receivable, a $9K increase in Due from MEDC, a $14K increase in prepaid items combined with a $51K decrease in notes and accounts receivable, a $4K decrease in Due from City of Milwaukee and a $14K decrease in accrued interest.

Real estate held for redevelopment increased $74K compared to prior year. This increase represents the net acquisition and sales activity for the year.

In 2010, the Authority's major capital projects included building renovations at the Century City site (former Tower Automotive site), capitalization of the ongoing design and implementation costs of the real estate data base, and razing the Menomonee Valley smokestacks. The building renovations at Century City increased assets $9.3M while the real estate data base added $285K and demolition of the smokestacks decreased the balance by $410K, resulting in a net increase of $9.2M. This $9.2M increase along with a $2.7M increase in accumulated depreciation accounts for the $6.5M increase in capital assets.

Restricted cash and investments increased $1.3M, compared to 2009. This increase is mainly due to the net change in Cathedral and Kenilworth debt service fund investments. The Cathedral investment was unchanged while the Kenilworth investment increased $1.3M.

Notes receivable, less loan loss reserve, increased approximately $22K compared to prior year. This increase was the result of $2.64M in new loans, offset by $2.62M in payoffs.

Other noncurrent assets, which consist of net bond issuance costs, decreased $38K compared to 2009. Bond issuance cost amortization for 2010 was $32K for the Kenilworth issue and $6K for the Cathedral issue.

Total liabilities decreased $618K, down from $116.2M at December 31, 2009. This decrease is due to an increase of $3.46M in current liabilities along with a net decrease of $4.08M in noncurrent liabilities.

The current liabilities increase of $3.46M is mainly due to the receipt of $3.3M related to the Talgo plant at Century City, combined with an increase in accounts payable and accrued liabilities of $94K and a due to MEDC increase of $55K. The accounts payable and accrued liabilities increase is due mostly to a net increase in the accrual of year-end expenses along with a decrease in the health insurance liability for current Authority retirees. The due to MEDC increase resulted from MEDC-paid closing costs on a RACM loan.

The net OPEB obligation increase of $98K was greater than prior year's increases due to the addition of two employees with significant City service.

Long-term debt decreased $2.0M compared to prior year due to $1.8M of Cathedral bond redemptions and $225K of Kenilworth bond redemptions.

Due to City of Milwaukee decreased $335K. This net decrease consists of a $260K net increase in loans payable along with a $595K decrease in other payables.

The $14K net deletions in block grant funded property acquisitions combined with the $147K net decrease in book value of properties resulted in the $161K decrease in refundable advance from the federal government.

Other non-current liabilities increased $1.7M in 2010. This net increase consists of an unearned revenue decrease of $149K, a due to other governments increase of $6K and an accrued environmental remediation costs decrease of $1.5M. The unearned revenue decrease was due to an increase of expenditures tied to grant funds, while the due to other governments increase was caused by the valuation of TID-funded properties in the Authority's inventory. The accrued environmental remediation costs decrease was due mainly to remediation activities undertaken at the Century City and Legacy sites along with properties located at 30th & Meinecke and 143 East Lincoln.

Total net assets increased $9.9M in 2010, up 26% from $39M at December 31, 2009. This net increase is due to an increase in net assets invested in capital assets net of related debt of $9.8M, a decrease of $267K in restricted assets and an increase of $412K in unrestricted assets.

The $9.8M increase in net assets invested in capital assets, net of related debt is due to a $6.5M increase in land, structures and intangibles net of accumulated depreciation/amortization along with a decrease of $3.3M in related long-term debt. The $267K decrease in restricted net assets is related to a net decrease in revolving loan program loans. The $412K unrestricted net assets increase is comprised of the $9.9M increase in total net assets, the $9.8M increase in net assets invested in capital assets and the $267K decrease in restricted net assets

Statement of Revenue, Expenses and Changes in Net Assets

The following table presents a condensed summary of revenues and expenses (in thousands) for the years ended December 31, 2011, 2010 and 2009:

	2011	2010	2009
Operating revenues:			
Property and parking facilities rent	$ 4,801	$ 4,266	$ 3,853
Development fee income	3,751	1,105	1,261
Interest income on notes receivable	844	325	382
Real estate sales	(75)	284	-
Total operating revenue	9,321	5,980	5,496
Operating expenses:			
Conservation, development, and land improvements	8,464	10,025	7,448
Environmental remediation costs	3,162	1,842	6,282
Provision for environmental liability	(3,887)	(1,207)	-
Interest paid for refundable advances	715	216	268
Depreciation	2,718	2,691	2,436
Total operating expenses	11,172	13,567	16,434
Operating loss	(1,851)	(7,587)	(10,938)
Nonoperating revenues	14,620	8,864	5,929
Nonoperating expenses	(5,402)	(626)	(1,467)
Capital contributions	3,199	9,292	4,141
Increase (decrease) in net assets	$ 10,566	$ 9,943	$ (2,335)

Year Ended December 31, 2011

Operating revenue totaled $9.3M in 2011 and $6.0M in 2010. The majority of the increase can be attributed to a $535K increase in property and parking facilities rent along with an increase in development fee income of $2.6M an increase in interest income of $519K along with a decrease in real estate sales of $359K.

Property and parking facilities rent increased $535K compared to 2010. This increase was due to an increase in Kenilworth lease revenue of $102K combined with an increase in commercial & residential rent of $482K along with a $49K decrease in parking revenue.

Development fee income increased $2.6M during 2011. This increase resulted from a $3.1M contribution from the State related to the Talgo site, a net increase in development and option fees of $173K, a decrease of TID fees of $42K and a decrease of bond fee income of $630K.

Interest income on notes receivable increased $519K. A majority of this increase was due to interest on the Moderne loans.

Real estate sales represent the net valuation change in the inventory of properties available for sale. The net value decreased $75K during 2011.

Operating expenses totaled $11.2M in 2011 and $13.6M in 2010, a decrease of $2.4M. There were decreases in conservation, development, and land improvement expense of $1.6M and environmental remediation expense of $1.9M. There were increases in interest paid for refundable advances of $499K and depreciation expense of $27K.

Conservation, development, and land improvements decreased $1.6M in 2011. This decrease is the net result of increases in payroll & benefits of $161K, information technology (IT) services of $139K, and debt service expenses of $26K combined with decreases in property management expenses of $1.83M, office expenses of $10K and other professional services of $49K.

The $161K increase in salaries and benefits is due mostly to a health expense accrual for an employee who retired at the end of the year. IT services increased $139K due mainly to increased billings from IT consultants. Debt service expense increased $26K due mostly to an increase in letter-of-credit fees on the Cathedral bonds. During the year, use of the property improvements account was discontinued and remediation activity expense was recorded in the environmental remediation account instead. This change in accounts was responsible for most of the $1.83M decrease in property management expenses. Office expense decreased $10K due mostly to lower office supplies, subscriptions, postage and photo offset by higher advertising. Other professional services decreased $49K due mainly to lower consulting, feasibility study, appraisal and audit fees offset by higher City attorney and MEDC payroll and benefit expenses.

The increase in environmental remediation expense of $1.3M is due mostly to the cost of remediation activities undertaken at the Century City (aka Tower) site.

Provision for environmental liability is a category created in 2011 to reflect the adjustment to the accrued environmental remediation liability for the year. Major liability reductions were realized for the Century City and 30th & Meinecke sites.

Interest paid for refundable advances increased $499K due mostly to interest on the Moderne loans.

Depreciation expense increased $27K due mainly to the inclusion of intangibles as a depreciable asset.

The Authority's nonoperating revenues increased $5.8M. This net increase resulted from increases in operating subsidy from the City of Milwaukee of $6.3M and operating subsidy from CCRC of $903K combined with decreases in grant income of $1M, investment income of $18K and other income of $350K. The net increase in operating subsidy from the City was the result of $6.4M contribution from the City to fund the Century City new market tax credit transaction along with decreases in block grant and development fund financial support. The $903K operating subsidy from CCRC represents the cost of site improvement activities performed by CCRC on Authority-owned properties. The decrease in grant income was the result of a $700K increase in EPA revolving loan fund activity combined with a $1.7M decrease in ARRA activity. Investment income decreased due to a decrease in interest rates along with the liquidation of a $5.5M certificate of deposit, offset by earnings on an actively-managed investment. Other income decreased due to lower special property fees and miscellaneous revenue.

Nonoperating expenses totaled $5.4M in 2011 and $626K in 2010, a decrease of $4.8M resulting from a $4.9M increase in loss on disposal of capital assets along $77K decrease in interest expense. The loss on disposal of capital assets was due mainly to the sale of the Talgo and T-Mobile properties to CCRC combined with an adjustment to move $2.352M of property from fixed assets to real estate held for resale. The decrease in interest expense was caused by the continuing decrease in interest rates on the Kenilworth and Cathedral bond issues along with a decrease in bond principal.

The 2011 capital contributions total of $3.2M includes $446K of City payments to rehab the Talgo property, a $2.636M City contribution to purchase and build out the Villard Library and a $116K equipment donation from the managers of the Cathedral Square parking structure.

Year Ended December 31, 2010

Operating revenue totaled $6.0M in 2010 and $5.5M in 2009. The majority of the increase can be attributed to a $413K increase in property and parking facilities rent along with an increase in real estate sales of $284K, a decrease in development fee income of $156K and a decrease in interest income of $57K.

Property and parking facilities rent increased $413K compared to 2009. This increase was due to an increase in Kenilworth lease revenue of $98K combined with a net increase in commercial & residential rent of $337K along with a $22K decrease in parking revenue.

Development fee income decreased $156K during 2010. This is the result of a decrease in contributions of $535K and a decrease of TID fees of $162K combined with an increase in development and option fees of $162K and an increase of bond fee income of $379K.

Interest income on notes receivable decreased $57K. A majority of this reduction was due to the payoff, during 2010, of the $2M ASQ loan.

Operating expenses totaled $13.6M in 2010 and $16.4M in 2009, a decrease of $2.8M. There were increases in conservation, development, and land improvement expense of $2.6M, and depreciation expense of $255K. There were decreases in environmental remediation costs of $5.6 M and interest paid for refundable advances of $52K.

Conservation, development, and land improvements increased $2.5M in 2010. This increase is the net result of increases in payroll & benefits of $436K, property management expenses of $2.6M, debt service expenses of $241K combined with decreases in office expenses of $9K, information technology (IT) services of $126K, other professional services of $562K and bad debt expense of $35K.

The $436K increase in salaries and benefits is due mostly to an increase in pension contributions along with a smaller reduction in the estimated future health insurance expense of Authority retirees. The $2.6M increase in property management expenses is the result of greater remediation and redevelopment activities at the Century City, Menomonee Valley, 30th Street Corridor, Legacy and Esser paint sites along with a larger number of tax deed properties managed by the Authority. Office expense decreased $9K due mostly to lower office supplies and advertising offset by higher subscriptions and postage. IT services decreased $126K due mainly to the capitalization, and corresponding removal from expense, of the costs related to the ongoing development of a real estate data base along with reduced billings from IT consultants. Other professional services decreased $562K due mainly to the completion of the neighborhood planning process along with decreased legal fees. Bad debt expense decreased due to a reduction in the loan loss reserve during 2010.

The decrease in environmental remediation expense of $5.6M is due to the reduction of the anticipated environmental liability for Authority-owned properties. Major liability reductions were realized for the 30th & Meinecke, Legacy and Century City sites.

Depreciation expense increased $255K due mainly to $9.3M of building improvements at the Century City site.

Interest paid for refundable advances decreased $52K due to the payoff of the ASQ loan.

The Authority's nonoperating revenues increased $2.9M. This net increase resulted from increases in grant income of $1.7M, in operating subsidy from the City of Milwaukee of $1M, and other income of $195K, along with a decrease in investment income of $10K.

Nonoperating expenses totaled $626K in 2010 and $1.5M in 2009, a decrease of $874K due to a decrease in interest expense and an increase for loss on disposal of capital assets. Interest on the Kenilworth bonds decreased $1.2M, while interest on the Cathedral bonds decreased $29K, due mostly to a drop in interest.

The 2010 capital contributions total of $9.3M represents payments made by the City of Milwaukee for the building renovations at Century City.

The Report

This financial report is designed to provide a general overview of the Authority's finances to those readers who have an interest in the Authority's operations and to demonstrate the Authority's accountability for the money it receives. Please address inquiries for additional information to the Redevelopment Authority of the City of Milwaukee, 809 N. Broadway, Milwaukee, WI. 53202.

BASIC FINANCIAL STATEMENTS

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

Statement of Net Assets

December 31, 2011 and 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents (note 4)	$ 8,240,161	$ 13,598,078
Investments	5,684,119	1,299,975
Grant receivable	1,034,818	2,509,408
Restricted assets - cash and investments CCRC development fund	3,000,000	-
Current portion of notes receivable (note 6)	146,417	107,784
Accounts receivable-miscellaneous	141,863	218,441
Due from City of Milwaukee (note 3)	261,085	378,242
Due from MEDC (note 3)	17,333	12,553
Accrued interest	434,368	106,544
Prepaid Items	89,823	61,945
Total current assets	19,049,987	18,292,970
Noncurrent assets		
Real estate held for redevelopment (note 2)	6,579,587	4,885,106
Capital assets (note 5)		
Land	13,620,834	16,627,532
Development in progress- Intangibles	-	515,390
Other capital assets, net of accumulated depreciation / amortization	81,739,821	93,585,746
Restricted assets - cash and investments with bond trustees (note 4)	10,741,181	10,372,106
Notes receivable, less current portion (note 6)	37,240,151	19,119,979
Due from CCRC (note 3)	59,507	-
Bond issuance cost, net	743,720	782,010
Total noncurrent assets	150,724,801	145,887,869
Total assets	169,774,788	164,180,839

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities		
Accounts payable and accrued liabilities	2,868,582	3,277,633
Accrued interest	11,711	26,644
Unearned revenue	-	3,307,217
Due to MEDC (note 3)	132,401	116,419
Total current liabilities	3,012,694	6,727,913
Noncurrent liabilities		
Net other postemployment benefit obligation (note 10)	265,706	172,940
Long-term debt (note 7)	78,615,545	82,084,250
Due to City of Milwaukee (note 3)	19,305,798	15,102,024
Unearned revenue	518,091	518,091
Refundable advance from the federal government (note 2)	2,655,098	3,076,495
Due to other governments	3,456,492	1,232,990
Accrued environmental remediation cost (note 9)	2,798,031	6,684,637
Total noncurrent liabilities	107,614,761	108,871,427
Total liabilities	110,627,455	115,599,340
Net Assets		
Invested in capital assets, net of related debt (note 8)	28,230,011	39,798,534
Restricted for revolving loan program (note 8)	5,515,665	4,127,532
Restricted- CCRC development fund (note 8)	3,000,000	-
Unrestricted (note 8)	22,401,657	4,655,433
Total net assets	$ 59,147,333	$ 48,581,499

See accompanying notes to financial statements

REDEVELOPMENT AUTHORITY
OF THE CITY OF MILWAUKEE

Statement of Revenues, Expenses and Changes in Net Assets

For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating Revenues		
Property and parking facilities rent	$ 4,801,254	$ 4,266,445
Interest income on notes receivable	844,005	325,352
Development and bond fee income	3,751,017	1,104,498
Gain (loss) on real estate sales	(75,000)	283,507
Total operating revenues	9,321,276	5,979,802
Operating expenses		
Conservation, development, and land improvements	8,464,126	10,025,379
Environmental remediation costs	3,162,211	1,841,556
Decrease in provision for environmental liability	(3,886,606)	(1,207,168)
Interest paid for refundable advances	715,269	215,613
Depreciation	2,717,785	2,691,358
Total operating expenses	11,172,785	13,566,738
Operating loss	(1,851,509)	(7,586,936)
Nonoperating revenues (expenses)		
Grant income	2,573,625	3,604,662
Investment income	79,785	98,018
Interest expense	(161,332)	(238,478)
Loss on disposal of capital assets	(5,240,623)	(387,239)
Operating subsidy from the City of Milwaukee (note 3)	10,942,251	4,688,980
Operating subsidy from CCRC (note 3)	902,547	-
Other income	122,289	472,723
Total nonoperating revenues (expenses)	9,218,542	8,238,666
Income before contributions	7,367,033	651,730
Capital Contributions	3,198,801	9,292,098
Change in net assets	10,565,834	9,943,828
Net Assets, beginning of year	48,581,499	38,637,671
Net Assets, end of year	$ 59,147,333	$ 48,581,499

See accompanying notes to financial statements

REDEVELOPMENT AUTHORITY
OF THE CITY OF MILWAUKEE

Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Receipts from property and parking facilities rent	$ 4,877,832	$ 4,276,864
Receipts from bond fees and development fee income	3,751,017	1,104,498
Receipts from notes receivable, including interest	1,477,589	2,974,881
Receipts from sale of real estate held for development	6,571,399	1,399,764
Receipts from City for purchase of real estate	5,751,213	136,100
Receipts from other nonoperating income	122,289	472,723
Payments for acquisition of real estate held for development	(5,751,213)	(1,332,930)
Payments to City for sale of real estate held for development	(6,538,775)	(149,770)
Payments for conservation, development, and land management	(8,780,410)	(9,834,821)
Payments for environmental remediation costs	(3,162,211)	(2,149,422)
Payments for notes receivable issued	(19,120,213)	(2,616,146)
Payments for interest on refundable advances	(715,269)	(215,613)
Net cash flows from operating activities	(21,516,752)	(5,933,872)
Cash flows from noncapital financing activities		
Grant and contribution income	740,998	5,212,985
Operating subsidy from the City of Milwaukee	10,942,251	4,688,980
Operating subsidy from the CCRC	902,547	-
Net change in due to/from MEDC	11,201	45,832
Net change in due to/from CCRC	(59,507)	-
Net change in due to the City of Milwaukee	4,320,930	(331,175)
Net cash flows from noncapital financing activities	16,858,422	9,616,622
Cash flows from capital and related financing activities		
Purchase of capital assets	(741,594)	(285,000)
Proceeds from the sale of capital assets	11,350,000	-
Interest paid on long-term debt	(159,557)	(204,955)
Principal paid on long-term debt	(3,475,000)	(2,025,000)
Net cash flows from capital and related financing activities	6,973,849	(2,514,955)
Cash flows from investing activities		
Purchase of investments	(4,384,144)	-
Sale of investments	-	5,500,000
Investment income	79,785	98,018
Net cash flows from investing activities	(4,304,359)	5,598,018
Net increase (decrease) in cash and cash equivalents	(1,988,842)	6,765,813
Cash and cash equivalents, beginning of year	23,970,184	17,204,371
Cash and cash equivalent, end of year	$ 21,981,342	$ 23,970,184

See accompanying notes to financial statements

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	$ (1,851,509)	$ (7,586,936)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Depreciation	2,717,785	2,691,358
Provision for loan loss	(7,570)	(590)
Receipts from other nonoperating income	122,289	472,723
Changes in operating assets and liabilities		
Accounts receivable	76,578	10,419
Accrued interest on loans receivable	(327,824)	14,374
Notes receivable	(18,151,234)	19,599
Real estate held for development	(1,694,481)	(74,542)
Accounts payable and accrued liabilities	(316,285)	190,558
Refundable advance from the federal government	(421,397)	(161,530)
Due to other governments	2,223,502	5,730
Accrued environmental remediation costs	(3,886,606)	(1,515,035)
Net cash flows from operating activities	$ (21,516,752)	$ (5,933,872)
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	$ 8,240,161	$ 13,598,078
Investments	5,684,119	1,299,975
Restricted assets		
Cash and investments- CCRC development fund- current	3,000,000	-
Cash and investments with bond trustees - noncurrent	10,741,181	10,372,106
Less: investments not considered cash and cash equivalents	(5,684,119)	(1,299,975)
Total cash and cash equivalents	$ 21,981,342	$ 23,970,184
Non-cash capital and related financing activities		
Capital assets contributed from the City of Milwaukee	$ 3,198,801	$ 9,292,098

(1) Description of Entity

The Redevelopment Authority of the City of Milwaukee (the Authority) is a discretely presented component unit of the City of Milwaukee, Wisconsin (the City) and is a separate body, corporate and politic, which was created by state statute in 1958. The Authority is directed by seven commissioners, including two aldermen, who are appointed by the Mayor and confirmed by the Common Council. The principal activities of the Authority relate to the prevention and elimination of blight and slum conditions in the City. The Authority's powers include the ability to establish redevelopment areas; take title to property; sell or lease that property for use in accordance with a redevelopment plan; assist private acquisition, improvement, and development of blighted property; and to issue bonds to finance its activities. Urban renewal and redevelopment recommendations are submitted to the Common Council for approval.

The City of Milwaukee includes the Authority as a component unit enterprise fund in its comprehensive annual financial report due to the appointment of the commissioners and because the City is financially accountable for the Authority.

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

As defined in accounting principles generally accepted in the United States of America (GAAP), the reporting entity for the Authority consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

(2) Summary of Significant Accounting Policies (continued)

(b) Basis of Accounting

The accounting policies of the Authority conform to GAAP as applicable to governmental entities that engage in business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the accounts of the Authority, which are organized as an enterprise fund, are used to account for the Authority's activities that are financed and operated in a manner similar to a private business enterprise. The Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses, including depreciation and amortization, are recorded when incurred.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include operating subsidies from related organizations, grants, and contributions. Revenue from subsidies, grants, and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

The Authority follows all pronouncements of the Governmental Accounting Standards Board and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

(c) Cash and Investments

Cash and cash equivalents consist of the Authority's cash accounts, deposits in the Wisconsin Local Government Investment Pool (the Pool), and investments with an original maturity of three years or less when acquired.

The Pool is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the Pool have the right to withdraw their funds in total on one day's notice. At December 31, 2011 and 2010 the fair value of the Authority's share of the Pool's assets was substantially equal to the amount as reported in these statements. The Pool is authorized by Wisconsin statutes to enter into investments on behalf of governmental entities within Wisconsin and, in certain circumstances, to enter into derivative transactions to maximize the yield on its investments. However, specific information about the Pool's derivative investments is not available to the Authority.

(2) Summary of Significant Accounting Policies (continued)

(c) Cash and Cash Equivalents (continued)

Investment of the Authority's funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The Authority adopted a formal investment policy on April 17, 2008 (amended November 18, 2010). This policy contains the following investment parameters:

1. Diversification – All cash and cash equivalent assets in all Authority funds shall be diversified by maturity, issuer, and class of security.
2. Maturity – The Authority shall attempt to match its investments with anticipated cash flow requirements. A portion of the portfolio should be continuously invested in readily available funds such as the Wisconsin Local Government Investment Pool or money market funds. Unless matched to a specific cash flow, the maximum maturity of the fixed income portfolio is limited to three (3) years with a maximum effective maturity or average life of any individual security limited to five (5) years.
3. Safekeeping and collateralization – All investment securities purchased by the Authority shall be held in safekeeping by an approved public depository designated as a primary agent. For deposit type securities, the Authority may seek collateralization on deposits in excess of $650,000 in accordance with collateralization agreements. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

(2) Summary of Significant Accounting Policies (continued)

(d) Receivables

Receivables represent amounts due from granting agencies and other organizations. Receivables are stated at their estimated net realizable value and no provision for uncollectible accounts receivable has been made.

(e) Real Estate Held for Redevelopment

Property is purchased to assist private acquisition, improvement, and development for the prevention and elimination of blight and slum conditions. Properties are valued at the lower of cost or assessed/market value based on their estimated net realizable value. Real estate held for redevelopment has been shown net of a valuation allowance of $2,113,100 for both December 31, 2011 and 2010. Any proceeds from the sale of property that was purchased with Federal monies are required to be returned to the Federal granting agency. A liability of $2,655,098 and $3,076,495 as of December 31, 2011 and 2010, presented as refundable advance from the Federal Government, represents the portion of Federal funds received from the U.S. Department of Housing and Urban Development (HUD) that was used to purchase real estate held for redevelopment.

(f) Capital Assets

Capital assets, which consist of land, buildings, parking facilities, infrastructure, site improvements, and construction in progress, are defined by the Authority as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost. Capital assets contributed to the Authority are recorded at their estimated fair value at the date received. Expenditures for ordinary and extraordinary maintenance and repairs are charged to expense as incurred. Depreciable capital assets consist of Cathedral Place parking facility, placed in service in November 2003, the Kenilworth building complex, placed in service in November 2006, the Manpower parking structure, placed in service in July 2008, infrastructure and site improvements in the Menomonee Valley, placed in service in July 2008, site improvements and buildings located at Century City (former Tower Automotive), placed into service December 2009, and the Real Estate database, placed in service July 2011. The parking facilities and the buildings are depreciated using the straight-line method over an estimated 40-year life. The infrastructure and site improvements are depreciated using the straight-line method over useful lives of 15-40 years. The database is amortized using the straight-line method over an estimated useful life of 10 years.

On October 14, 2011, the Authority sold a portion of the Century City site to the Century City Redevelopment Corporation (the Corporation). The site sold consisted of buildings 35 and 36 including lot 2 of land parcel F (aka Talgo property), and lot 1 of parcel F (aka T-Mobile) property. The cost of these properties has been removed from the Authority's asset records.

On June 13, 2011, the Authority purchased the newly constructed Villard Library from a private developer. The Authority sold the Villard Library to the Corporation on October 14, 2011.

(g) Restricted Cash and Investments

Restricted cash and investments consists of money market accounts and mutual funds held in trust for (1) repayment of the Cathedral Place Parking Facility Revenue Bonds, (2) repayment of the UWM – Kenilworth Revenue Bonds, and (3) funds held to be used by Century City Redevelopment Corporation if needed.

(2) Summary of Significant Accounting Policies (continued)

(h) Bond Discounts and Issuance Costs

Bond discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges.

(i) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

(j) Environmental Remediation Costs

Expenses for environmental remediation costs are recognized when it is probable that a liability has been incurred and the amounts can be reasonably estimated. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

(k) Arbitrage Rebate Payable

The Authority has two outstanding bond issues as of December 31, 2011 and 2010 that is under the authority of U.S. Treasury Regulation 1.148 regarding arbitrage profits, which requires that certain arbitrage profits be rebated to the Internal Revenue Service (IRS). The Authority believes that there are no arbitrage profits that will be rebated to the IRS.

(l) Claims and Adjustments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

(m) Net Assets

Equity is displayed in three components as follows:

Invested in capital asset, net of related debt – Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

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

(2) Summary of Significant Accounting Policies (continued)

(n) Classification of Revenues and Expenses

The Authority has classified its revenues and expenses as either operating or nonoperating. Operating revenue includes activities that have characteristics of exchange transactions including revenues related to the prevention and elimination of blight and slum conditions as well as rent from other properties and parking facilities. Operating expenses for the Authority include the cost of service provided, administrative expenses and depreciation on capital assets. Nonoperating revenue includes activities that have characteristics of non-exchange transactions such as most Federal, state, and local grants and subsidies. Nonoperating income also includes investment income.

(o) Income Taxes

The Authority is not subject to income taxes, pursuant to Internal Revenue Code Section 115. Therefore, no provision has been made for income taxes in the accompanying financial statements.

(p) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the net realizable value of real estate held for redevelopment, loan loss reserves, and environmental reserves. Actual results could differ from those estimates.

(3) Related-party Transactions

The Authority is a component unit of the City. During 2011 and 2010, the Authority received operating subsidies from the City for conservation, development, environmental, and land management costs of $10,942,251 and $4,688,980, respectively. Substantially all individuals who work for the Authority are employees of the City. Wages and related fringe benefits are paid by the City with reimbursement by the Authority.

As of December 31, 2011 and 2010, the City had loaned $19,293,327 and $14,870,659 respectively, to the Authority to issue loans to developers for the purpose of renovation and improvement to existing parcels of real estate. The loans were funded through the sale of bonds within a tax incremental district, and proceeds from the loans must be returned to the City as they are received. The City is owed for services rendered to the Authority in the amount of $12,471 and $231,365 in 2011 and 2010, respectively.

As of December 31, 2011 and 2010 the City of Milwaukee owed the Authority $261,085 and $378,242, respectively. These amounts are for various projects that the Authority funded on behalf of the City.

As of December 31, 2011 and 2010 the Authority had notes receivable from Milwaukee Economic Development Corporation (MEDC), a component unit of the City of Milwaukee, in the amount of $1,198,707 and $1,675,203 respectively. This amount is included in the amount reported as notes receivable (See Note 6).

(3) Related-party Transactions (continued)

As of December 31, 2011 and 2010 the Authority owed MEDC $132,401 and $116,419 respectively. The 2011 balance includes amounts owed for salaries and benefits along with the value of MEDC property included on the Authority's inventory. The 2010 amount is for legal fees paid by MEDC on an Authority loan closing and a property included in the real estate held for redevelopment inventory of the Authority but owned by MEDC.

As of December 31, 2011 and 2010 the MEDC owed the Authority $17,333 and $12,553 respectively. These amounts are for principal and interest collected by MEDC on the Authority's behalf.

During 2011, the Authority became the leverage lender in a New Market Tax Credit (NMTC) transaction. Using funds provided by the City and other sources, the Authority made two loans, totaling $13,417,390, to the Century City Investment Fund (CCIF), which is 100% owned by US Bank Community Development Corporation (USBCDC). CCIF used these funds, along with a USBCDC capital contribution of $5,440,110 in net realized tax credits, to make a 99.99% qualified equity investment in MEDC Capital Fund VI, LLC (MEDC Capital VI). MEDC Capital VI utilized these funds to make three loans (qualified low income community investment), totaling $18,850,000 to the Century City Redevelopment Corporation (the Corporation). The Corporation used $11,350,000 of this amount to buy the Talgo, T-Mobile and Villard Library properties from the Authority. The remaining loan proceeds will be utilized by the Corporation to improve Authority-owned properties at the Century City site.

USBCDC has the right and option to require the Authority to purchase, for $1,000, all of its 100% ownership interest in the CCIF upon the occurrence of any of the following events.

a. The first day following the end of the tax credit investment period (the compliance period).
b. The occurrence of an NMTC recapture event.

The Authority staffs and manages the Corporation. Along with wages and benefits, the Authority occasionally pays other operating expenses of the Corporation. The Corporation repays the Authority as cash flow permits. Accounts receivable from the Corporation for wages, benefits and other items amounted to $59,507 for the year ended December 31, 2011. The Authority's receivable from the Corporation is considered long-term.

The Corporation performs redevelopment activities on Authority-owned parcels within the Century City site. The Authority records a contribution for the cost of these activities, including administrative expense. The Corporation performed $902,547 of activities in 2011.

(4) Deposits and Investments

The Authority's deposits and investments at December 31, 2011 were comprised of the following:

	Carrying Value	Bank Balance	Associated Risk
Demand deposits	$ 6,635,844	$ 7,316,354	Custodial Credit Risk
Certificates of Deposit	3,650,000	3,650,000	Custodial Credit Risk
US Treasury Money Market Funds	10,741,181	10,741,181	Credit Risk, Interest Rate Risk
Local Government Investment Pool	1,604,217	1,604,217	Credit Risk, Interest Rate Risk
US Treasury Notes	970,194	970,194	Credit Risk, Interest Rate Risk
US Agency Securities	1,841,337	1,841,337	Credit Risk, Interest Rate Risk
Municipal Bonds	296,254	296,254	Credit Risk, Interest Rate Risk
Corporate Bonds	1,786,489	1,786,489	Credit Risk, Interest Rate Risk
Money Market	84,963	84,963	Custodial Credit Risk
Negotiable Certificate of Deposit	54,882	54,882	Credit Risk, Interest Rate Risk
Petty Cash	100	-	None
Total Cash and Investments	$ 27,665,461	$ 28,345,871	

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted	
Cash and cash equivalents	$ 8,240,161
Investments	5,684,119
Restricted	
Cash and investments	13,741,181
Total Cash and Investments	$ 27,665,461

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to the Authority.

As of December 31, 2011, $1,238,016 of the Authority's total bank balances of $10,966,354 was exposed to custodial credit risk as uninsured and uncollateralized.

(4) Deposits and Investments (continued)

Custodial Credit Risk (continued)

Investments

For an Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2011, $15,614,035 of the Authority's investments was exposed to custodial credit risk as uninsured and uncollateralized.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2011, the Authority's investments were as follows:

Investment Type	Less than 1 year	1-3 years	3-5 years	Fair Value
Local Government Investment Pool	$ 1,604,217	$ -	$ -	$ 1,604,217
US Treasury Money Market Fund	10,741,181	-	-	10,741,181
US Treasury Notes	302,955	434,840	232,399	970,194
US Security Agencies	-	1,612,036	229,301	1,841,337
Municipal Bonds	141,350	81,510	73,394	296,254
Corporate Bonds	316,364	1,059,094	411,031	1,786,489
Money Market	84,963	-	-	84,963
Negotiable CD	54,882	-	-	54,882
Total	$ 13,245,912	$ 3,187,480	$ 946,125	$ 17,379,517

Credit Risk

As of December 31, 2011, the Authority's investments in US Treasury Money Market Fund and US Treasury Notes had a Moody's Aaa rating. The rating on US Security Agencies was either Aaa by Moody's, or Aa by Standard & Poor's. Municipal Bonds ranged from Aa to Aaa by Moody's. Corporate Bonds had either a Standard & Poor's rating of Aa, or ranged from Aa to Aaa by Moody's. The Negotiable CD was rated Aa by Moody's.

The Authority also held investments in the Local Government Investment Pool, which is not rated.

(4) Deposits and Investments (continued)

The Authority's deposits and investments at December 31, 2010 were comprised of the following:

	Carrying Value	Bank Balance	Associated Risk
Demand deposits	$ 11,304,391	$ 12,028,730	Custodial Credit Risk
Certificates of Deposit	1,299,975	1,299,975	Custodial Credit Risk
US Treasury Money Market Funds	2,293,587	2,293,587	Credit Risk, Interest Rate Risk
Local Government Investment Pool	10,372,106	10,372,106	Credit Risk, Interest Rate Risk
Petty Cash	100	-	None
Total Cash and Investments	$ 25,270,159	$ 25,994,398	

Reconciliation to financial statements	
Per statement of net assets	
Unrestricted	
Cash and cash equivalents	$ 13,598,078
Investments	1,299,975
Restricted	
Cash and investments	10,372,106
Total Cash and Investments	$ 25,270,159

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to the Authority.

As of December 31, 2010, $4 of the Authority's total bank balances of $13,328,705 was exposed to custodial credit risk as uninsured and uncollateralized.

(4) Deposits and Investments (continued)

Custodial Credit Risk (continued)

Investments

For an Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2010, $10,372,106 of the Authority's investments was exposed to custodial credit risk as uninsured and uncollateralized.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2010, the Authority's investments were as follows:

Investment Type	Weighted Average Maturity (Days)		Fair Value
Local Government Investment Pool	73 days	$	2,293,587
US Treasury Money Market Fund	54 days		2,540,026
US Treasury Money Market Fund	51 days		7,832,080
Total		$	12,665,693

Credit Risk

As of December 31, 2010, the Authority's investments were rated as follows:

Investment Type	Moody's
US Treasury Money Market Fund	Aaa

The Authority also held investments in the Local Government Investment Pool, which is not rated.

The Authority's investment policy does not address credit risk

REDEVELOPMENT AUTHORITY
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Notes to Financial Statements

December 31, 2011 and 2010

(5) Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance, January 1, 2011	Additions	Deductions	Balance, December 31, 2011
Capital assets not being depreciated/ amortized:				
Land	$ 16,627,532	$ 32,624	$ 3,039,322	$ 13,620,834
Development in progress - intangibles	515,390	50,000	565,390	-
Total capital assets not being depreciated/amortized	17,142,922	82,624	3,604,712	13,620,834
Capital assets being depreciated/amortized:				
Buildings and improvements	103,232,916	3,857,771	14,101,640	92,989,047
Site Improvements	842,946			842,946
Infrastructure	378,739			378,739
Intangibles	-	565,390	-	565,390
Total capital assets being depreciated/ amortized	104,454,601	4,423,161	14,101,640	94,776,122
Less: accumulated depreciation/ amortization				
Buildings and improvements	(10,637,197)	(2,595,993)	(550,339)	(12,682,851)
Site Improvements	(190,993)	(77,256)		(268,249)
Infrastructure	(40,665)	(16,266)		(56,931)
Intangibles	-	(28,270)	-	(28,270)
Total accumulated depreciation/ amortization	(10,868,855)	(2,717,785)	(550,339)	(13,036,301)
Total capital assets being depreciated/amortized, net	93,585,746	1,705,376	13,551,301	81,739,821
Total capital assets, net	$ 110,728,668	$ 1,788,000	$ 17,156,013	$ 95,360,655

(5) Capital Assets (continued)

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance, January 1, 2010	Additions	Deductions	Balance, December 31, 2010
Capital assets not being depreciated/ amortized:				
Land	$ 16,627,532	$ -	$ -	$ 16,627,532
Development in progress - intangibles	230,390	285,000	-	515,390
Total capital assets not being depreciated/amortized	16,857,922	285,000	-	17,142,922
Capital assets being depreciated/amortized:				
Buildings and improvements	93,940,819	9,292,097		103,232,916
Site Improvements	842,946		-	842,946
Infrastructure	788,739	-	410,000	378,739
Total capital assets being depreciated/ amortized	95,572,504	9,292,097	410,000	104,454,601
Less: accumulated depreciation/ amortization				
Buildings and improvements	(8,046,747)	(2,590,450)	-	(10,637,197)
Site Improvements	(113,737)	(77,256)	-	(190,993)
Infrastructure	(39,774)	(23,652)	(22,761)	(40,665)
Total accumulated depreciation/ amortization	(8,200,258)	(2,691,358)	(22,761)	(10,868,855)
Total capital assets being depreciated/amortized, net	87,372,246	6,600,739	387,239	93,585,746
Total capital assets, net	$ 104,230,168	$ 6,885,739	$ 387,239	$ 110,728,668

(6) Notes Receivable

On October 14, 2011, the Authority made two loans, totaling $13,417,390 to the CCIF.

	Note A	Note B
Loan amount	$ 10,781,015	$ 2,636,375
Interest rate	0.50000%	0.50000%
Loan term (years)	30.00	30.00
Maturity	10/14/41	10/14/41
Days	360	360
Payment frequency	Semi-annually	Semi-annually

The notes are payable in installments as follows:

a. Commencing on December 1, 2011, and on each December 1 and June 1 thereafter, until and including November 1, 2018 (the tax credit compliance period), interest on the unpaid principal.
b. Commencing on May 1, 2019, and on each May 1 and November 1 thereafter, until the maturity date, payments of principal and interest shall be made.
c. On November 1, 2041, all of the unpaid principal, and accrued but unpaid interest is due and payable.

Payments received by the Authority on the A loan are retained by the Authority but are restricted to funding activities at the Century City site. Payments received on the B loan must be returned to the City.

Notes receivable activity for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011
Notes receivable	$ 19,336,572	$ 19,120,213	$ (968,978)	$ 37,487,807
Less allowance for loan loss	(108,809)	-	7,570	(101,239)
Net notes receivable	19,227,763	$ 19,120,213	$ (961,408)	37,386,568
Less current portion	(107,784)			(146,417)
Noncurrent loans receivable	$ 19,119,979			$ 37,240,151

(6) Notes Receivable (continued)

Notes receivable activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010
Notes receivable	$ 19,356,170	$ 2,616,146	$ (2,635,744)	$ 19,336,572
Less allowance for loan loss	(109,399)	-	590	(108,809)
Net notes receivable	19,246,771	$ 2,616,146	$ (2,635,154)	19,227,763
Less current portion	(148,341)			(107,784)
Noncurrent loans receivable	$ 19,098,430			$ 19,119,979

(6) Notes Receivable (continued)

Notes receivable is comprised of the following at December 31, 2011 and 2010:

	Interest rate	2011	2010
MIAD Riverwalk	3.39%	$ 461,977	$ 492,752
City Hall Square – Component I	0.00%	1,000,000	1,000,000
City Hall Square – Component I	3.00%	1,228,289	1,228,289
Ivory Retail/Office	4.50%	2,400,000	2,400,000
Ms. Vivian Podlesnik	6.00%	-	3,408
H. Schoeer LTD	0.00%	28,750	28,750
Manpower (TID-41)	3.00%	3,280,303	3,280,303
Bostco, LLC	0.00%	2,001,000	2,001,000
New Covenant Housing	4.50%	246,539	235,923
DRS Technologies	3.00%	1,112,999	1,231,704
Metcalfe Park Homes Owner Initiative	4.85%	425,000	425,000
Ralos, Inc	0.00%	378,302	417,310
Milwaukee Economic Development Corporation	3.25%	1,198,707	1,224,032
Milwaukee Economic Development Corporation	0.50%	-	451,171
SBP II. LLC	2.00%	288,263	321,459
Dockwall BID No. 2	4.10%	362,447	383,256
USL Land LLC	3.25%	947,476	947,476
1818 LLC	1.75%	649,892	649,892
River Corner LLC	3.25%	116,191	116,191
Ingeteam	4.00%	1,753,418	632,645
Moderne Mezzanine	16.04%	2,800,000	1,866,011
Moderne Completion	5.11%	1,704,470	-
Inner City Arts LLC	0.00%	108,560	-
Century City Investment Fund LLC - Note A	0.50%	10,781,015	-
Century City Investment Fund LLC - Note B	0.50%	2,636,375	-
Franklin Square Apartments LLC	3.00%	341,000	-
Milwaukee Fix LLC	3.25%	565,000	-
2452 KK LLC	3.25%	671,834	-
		$ 37,487,807	$ 19,336,572

REDEVELOPMENT AUTHORITY
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Notes to Financial Statements

December 31, 2011 and 2010

(7) Long-term Obligations

(a) Changes in Long-term Obligations

Changes in long-term obligations for the year ended December 31, 2011 were as follows:

	Balance, January 1, 2011	Additions	Deductions	Balance, December 31, 2011	Amounts due within one year
Redevelopment Revenue Bonds Cathedral Place Parking Facility Series 2002	$ 15,005,000	$ -	$ (1,955,000)	$ 13,050,000	$ -
Bond discount	(90,750)	-	6,295	(84,455)	-
Redevelopment Revenue Bonds University of Wisconsin Milwaukee Kenilworth Project, Series 2005	67,170,000	-	(1,520,000)	65,650,000	-
Total	$ 82,084,250	$ -	$ (3,468,705)	$ 78,615,545	$ -

Changes in long-term obligations for the year ended December 31, 2010 were as follows:

	Balance, January 1, 2010	Additions	Deductions	Balance, December 31, 2010	Amounts due within one year
Redevelopment Revenue Bonds Cathedral Place Parking Facility Series 2002	$ 16,805,000	$ -	$ (1,800,000)	$ 15,005,000	$ -
Bond discount	(97,045)	-	6,295	(90,750)	-
Redevelopment Revenue Bonds University of Wisconsin Milwaukee Kenilworth Project, Series 2005	67,395,000	-	(225,000)	67,170,000	-
Total	$ 84,102,955	$ -	$ (2,018,705)	$ 82,084,250	$ -

(7) Long-term Obligations (continued)

(b) Revenue Bonds

In 2002, the Authority issued $25,400,000 in variable rate demand revenue bonds for the financing of constructing and equipping an eight-story above ground parking structure known as the Cathedral Place Parking Facility Project. The bond principal is due in 2025 with interest paid on a quarterly basis. The interest rate on these bonds fluctuates at a rate such that the bonds could be sold at their par value on the date of calculation. The effective interest rates on the bonds ranged from .25% to .37% during 2011 and from .28% to .37% in 2010. These bonds will be paid off using parking fees from the Cathedral Park structure along with increments from the overlying tax incremental district. The principal and interest paid during the years ended December 31, 2011 and 2010 on the Cathedral bonds was $1,998,589 (including $1,955,000 of additional principal) and $1,854,778 (including $1,800,000 of additional principal), respectively. Total parking fees recognized as revenue during 2011 and 2010 were $959,254 and $1,008,481, respectively.

In 2005, the Authority issued $68,210,000 in variable rate demand redevelopment lease revenue bonds for the financing of constructing and equipping buildings containing student housing, instructional, office and studio space located near the University of Wisconsin Milwaukee known as the Kenilworth Project. During 2009, a substitute letter of credit was acquired on the Kenilworth bonds. This changed the maturity date on the bonds from 9/1/2040 to 9/1/2032. Bond principal payments become due in 2012, with annual payments due until maturity of the bonds. Interest is due on a monthly basis. The interest rate on these bonds fluctuates at a rate such that the bonds could be sold at their par value on the date of calculation. The effective interest rates on the bonds ranged from .08% to .33% in 2011 and from .21% to .30% in 2010. The bonds will be repaid through lease payments received from the University of Wisconsin-Milwaukee for the leasing of the property. The principal and interest paid during the years ended December 31, 2011 and 2010 on the Kenilworth bonds was $1,652,676 (including $1,520,000 of additional principal) and $406,239 (including $225,000 of additional principal), respectively. Total lease payments received in 2011 and 2010 were $2,663,105 and $2,560,678, respectively.

Revenue bonds payable at December 31, 2011 and 2010 were as follows:

	Original issue date	Interest rate	Final maturity date	Original indebtedness	Balance December 31, 2011	Balance December 31, 2010
Revenue bonds payable:						
Cathedral Park	5/22/2002	Variable	5/1/2025	$ 25,400,000	$ 13,050,000	$ 15,005,000
Kenilworth	3/15/2005	Variable	9/1/2032	68,210,000	65,650,000	67,170,000
					$ 78,700,000	$ 82,175,000

(7) Long-term Obligations (continued)

(b) Revenue Bonds (continued)

Aggregate annual debt service requirements are as follows as of December 31, 2011:

	Principal	Interest	Total
2012	$ -	$ 95,665	$ 95,665
2013	390,000	95,535	485,535
2014	565,000	95,087	660,087
2015	755,000	94,458	849,458
2016	965,000	93,633	1,058,633
2017-2021	8,605,000	447,632	9,052,632
2022-2026	30,100,000	337,508	30,437,508
2027-2031	29,295,000	124,055	29,419,055
2032	8,025,000	5,350	8,030,350
	$ 78,700,000	$ 1,388,923	$ 80,088,923

Interest on the variable rate Cathedral Park and Kenilworth bonds included in the schedule of future payments above is based upon the rates in effect at December 31, 2011 and were .23% and .10% respectively.

The Authority has pledged future revenues from Cathedral Park to repay $13.1 million in revenue bonds issued in prior years. Proceeds from the bonds provided financing for the construction of the Cathedral Park Parking Facility Project. The bonds, payable through 2025, are repaid from rental payments and annual City contributions from the overlying tax incremental district. Annual principal and interest payments on the bonds are expected to require 40% of net revenues. The contribution from the City will cover the amount in excess of actual net revenues. The total principal and interest remaining to be paid on the bonds is $13,451,541. Principal and interest paid for the current year and total net revenues were $1,998,589 and $2,376,157, respectively. During 2010, principal and interest paid and total net revenues were $1,854,778 and $2,232,723, respectively.

The Authority has pledged future revenues from Kenilworth to repay $65.7 million in revenue bonds issued in prior years. Proceeds from the bonds provided financing for the construction of the Kenilworth Project. The bonds are payable solely from rental payments and the proceeds of the sale of the facility at the end of the lease term and are payable through 2032. Annual principal and interest payments on the bonds are expected to require 38% of net revenues. See Note 14 for additional information. The total principal and interest remaining to be paid on the bonds is $66,637,382. Principal and interest paid for the current year and total net revenues were $1,652,676 and $2,663,105, respectively. During 2010, principal and interest paid and total net revenues were $406,239 and $2,560,678, respectively.

(8) Net Assets

Net assets reported on the financial statements as of December 31, 2011 and 2010 include the following:

Net Assets	**2011**	**2010**
Invested in capital assets, net of related debt		
Total capital assets, net of depreciation	$ 95,360,655	$ 110,728,668
Less: long- term debt outstanding	(78,615,545)	(82,084,250)
Plus: noncapital debt outstanding	10,741,181	10,372,106
Plus: unamortized debt issue costs	743,720	782,010
Total invested in capital assets	28,230,011	39,798,534
Restricted		
Revolving Loan program	5,515,665	4,127,532
CCRC Development fund	3,000,000	-
Total restricted	8,515,665	4,127,532
Unrestricted	22,401,657	4,655,433
Total net assets	$ 59,147,333	$ 48,581,499

(9) Environmental Remediation Costs

Costs incurred to investigate and remediate contaminated real estate held for redevelopment are expensed when determined to be probable and the amounts can be estimated. Management has recorded a liability of $2,798,031 and $6,684,637 as of December 31, 2011 and 2010, respectively. The Authority believes there may be additional liabilities for properties owned, which will be estimated upon identification.

The Authority has assumed responsibility for the payment of environmental remediation costs for certain properties with potential environmental contamination that it sold in accordance with a redevelopment plan. Accrued environmental remediation costs as discussed above included approximately $57,117 for these properties in both 2011 and 2010.

(10) Retirement Plan and Other Postretirement Benefits

(a) Retirement Plan

Plan Description. The Authority makes contributions to the Employees' Retirement System of the City of Milwaukee (the System), a cost-sharing, multiple-employer defined benefit pension plan, on behalf of all eligible Authority 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 City. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy. Employee and employer contributions fund the retirement plan. The employees' share of the annual contribution is 5.5% of their annual salary exclusive of overtime, while the employer's share is calculated based upon an actuarial valuation made at the beginning of each fiscal year. The City is required to contribute an actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The Authority's contribution to the System for the years ending December 31, 2011, 2010 and 2009 was $111,514, $234,603 and $106,191, respectively.

(b) Other Postemployment Benefits

The City provides post-employment medical and life insurance coverage for substantially all retirees. Such benefits are recorded when paid. These costs are recorded in the City's general fund.

Plan Description. The Authority provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employee Retirement System (MERS). The Authority provides medical insurance benefits for substantially all retirees in accordance with terms set forth by City Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes a Health Maintenance Organization (HMO) plan currently offered to active employees. The Authority provides full health insurance coverage to RACM employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. Employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active employees.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the Authority contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the Authority contributes a 25% subsidy of the applicable HMO premium.

In addition to medical insurance, the Authority allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the City's Code of Ordinances. The base amount of coverage for Authority employees is equal to the employee's annual basic salary to the next higher thousand dollars.

(10) Retirement Plan and Other Postretirement Benefits (continued)

(b) Other Postemployment Benefits (continued)

Authority employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the Authority assuming all future premiums.

Funding Policy. Medical and life insurance for retirees is financed on a pay-as-you-go basis. For 2011, the Authority paid $28,605 toward medical insurance for its retirees. The following table shows the components of the Authority's total Other Postemployment Benefits (OPEB) costs for the year, contribution to the plan on the pay-as-you-go basis, and increase in the net OPEB obligation for 2011.

Funding Status and Funding Progress

	2011	2010
Annual Required Contribution	$ 120,214	$ 113,101
Interest on Net OPEB Obligation	7,782	3,370
Adjustment to ARC	(6,625)	(2,860)
Annual OPEB Cost	121,371	113,611
Contributions Made	(28,605)	(15,562)
Increase in Net OPEB Obligation	92,766	98,049
Net OPEB obligation - beginning of year	172,940	74,891
Net OPEB obligation - end of year	$ 265,706	$ 172,940

The Authority annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding two years were as follows:

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	$ 79,768	69.2%	$ 74,891
12/31/2010	$ 113,611	13.7%	$ 172,940
12/31/2011	$ 121,371	23.6%	$ 265,706

(10) Retirement Plan and Other Postretirement Benefits (continued)

(b) Other Postemployment Benefits (continued)

The funded status as of January 1, 2010, the most recent actuarial valuation report date, was as follows:

Actuarial accrued liability (AAL)	$	1,153,766
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	$	1,153,766
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	1,720,856
UAAL as a percentage of covered payroll		67%

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

Actuarial Methods and Assumptions. The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method produces an explicit normal cost and actuarial accrued liability. The normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay. The plan's unfunded actuarial liability is being amortized using the 30 year open level percentage of payroll method. The remaining amortization period at December 31, 2011 was 30 years.

The OPEB valuation uses a discount rate assumption of 4.5 percent. The healthcare cost trends rate is 8.5 percent initially, and reduced by decrements to the ultimate rate of 4.5 percent after 8 years.

(11) Community Development Block Grant

The Authority was granted approval of $21,500,000 of Community Development Block Grant funds to be used as loan funds pursuant to Section 108. The Authority executed promissory notes payable to HUD. During 2006, the Authority repaid, with an advance from the City, the remaining outstanding balance to HUD. Loans of $0 and $3,408 existed as of December 31, 2011 and 2010, respectively.

(12) Commitments and Contingencies

(a) Conduit Debt

From time to time, the Authority has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Authority has also issued industrial revenue bonds to provide financial assistance to other governmental and not for profit organizations to provide financial assistance for capital projects or pension-related debt. The bonds are secured by mortgages, revenue agreements on the associated projects, or letters of credit. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Fees collected from private business enterprises for the issuance of the industrial revenue bonds are recognized as revenue when collected.

As of December 31, 2011 and 2010, the Authority has sold approximately 60 and 66 separate issues in the total principal amount of approximately $559 million and $592 million, respectively.

(b) Claims and Legal Proceedings

From time to time, the Authority is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Authority's Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Authority's financial position.

(c) Grants

The Authority has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

(13) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

(14) University of Wisconsin – Milwaukee Kenilworth Project

During 2005, in conjunction with the issuance of the $68,210,000 variable rate demand redevelopment lease revenue bonds issued for the Kenilworth construction project as described in Note 7, the Authority entered into several lease agreements with University of Wisconsin – Milwaukee (UWM). The Authority entered into a 66 year ground lease agreement with UWM, in which the Authority has paid UWM $11,003,764 in advance, for the rental of the ground underneath the Kenilworth construction project. This amount has been capitalized as part of the Kenilworth construction project in the statement of net assets as of December 31, 2006. At the end of the term of the ground lease, all grounds, buildings and improvements are remitted back to UWM.

The Authority has also entered into a 26 year operating lease with a 4 year option to extend the lease with UWM for the use of the building that has been constructed with the bond proceeds. The carrying value of the building is $53,574,217 (cost of $61,447,130 less accumulated depreciation of $7,872,913). The operating lease became effective after the project was substantially completed. Lease payments were $2,663,105 and $2,560,678 during 2011 and 2010, respectively. Payments are due each successive July 15, increased by the consumer price index, but no less than four percent. UWM has the option to purchase the property at any time for the greater of the fair market value of the Authority's interest in the property or the outstanding balance on the Kenilworth bonds payable by the Authority. At the end of the term, all buildings and improvements constructed under the Kenilworth project remain in the property of the Authority if UWM does not exercise its purchase option. A table of the remaining projected lease payments for the 26 year term based on an increase of 4% per year is listed below.

Year		Amount
2012	$	2,769,629
2013		2,880,414
2014		2,995,631
2015		3,115,456
2016		3,240,074
2017-2021		18,251,259
2022-2026		22,205,450
2027-2031		27,016,327
	$	82,474,240

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;* and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53.* Application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REDEVELOPMENT AUTHORITY
OF THE CITY OF MILWAUKEE

Schedule of Funding Progress
Year Ended December 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/07	$ -	$ 880,000	$ 880,000	0%	$ 1,557,300	57%
01/01/10	$ -	$ 1,153,766	$ 1,153,766	0%	$ 1,720,856	67%

The Authority is required to present the above information for the three most recent actuarial studies. The above referenced studies were performed as of January 1, 2007 and January 1, 2010.

The data presented above were taken from the reports issued by the actuary.

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

(A Component Unit of the City of Milwaukee, Wisconsin)

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2011

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

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For the Year Ended December 31, 2011

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Agency/Program Title	CFDA Number	Grant Number	Total Expenditures
U.S. Environmental Protection Agency			
Brownfields Assessment and Cleanup Cooperative Agreements:	66.818		
2002 EPA Revolved Grant Money - Revolved Money		CA-BL9768301	$ 168,046
2004 EPA Revolving Grant - Revolved Money		CA-96531201	669,774
2005 EPA Revolving Grant - Revolved Money		CA-99500401	111,436
2006 EPA Hazardous and Petroleum Assessment		00E04701	75,742
2006 EPA Revolving Grant - Revolved Money		CA-00E04901	38,147
2006 EPA Revolving Grant - Revolved Money		CA-00E04901	154,801
2006 EPA Clean-Up		00E04801	194,665
2007 EPA Revolving Grant		00E43001	205,000
2008 EPA Hazardous and Petroleum Assessment		00E61701	40,378
2008 EPA Clean-Up		00E61601	207,565
2009 EPA Petroleum Assessment - ARRA		00E89801	24,245
2009 EPA Hazardous Assessment - ARRA		00E89701	39,369
2009 EPA RLF - ARRA		00E96501	404,570
2009 EPA Revolving Grant		00E90601	7,809
2009 EPA Clean-Up		00E90401	262,130
2010 EPA Clean-Up		00E00387	114,888
Passed Through Wisconsin Department of Natural Resources			
Brownfields Assessment and Cleanup Cooperative Agreements:	66.818		
Brownfields Assessment & Cleanup Cooperative Agreements		BF00E45001	126,576
Ready for Re-use Brownfields Loan & Grant Program (12th & Washington) - ARRA		RAG-016	7,129
Totals			2,852,270
Passed Through Wisconsin Department of Natural Resources			
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805		
Leaking Undergound Storage Tanks (LUST)-ARRA		2L-00E84401	297,114
U.S. Department of Housing and Urban Development			
Economic Development Initiative-Special Project, Neighborhood Initiative & Miscellaneous Grants	14.246		
EDI Special Project - Riverwest Grant		B-05-SP-WI-0333	91
EDI Special Project - 30th Street Corridor		B-08-SP-WI-0678	233,397
Totals			233,488
U.S. Department of Commerce-Economic Development Administration			
Economic Adjustment Assistance	11.307		
Economic Adjustment Assistance Grant - 30th Street Industial Corridor		06-87-05475	8,258
U.S. Department of Agriculture - Natural Resources Conservation Service			
Great Lakes Basin Program for Soil Erosion & Sediment Control	10.902		
Great Lakes Commission Grant-Northern Menomonee River Bank		16-09-11	3,876
TOTAL FEDERAL AWARDS			$ 3,395,006

See accompanying notes to schedules of expenditures of federal and state awards.

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2011

State Agency/Program Title	State Number	Grant Number	Total Expenditures
Wisconsin Department of Natural Resources			
Environmental Aids Brownfield Site Assessment	370.687		
Brownfield Site Assessment Grants - 629		629	$ 4,312
Wisconsin Department of Commerce			
Brownfield Grant Program	N/A		
Brownfield Grant Program - Esser Site		FY09-19512	300,000
Brownfield Grant Program - Tower Site		FY010-19758	17,263
Totals			317,263
TOTAL STATE AWARDS			$ 321,575

See accompanying notes to schedules of expenditures of federal and state awards.

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2011

NOTE 1 – REPORTING ENTITY

This report on Federal and State Awards includes the federal and state awards of the Redevelopment Authority of the City of Milwaukee (the "Authority"). The reporting entity for the Authority is based upon criteria established by the Governmental Accounting Standards Board.

The schedule includes only those programs required to be included in accordance with the *State Single Audit Guidelines.*

NOTE 2 – BASIS OF PRESENTATION

The accounting records for grant programs are maintained on the accrual basis of accounting. Under the accrual basis, revenues are recorded when the revenue has been earned and expenditures are recognized in the accounting period in which the liability is incurred.

The information in the schedules of expenditures of federal and state awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and the *State Single Audit Guidelines.*

NOTE 3 – SUBRECIPIENTS

The Authority did not make any awards to subrecipients during 2011.

NOTE 4 – STATUS OF PRIOR YEAR FINDINGS

The finding of noncompliance identified in the Single Audit Report for the year ended December 31, 2010 has been satisfactorily resolved.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Redevelopment Authority of the City of Milwaukee
Milwaukee, Wisconsin

We have audited the basic financial statements of the Redevelopment Authority of the City of Milwaukee (the Authority), a component unit of the City of Milwaukee, Wisconsin, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012. 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Commissioners
Redevelopment Authority of the City of Milwaukee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the Authority in a separate letter dated June 26, 2012.

This report is intended solely for the information and use of the Authority's Board of Commissioners and management, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 26, 2012

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES* AND THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

To the Board of Commissioners
Redevelopment Authority of the City of Milwaukee
Milwaukee, Wisconsin

Compliance

We have audited the Redevelopment Authority of the City of Milwaukee's (the Authority) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the Authority's major federal and major state programs for the year ended December 31, 2011. The Authority's major federal and major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and major state programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal or major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedules of Expenditures of Federal and State Awards

We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Expenditures of Federal and State Awards are presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Commissioners
Redevelopment Authority of the City of Milwaukee

This report is intended solely for the information and use of the Authority's Board of Commissioners and management, others within the entity, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 26, 2012

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REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
• Material weakness(es) identified?	____ yes	X	no
• Significant deficiency(ies) identified?	____ yes	X	none reported
Noncompliance material to basic financial statements noted?	____ yes	X	no

FEDERAL OR STATE AWARDS

Internal control over major programs:			
• Material weakness(es) identified?	____ yes	X	no
• Significant deficiency(ies) identified?	____ yes	X	none reported
Type of auditor's report issued on compliance for major programs:			
Federal	Unqualified		
State	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ yes	X	no
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Guidelines?	____ yes	X	no

	Federal Programs		State Programs	
Auditee qualified as low-risk auditee?	x yes	____ no	x yes	____ no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
66.818	Brownfields Assessment and Cleanup Cooperative Agreements
66.805	Leaking Undergound Storage Tanks (LUST)-ARRA

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

Identification of major state programs:

State ID Number	Name of State Program
FY010-19758	Brownfield Grant Program – Tower Site
FY09 – 19512	Brownfield Grant Program – Esser Site

	Federal	State
Dollar threshold used to distinguish between type A and type B programs:	$300,000	$100,000

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with Generally Accepted Government Auditing Standards.

SECTION III – FEDERAL AND STATE FINDINGS AND QUESTIONED COSTS

There were no findings required to be reported for federal or state programs.

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SECTION IV – OTHER ISSUES

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?	____ yes	x no
2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:		
Department of Natural Resources	____ yes	x no
Department of Commerce	____ yes	x no
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?	x yes	____ no
3. Name and signature of partner	John A. Knepel, CPA, Partner	
5. Date of report	June 26, 2012	

REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2011

Finding 2010-01: Reporting

Program: FY010-19758 Brownfield Grant Program – Tower Site

Follow-up on Prior Year's Management's Response

The Authority has reviewed and refined grant procedures to ensure all future reports are filed timely. Once RACM is in receipt of a grant award, the document is forwarded to the Resource & Administration Manager for review and entry into the City of Milwaukee Grants Database. As part of this review, the Resource & Administration Manager will also enter reporting deadlines into an internal spreadsheet and tracking scheduler software that will prompt a reminder one week prior to the due date. Finally, the Authority's lead grant accountant, the Grant Budget Analyst, Senior, will provide a secondary level of review and deadline compliance.

Current Status

Corrective action has been taken and this is no longer a finding.

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2011 and 2010

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Neighborhood Improvement Development Corporation
Milwaukee, Wisconsin

We have audited the accompanying statements of financial position of the Neighborhood Improvement Development Corporation (the Corporation), as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Neighborhood Improvement Development Corporation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Neighborhood Improvement Development Corporation

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 26, 2012

FINANCIAL STATEMENTS

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents (note 4)	$ 1,109,816	$ 1,035,190
Investments (note 4)	300,000	300,000
Accounts receivable	27,604	44,668
Grants receivable	18,533	-
Loans receivable, current portion (note 5)	33,688	15,841
Interest receivable	10,093	22,416
Due from the City of Milwaukee	-	21,207
Real estate held for sale (note 7)	2,745,796	2,186,916
Restricted assets - cash and cash equivalents (note 6)	900,701	926,914
Total Current Assets	5,146,231	4,553,152
NONCURRENT ASSETS		
Loans receivable, net (note 5)	361,733	483,204
Interest receivable	111,318	105,068
Total Noncurrent Assets	473,051	588,272
TOTAL ASSETS	$ 5,619,282	$ 5,141,424
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 64,361	$ 48,988
Deposits held in escrow	117,992	84,830
Due to the City of Milwaukee (note 3)	24,650	27,193
Unearned revenue (note 9)	342,516	266,248
Other liabilities - Due to the City of Milwaukee	1,741,002	1,010,713
MetPlex liability (note 10)	187,530	187,003
Total Current Liabilities	2,478,051	1,624,975
NET ASSETS		
Temporarily Restricted (note 11)	990,600	1,154,127
Unrestricted	2,150,631	2,362,322
Total Net Assets	3,141,231	3,516,449
TOTAL LIABILITIES AND NET ASSETS	$ 5,619,282	$ 5,141,424

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUES AND OTHER SUPPORT			
Real estate sales	$ 142,900	$ -	$ 142,900
Rental income	159,173	-	159,173
Grant income	1,246,288	-	1,246,288
Subsidy from City of Milwaukee	150,217	-	150,217
Investment income	7,642	-	7,642
Loan interest and servicing fees	15,186	-	15,186
Miscellaneous Income	37,909	-	37,909
Net assets released from restriction	163,527	(163,527)	-
Total Operating Revenues and Other Support	1,922,842	(163,527)	1,759,315
OPERATING EXPENSES			
Program expenses			
Real estate			
Costs of sales	266,124	-	266,124
Change in net realizable value allowance	(83,109)	-	(83,109)
Valuation and holding expenses	1,149,533	-	1,149,533
Grant expenses	136,095	-	136,095
Rental expenses	219,736	-	219,736
Provision for loan losses	303,525	-	303,525
Miscellaneous	28,093	-	28,093
Administrative expenses			
Other	114,536	-	114,536
Total Operating Expenses	2,134,533	-	2,134,533
Change in Net Assets	(211,691)	(163,527)	(375,218)
NET ASSETS - Beginning of Year	2,362,322	1,154,127	3,516,449
NET ASSETS - END OF YEAR	$ 2,150,631	$ 990,600	$ 3,141,231

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUES AND OTHER SUPPORT			
Real estate sales	$ 483,900	$ -	$ 483,900
Rental income	165,911	-	165,911
Grant income	1,313,312	-	1,313,312
Subsidy from City of Milwaukee	1,343,527	-	1,343,527
Investment income	10,051	-	10,051
Loan interest and servicing fees	11,612	-	11,612
Recovery of loan losses	-	102,096	102,096
Miscellaneous Income	26,625	-	26,625
Total Operating Revenues and Other Support	3,354,938	102,096	3,457,034
OPERATING EXPENSES			
Program expenses			
Real estate			
Costs of sales	794,795	-	794,795
Change in net realizable value allowance	194,939	-	194,939
Valuation and holding expenses	2,130,963	-	2,130,963
Grant expenses	236,185	-	236,185
Property rehabilitation expenses	3,651	-	3,651
Rental expenses	168,479	-	168,479
Provision for loan losses	70,030	-	70,030
Miscellaneous	13,362	-	13,362
Administrative expenses			
Other	102,773	-	102,773
Total Operating Expenses	3,715,177	-	3,715,177
Change in Net Assets	(360,239)	102,096	(258,143)
NET ASSETS - Beginning of Year	2,722,561	1,052,031	3,774,592
NET ASSETS - END OF YEAR	$ 2,362,322	$ 1,154,127	$ 3,516,449

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from principal, interest and fees from loans	$ 89,655	$ 73,612
Receipts from the sale of real estate	142,900	483,900
Receipts from rental income	157,704	209,263
Receipts from miscellaneous income	37,909	26,625
Receipts from investment income	7,642	10,051
Receipts from the City of Milwaukee for operating subsidy	150,217	1,343,527
Receipts from granting agencies	1,341,220	1,198,481
Payments for new loans	(268,297)	(176,091)
Payments for property rehabilitation and holding expenses	(1,281,334)	(2,685,711)
Payments paid for rental expenses	(219,736)	(168,479)
Payments to suppliers	(109,467)	(54,053)
Net Cash Flows From Operating Activities	48,413	261,125
Net Increase (Decrease) in Cash and Cash Equivalents	48,413	261,125
CASH AND CASH EQUIVALENTS - Beginning of Year	1,962,104	1,700,979
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,010,517	$ 1,962,104
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (375,218)	$ (258,143)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Market adjustment for real estate held for sale	505,402	194,939
Cost of properties sold	1,425,017	1,684,528
Changes in assets and liabilities		
Accrued interest receivable	6,073	857
Accounts receivable	(1,469)	43,352
Loans receivable	103,624	(147,014)
Real estate held for sale	(2,489,299)	(2,246,117)
Accounts payable	15,373	30,012
Due to/from the City	18,664	(48,104)
Unearned revenue	76,268	(66,727)
Other liabilities - due to the City of Milwaukee	730,289	1,010,713
Met Plex liability	527	747
Deposits held in escrow	33,162	62,082
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 48,413	$ 261,125
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	$ 1,109,816	$ 1,035,190
Restricted cash and cash equivalents	900,701	926,914
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,010,517	$ 1,962,104

See accompanying notes to financial statements

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NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2011 and 2010

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Programs

The Neighborhood Improvement Development Corporation (the Corporation) is a nonprofit corporation established by the City of Milwaukee, Wisconsin (the City), to promote reinvestment in both housing and commercial structures within the City. The Corporation's programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. The Corporation is managed by a board of directors made up of members from the public and private sectors.

The Corporation administers the following programs:

Housing Real Estate Program

Housing for low to moderate income families is provided through the purchase, rehabilitation, and sale of foreclosed residential properties. After acquisition and rehabilitation, the houses are sold to owner-occupants.

Loan Programs

The Corporation administers loans under the Community Development Block Grant Program (CDBG), the HOME Investment Partnerships Program (HOME) and the Corporation's programs, all of which are primarily secured by second mortgages. CDBG and HOME program income, in the form of loan repayments or interest earned, is disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury.

The Corporation's relationship with its borrowers is unlike that of a typical commercial lender. The Corporation will often make loans to borrowers which would be unable to secure financing from commercial sources. The purpose of the loan programs is to provide decent housing, suitable living environments, and expanding economic opportunities principally for persons of low and moderate income. The ability of each borrower to repay the Corporation may depend on continued employment and other economic factors. In the event of default, ultimate repayment of loans secured by the second mortgages may depend on the proceeds from the sale of the underlying collateral. The underlying collateral for the second mortgages is generally only the real estate involved. This real estate often has limited uses, which negatively impact its salability and ultimately its ability to provide liquidity adequate for repayment of the loans.

Significant Accounting Policies

The accounting policies of the Corporation conform to generally accepted accounting principles. The more significant accounting policies are summarized below:

Method of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The financial statements of the Corporation are presented in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements for Not-For-Profit Organizations." Under the provisions of SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the Corporation and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation.

Net Assets Released from Restrictions

Net assets released from temporary grantor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the grantor were reclassified to unrestricted net assets for program support.

Cash and Cash Equivalents

For financial statement purposes the Corporation considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Receivables

An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are expensed when deemed uncollectible. Receivables are generally unsecured.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Corporation records financial instruments at cost, with the exception of investments which are reflected in the financial statements at their estimated fair value. The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued liabilities, and deposits approximate fair value because of the short maturity of these financial instruments. Investments in real estate are reported at cost at the date of acquisition less accumulated depreciation.

The carrying amounts of long-term debt approximate fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit quality.

Investments in securities traded on national or international securities exchanges are carried at fair value based on values provided by external investment managers or quoted market values.

Deposits and Investments

The Corporation has adopted an investment policy. Available investments per the policy include the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association maturing in three years or less.

2. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.

3. Bonds or securities used or guaranteed by the Federal government.

4. The Wisconsin Local Government Investment Pool.

5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.

6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

7. Repurchase agreements with public depositories, with certain conditions.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (continued)

The investment policy contains the following investment parameters:

1. Diversification – All cash and cash equivalent assets in all Corporation funds shall be diversified by maturity, issuer, and class of security.
2. Maturity – The Corporation shall attempt to match its investments with anticipated cash flow requirements. A portion of the portfolio should be continuously invested in readily available funds such as Wisconsin Local Government Investment Pool or money market funds. Unless matched to a specific cash flow, the Corporation will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances.
3. Safekeeping and collateralization – All investment securities purchased by the Corporation shall be held in safekeeping by an approved public depository designated as a primary agent. Deposit-type securities in excess of $500,000 per financial institution may be collateralized in accordance with collateralization agreements. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

Investments include certificates of deposit with original maturities of greater than three months. Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Certificates of deposit are reported at cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments is allocated based on average balances.

See Note 4 for additional information.

Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments and accounts receivable. The Corporation places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances periodically exceed federally insured limits.

Restricted Assets

Certain resources have been classified as restricted assets on the statement of financial position because their use is limited by the funding source. Restricted assets – cash and cash equivalents include tenant security deposits and contributions received to be used toward completion of the Metcalfe Park Community Center and other residential improvement projects.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable

Loans receivable are recorded at cost, less the related allowance for loan losses. A periodic review of the loan portfolio is made to determine the estimated net realizable value of the related loans. The loan loss reserve is maintained at a level believed adequate by management to absorb potential losses in the loan portfolio. The adequacy of the reserve is based on an evaluation of the portfolio, past loan loss experience, current economic conditions, composition of the portfolio, and other relevant factors. However, actual losses could significantly differ from the estimate. Any adjustment to the allowance for loan losses is shown as a component of operating expenses. The Corporation considers the general lending risk associated with the loans made by the Corporation in determining the adequacy of the allowance for loan losses.

The Corporation has made non-interest bearing deferred payment loans under the various loan programs. These loans are recorded at fair value as of December 31, 2011 and 2010.

Real Estate Held for Sale

Housing for low to moderate income families is provided through the purchase, rehabilitation, and sale of foreclosed residential properties. After acquisition and rehabilitation, the houses are sold to owner-occupants. Rehabilitation costs are capitalized when incurred. Properties are valued at the lower of cost or market based on their estimated net realizable value. The estimated net realizable value is based upon the estimated fair market value of the property as determined from the City of Milwaukee assessment records as of January 1 of the subsequent year.

Income Tax Status

The Internal Revenue Service has determined that the Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation. The Corporation is also exempt from state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation adopted FASB No. 157, Fair Value Measurements ("SFAS No. 157"), which provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. SFAS No. 157 applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis. There was no effect on the accompanying financial statements due to adopting SFAS No. 157.

NOTE 3 – RELATED PARTY TRANSACTIONS

Pursuant to a cooperation agreement entered into by the Corporation and the City to provide for the Public Nuisance-Human Health Hazard Receivership Program (the Receivership Program), the Corporation is appointed the receiver for the property declared a public nuisance after the City petititions the court for such a declaration.

The Corporation is a component unit of the City. Substantially, all individuals who work for the Corporation are employees of the City. Wages and related fringe benefits are processed by the City. Accounts payable to the City for wages, benefits and other items amounted to $24,650 and $27,193 for the years ended December 31, 2011 and 2010, respectively.

NOTE 4 – DEPOSITS AND INVESTMENTS

The Corporation's cash and investments as of December 31, 2011 and 2010 were comprised of the following:

December 31, 2011	Carrying Value	Bank Balance	Associated Risk
Demand deposits	$ 355,378	$ 387,306	Custodial credit risk
Money market	1,655,139	1,655,139	Custodial credit risk
Certificates of Deposit`	300,000	300,238	Custodial credit risk
Total Cash and Investments	$ 2,310,517	$ 2,342,683	

Reconciliation to financial statements	
Per statement of net assets	
Cash and cash equivalents	$ 1,109,816
Investments	300,000
Restricted cash and cash equivalents	900,701
Total Cash and Investments	$ 2,310,517

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

December 31, 2010	Carrying Value	Bank Balance	Associated Risk
Demand deposits	$ 310,926	$ 356,251	Custodial credit risk
Money market	1,651,178	1,651,187	Custodial credit risk
Certificates of Deposit`	300,000	300,000	Custodial credit risk
Total Cash and Investments	$ 2,262,104	$ 2,307,438	

Reconciliation to financial statements	
Per statement of net assets	
Cash and cash equivalents	$ 1,035,190
Investments	300,000
Restricted cash and cash equivalents	926,914
Total Cash and Investments	$ 2,262,104

For 2011, deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts), $250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts.

For 2010, deposits in each local and area bank were insured by the FIDC in the amount of $250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts.

Bank (and credit union) accounts are also insured by the State Deposit Guarantee Fund in the amount of $400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual entities.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Corporation's deposits may not be returned to the Corporation.

As of December 31, 2011, $1,031,431 of the Corporation's total bank balances of $2,342,683 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$1,031,431

As of December 31, 2010, $764,185 of the Corporation's total bank balances of $2,307,438 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$764,185

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation does not have any investments exposed to custodial credit risk at December 31, 2011 or 2010.

NOTE 5 – LOANS RECEIVABLE

Loans that management has the ability and intent to hold for the foreseeable future are recorded at the amount advanced to the borrower, less the allowance for loan losses. Interest income on loans is accrued and credited to income based on the principal amount outstanding.

The loan portfolio is segmented into loans classified as in repayment, deferred payment, forgivable and in default. Substantially all loans are made for the purpose of providing decent housing, suitable living environments and expanding economic opportunities principally for persons of low and moderate income and are primarily collateralized by a second mortgage on the related property.

The allowance for loan losses is increased by a provision for losses charged to expense and reduced by loans charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for probable and inherent loan losses based on management's evaluation of the anticipated impact on the loan portfolio of current economic conditions, changes in the character and size of the portfolio, past loan loss experience, probable future losses on loans to specific borrowers, the financial condition of the borrower, and other pertinent factors that management believes require current recognition in estimating probable loan losses. Specific reserves are established for any impaired loan for which the recorded investment in the loan exceeds the measured value of the loan, less estimated costs to sell.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest due according to contractual terms of the loan agreement. Loans that experience insignificant delays and payment shortfalls generally are not classified as impaired. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective rate, the loan's obtainable market price, or the fair value of collateral if the loan is collateral dependent.
Components of loans receivable as of December 31 are as follows:

	2011	2010
In repayment	$ 459,411	$ 448,148
Deferred payment	304,859	298,734
Forgivable	410,081	425,759
In default	75,366	75,754
Total	1,249,717	1,248,395
Allowance for loan losses	(854,296)	(749,350)
Loans receivable, net	395,421	499,045
Current portion	(33,688)	(15,841)
Noncurrent portion	$ 361,733	$ 483,204

NOTE 5 – LOANS RECEIVABLE (CONTINUED)

A summary of the activity in the allowance for loan losses by class of loan is a follows:

	In repayment	Deferred payment	Forgivable	In default	Total
Allowance for loan losses					
Balance December 31, 2010	$ 82,838	$ 164,999	$ 425,759	$ 75,754	$ 749,350
Charge-offs	(182,937)	-	(15,678)	36	(198,579)
Recoveries	-	-	-	-	-
Change in provision for loan losses	297,303	6,646	-	(424)	303,525
Balance December 31, 2011	$ 197,204	$ 171,645	$ 410,081	$ 75,366	$ 854,296
Ending balance individually evaluated for impairment	$ 197,204	$ 171,645	$ -	$ 75,366	$ 444,215
Ending balance collectively evaluated for impairment	$ -	$ -	$ 410,081	$ -	$ 410,081
Balance December 31, 2009	$ 285,600	$ 67,508	$ 488,987	$ 266,286	$ 1,108,381
Charge-offs	(263,492)	-	(77,133)	(190,532)	(531,157)
Recoveries	102,096	-	-	-	102,096
Change in provision for loan losses	(41,366)	97,491	13,905	-	70,030
Balance December 31, 2010	$ 82,838	$ 164,999	$ 425,759	$ 75,754	$ 749,350
Ending balance individually evaluated for impairment	$ 82,838	$ 164,999	$ -	$ 75,754	$ 323,591
Ending balance collectively evaluated for impairment	$ -	$ -	$ 425,759	$ -	$ 425,759

	In repayment	Deferred payment	Forgivable	In default	Total
Loans					
Balance December 31, 2011	$ 459,411	$ 304,859	$ 410,081	$ 75,366	$ 1,249,717
Allowance for loan losses	(197,204)	(171,645)	(410,081)	(75,366)	(854,296)
Recorded investment	$ 262,207	$ 133,214	$ -	$ -	$ 395,421
Ending balance individually evaluated for impairment	$ 459,411	$ 304,859	$ -	$ 75,366	$ 839,636
Ending balance collectively evaluated for impairment	$ -	$ -	$ 410,081	$ -	$ 410,081
Balance December 31, 2010	$ 448,148	$ 298,734	$ 425,759	$ 75,754	$ 1,248,395
Allowance for loan losses	(82,838)	(164,999)	(425,759)	(75,754)	(749,350)
Recorded investment	$ 365,310	$ 133,735	$ -	$ -	$ 499,045
Ending balance individually evaluated for impairment	$ 448,148	$ 298,734	$ -	$ 75,754	$ 822,636
Ending balance collectively evaluated for impairment	$ -	$ -	$ 425,759	$ -	$ 425,759

NOTE 5 – LOANS RECEIVABLE (CONTINUED)

A summary of past due loans are as follows:

	December 31, 2011				
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days & Over	Total
In repayment	$ 90,040	$ -	$ -	$ 369,371	$ 459,411
Deferred payment	304,859	-	-	-	304,859
Forgivable	410,081	-	-	-	410,081
In default	-	-	-	75,366	75,366
Total	$ 804,980	$ -	$ -	$ 444,737	$ 1,249,717

The following is a summary of information pertaining to impaired loans:

	As of December 31,	
	2011	2010
Impaired loans without a valuation allowance	$ -	$ -
Impaired loans with a valuation allowance	647,752	699,019
Total impaired loans	$ 647,752	$ 699,019
Valuation allowance related to impaired loans	$ 412,229	$ 626,010

Management regularly monitors impaired loan relationships. In the event facts and circumstances change, an additional reserve may be necessary.

	As of December 31, 2011
Average investment in impaired loans	$ 673,386

NOTE 6 – RESTRICTED ASSETS

The following represent the balances of the restricted assets as of December 31, 2011 and 2010:

	2011	2010
Housing real estate program	$ 595,179	$ 655,081
MetPlex project	187,530	187,003
Deposits held in escrow	117,992	84,830
	$ 900,701	$ 926,914

NOTE 7 – REAL ESTATE HELD FOR SALE

The Corporation owns various properties in the City of Milwaukee, which are being held for resale. These properties are recorded at the lower of cost or net realizable value at December 31, 2011 and 2010 as follows:

	2011	2010
Cost	$ 4,050,182	$ 2,985,900
Reserve	(1,304,386)	(798,984)
Carrying Value	$ 2,745,796	$ 2,186,916

NOTE 8 – LINE OF CREDIT

When needed, the Corporation obtains bank lines of credit to provide short-term financing for the acquisition, rehabilitation, and sale of residential properties in the City.

The Corporation had no outstanding bank lines of credit as of December 31, 2011 and December 31, 2010.

NOTE 9 – UNEARNED REVENUES

The Corporation entered into a land Development Cooperation Agreement with the WHEDA, RACM, and the City. RACM and the City agreed to purchase, acquire, or cause to be acquired at least 70 parcels selected from a predetermined property pool and grant the Corporation an assignable Option to Purchase and Right of Entry on each property for environmental and soil remediation of such property and conveyance for development. After remediation, the Corporation may assign such option to the WHEDA and they in turn, may assign such option to a selected proposer. The Corporation is required to perform an Underground Storage Tank test and a Phase I environmental analysis for each of the properties. Any remediation costs in excess of $2,000 per property are the responsibility of the selected proposer. The Corporation will also install water and sewer laterals, at a cost up to $6,000 to the lot line of each property. At December 31, 2011 and 2010, the Corporation recognized revenue related to this project of $0 and $0, respectively. Included in unearned revenue related to this project at December 31, 2011 and 2010 is $72,288 and $72,288, respectively.

The Corporation received a grant from the City of Milwaukee prior to 2010 to be used to revitalize various neighborhoods. $159,421 and $167,728 of these funds have not been spent and are reported as unearned revenues on the Statement of Financial Position as of December 31, 2011 and 2010, respectively.

NOTE 10 – METCALFE PARK COMMUNITY CENTER

The City and certain private foundations contributed $110,000 to the Corporation for the construction of the Metcalfe Park Community Center. In 2000, the Corporation transferred the facility to the City. The facility includes a community center operated by the Boys and Girls Clubs of Greater Milwaukee, an elementary school operated by Milwaukee Public Schools and adjacent recreation fields. As of December 31, 2011 and 2010, the Corporation recorded a $187,530 and $187,003 Metcalfe Park payable that represents restricted contributions received during the year to be used to pay any remaining costs to complete the project.

NOTE 11 – NET ASSETS

Net assets reported on the financial statements as of December 31, 2011 and 2010 include the following:

	2011	2010
Temporaily Restricted for		
NIDC operational programs		
Housing real estate	$ 595,179	$ 655,081
Loans	395,421	499,046
	990,600	1,154,127
Unrestricted	2,150,631	2,362,322
Total net assets	$ 3,141,231	$ 3,516,449

NOTE 12 – REVENUES FROM THE CITY OF MILWAUKEE

During 2008, the City of Milwaukee contributed $700,000 to NIDC. These funds are to be segregated for financing city-wide development and rehabilitation loans for low and moderate-income families. Prior to any use by NIDC, approval by the City of Milwaukee City council must be obtained. These funds have been shown as restricted assets and are included in the restricted net assets of the Corporation as of December 31, 2011 and 2010.

NOTE 12 – REVENUES FROM THE CITY OF MILWAUKEE (CONTINUED)

During 2010, the Corporation received funds from the City of Milwaukee to purchase and rehabilitate residential properties. These funds represent grants received by the City. After acquisition and rehabilitation, the houses are sold to owner-occupants. Pursuant to cooperation and grant agreements between the Corporation and the City, receipts by the Corporation from the sale of these properties are to be transferred to the City. The receipt of these funds from the City and the purchase of the various properties are recognized as revenue and expense, respectively in the Statement of Activities. The properties purchased and held at December 31, 2011, totaling $1,741,002, (net of a valuation allowance of $924,633), are presented as real estate held for sale and the related obligation to the City is presented as other liabilities – due to the City of Milwaukee in the Statement of Financial Position.

NOTE 13 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions, injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Corporation purchases commercial insurance. There has been no reduction in insurance coverage from coverage in prior years. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Corporation has received federal grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

From time to time, the Corporation is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Corporation's financial position.

The Corporation has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, the Corporation has evaluated subsequent events and transactions for potential recognition or disclosure through June 26, 2012, which is the date that the financial statements were approved and available to be issued.

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

SCHEDULE OF PROPERTY INVENTORY
For the Year Ended December 31, 2011

Address			Cost: January 1, 2011	Cost: Acquisition and Rehabilitation	Cost: Sales	Cost: Thru Dec 31, 2011	Net Realizable Value Allowance	Net Property Value	(Unaudited) Assessed Value
Production									
2361	S	10TH	$ 707	$ -	$ -	$ 707	$ -	$ 707	$ 6,700
3155	N	16TH	82,893	-	-	82,893	(38,093)	44,800	44,800
2137	N	26TH	5,851	-	-	5,851	(4,151)	1,700	1,700
1832	N	36TH	4	-	-	4	-	4	3,000
1317-19	N	38TH	127,639	-	-	127,639	(59,239)	68,400	68,400
2202	N	51ST	266,124	-	(266,124)	-	-	-	-
8867-H	N	95TH	51,948	-	-	51,948	(19,748)	32,200	32,200
8970-C	N	95TH	55,312	-	-	55,312	(22,512)	32,800	32,800
1811	W	HIGHLAND	99,563	-	-	99,563	(26,463)	73,100	73,100
8 parcels		Subtotal	690,042	-	(266,124)	423,918	(170,206)	253,711	262,700
Lease Option									
3447	N	4TH	28,967	4,500	-	33,467	-	33,467	53,300
3722	N	7TH	51,298	-	-	51,298	-	51,298	64,200
2913	N	36TH	35,811	-	-	35,811	-	35,811	66,900
4570	N	41ST	77,331	-	-	77,331	-	77,331	78,500
1713	W	HIGHLAND	38,886	1,395	-	40,281	-	40,281	72,300
1827	W	HIGHLAND	39,180	-	-	39,180	-	39,180	73,100
6 parcels		Subtotal	271,473	5,895	-	277,368	-	277,368	408,300
Acq/Rehab									
2816	S	11TH	-	54,431	-	54,431	-	54,431	79,000
1838-40	N	14TH	80,340	3,960	(84,300)	-	-	-	-
1630	N	20TH	71,827	1,604	(73,431)	-	-	-	-
4239	N	25TH	-	74,760	-	74,760	-	74,760	80,400
814	N	26TH	150,863	61,371	-	212,234	(124,934)	87,300	87,300
822	N	26TH	148,862	42,202	-	191,064	(105,864)	85,200	85,200
3880	N	26TH	-	1,869	(1,869)	-	-	-	-
4381	N	26TH	-	632	(632)	-	-	-	-
1227	N	28TH	-	201,157	-	201,157	(97,657)	103,500	103,500
934	N	29TH	49,600	110,835	-	160,435	(77,535)	82,900	82,900
504	N	33RD	-	101,001	-	101,001	(23,401)	77,600	77,600
2969	N	39TH	123,750	-	(123,750)	-	-	-	-
2100-02	N	42ND	-	144,025	-	144,025	(76,825)	67,200	67,200
3206	N	42ND	-	55,639	-	55,639	(8,039)	47,600	47,600
2629	N	46TH	-	144,980	-	144,980	(68,480)	76,500	76,500
3244-46	N	48TH	-	390	(390)	-	-	-	-
8860-B	N	95TH	18,075	49,435	-	67,510	(41,310)	26,200	26,200
8860-K	N	95TH	21,254	48,371	-	69,625	(40,325)	29,300	29,300
8866-D	N	95TH	9,315	57,015	-	66,330	(40,130)	26,200	26,200
8930-D	N	95TH	8,307	56,818	-	65,125	(38,425)	26,700	26,700
8950-G	N	95TH	14,643	52,589	-	67,232	(41,032)	26,200	26,200
9040-E	N	95TH	8,307	53,480	-	61,787	(35,587)	26,200	26,200
9325-E	W	ALLYN	27,797	54,855	-	82,652	(60,952)	21,700	21,700
2608	W	LINWAL	-	55,794	-	55,794	-	55,794	70,100
1312	W	RESERVOIR	-	76,478	-	76,478	-	76,478	110,100
2210-12	N	SHERMAN	-	11,410	-	11,410	-	11,410	66,700
3175	N	SHERMAN	118,925	41,857	-	160,782	-	160,782	173,300
2801-03	W	STATE	213,550	8,117	(221,667)	-	-	-	-
8921-J	N	SWAN	21,516	42,018	-	63,534	(37,334)	26,200	26,200
22 parcels		Subtotal	1,086,931	1,607,093	(506,039)	2,187,985	(917,830)	1,270,155	1,416,100

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

SCHEDULE OF PROPERTY INVENTORY
For the Year Ended December 31, 2011

Address			Cost: January 1, 2011	Cost: Acquisition and Rehabilitation	Cost: Sales	Cost: Thru Dec 31, 2011	Net Realizable Value Allowance	Net Property Value	(Unaudited) Assessed Value
Lindsay Heights									
1826	N	18TH	$ 1	$ -	$ -	$ 1	$ -	$ 1	$ 2,300
2134-36	N	27TH	12	-	-	12	(12)	-	-
2 parcels		Subtotal	13	-	-	13	(12)	1	2,300
Other									
2134-36	N	16TH	23,106	-	-	23,106	(20,906)	2,200	2,200
2546	N	28TH	6,000	-	-	6,000	(3,800)	2,200	2,200
1133	N	20TH	-	-	-	-	-	-	2,700
2139	N	26TH	-	-	-	-	-	-	2,300
2122	N	27TH	-	-	-	-	-	-	1,700
1932	N	37TH	-	-	-	-	-	-	3,000
1307	N	38TH	-	-	-	-	-	-	1,100
2628	W	LLOYD	-	-	-	-	-	-	1,600
8 parcels		Subtotal	29,106	-	-	29,106	(24,706)	4,400	16,800
MNRC									
2448-52	N	10TH	16,572	-	-	16,572	-	16,572	38,700
2146	N	11TH	-	30,821	-	30,821	-	30,821	117,000
2210	N	15TH	-	52,905	(52,905)	-	-	-	-
2625-27	N	15TH	-	12,097	(12,097)	-	-	-	-
4107	N	15TH	-	8,844	(8,844)	-	-	-	-
2126-32	N	16TH	-	23,891	-	23,891	-	23,891	131,000
2817	N	19TH	8,397		-	8,397	-	8,397	30,700
2837	N	19TH	5,645	-	-	5,645	-	5,645	27,800
1124	S	21ST	-	21,277	-	21,277	-	21,277	82,600
2372	N	21ST	-	1	-	1	-	1	31,300
2842	N	21ST	9,003	-	-	9,003	(6,803)	2,200	2,200
1234	S	23RD	-	22,958	(22,958)	-	-	-	-
2854	N	24TH	456	-	-	456	-	456	23,000
2862	N	24TH	301	-	-	301	-	301	2,900
2419	N	28TH	8,367	-	(8,367)	-	-	-	-
2432	N	28TH	15,382		(15,382)	-	-	-	-
2539-41	N	28TH	12,459	-	-	12,459	-	12,459	34,800
1244	S	36TH	-	34,198	(34,198)	-	-	-	-
1718	N	36TH	12,373	-	-	12,373	-	12,373	66,100
3908	N	36TH	-	22,362	-	22,362	-	22,362	110,600
1004	S	37TH	-	30,718	(30,718)	-	-	-	-
1028	S	37TH	-	19,273	(19,273)	-	-	-	-
1609	S	37TH	-	29,036	(29,036)	-	-	-	-
5662	N	38TH	301	-	-	301	-	301	56,500
2744-46	N	41ST	10,441	-	(10,441)	-	-	-	-
2972	N	41ST	-	24,975	(24,975)	-	-	-	-
2976	N	41ST	31,905		(31,905)	-	-	-	-
2100-02	N	42ND	-	25,651	(25,651)	-	-	-	-
2130	N	45TH	14,637	-	-	14,637	-	14,637	57,000
2412	N	45TH	-	9,580	-	9,580	-	9,580	40,600
3131	N	45TH	-	16,076	(16,076)	-	-	-	-
2350	N	46TH	-	22,606	(22,606)	-	-	-	-
2402	N	46TH	-	18,571	(18,571)	-	-	-	-
2421	N	46TH	-	6,577	(6,577)	-	-	-	-
2425	N	46TH	-	23,715	(23,715)	-	-	-	-
3003	N	46TH	-	33,832	(33,832)	-	-	-	-
3309	N	46TH	-	1,000	-	1,000	-	1,000	133,900
2331	N	47TH	-	22,032	(22,032)	-	-	-	-

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

SCHEDULE OF PROPERTY INVENTORY
For the Year Ended December 31, 2011

Address			Cost: January 1, 2011	Cost: Acquisition and Rehabilitation	Cost: Sales	Cost: Thru Dec 31, 2011	Net Realizable Value Allowance	Net Property Value	(Unaudited) Assessed Value
3287	N	47TH	$ -	$ 45,994	$ -	$ 45,994	$ -	$ 45,994	$ 128,400
3132	N	48TH	-	36,857	-	36,857	-	36,857	149,200
3202	N	49TH	-	34,147	(34,147)	-	-	-	-
2924-26	N	51ST	-	30,016	(30,016)	-	-	-	-
2962	N	51ST	-	32,008	(32,008)	-	-	-	-
2914	N	58TH	-	23,551	(23,551)	-	-	-	-
5226	N	65TH	33,266	-	-	33,266	-	33,266	69,100
9405	W	BECKETT	-	47,264	-	47,264	-	47,264	162,200
8110	W	BENDER	-	42,641	-	42,641	-	42,641	175,500
8227	W	BENDER	45,643	-	(45,643)	-	-	-	-
3200-02	W	CHERRY	12,150	-	-	12,150	-	12,150	43,200
2837	N	GRANT	-	17,330	(17,330)	-	-	-	-
3315	W	LISBON	-	12,437	-	12,437	-	12,437	35,100
3710	W	LISBON	-	12,434	-	12,434	-	12,434	50,900
1523	W	MEINECKE	4,834	-	-	4,834	-	4,834	40,800
2926-28	W	MELVINA	17,772	(400)	-	17,372	-	17,372	54,600
2601	W	WELLS	-	23,322	-	23,322	-	23,322	98,500
28 parcels		Subtotal	259,904	870,597	(652,854)	477,648	(6,803)	470,845	1,994,200
The Woodlands									
8847-G	N	SWAN	40,361	-	-	40,361	(14,161)	26,200	26,200
8883-F	N	SWAN	44,652	-	-	44,652	(17,952)	26,700	26,700
8889-D	N	SWAN	44,717	-	-	44,717	(18,017)	26,700	26,700
8895-G	N	SWAN	20,007	-	-	20,007	-	20,007	26,200
8901-G	N	SWAN	29,487	-	-	29,487	(1,287)	28,200	28,200
8911-E	N	SWAN	41,793	-	-	41,793	(14,593)	27,200	27,200
8931-D	N	SWAN	62,152	-	-	62,152	(35,952)	26,200	26,200
8931-F	N	SWAN	42,969	-	-	42,969	(16,769)	26,200	26,200
9011-F	N	SWAN	22,436	-	-	22,436	-	22,436	27,200
8878-F	N	95TH	33,221	2,020		35,241	(8,541)	26,700	26,700
8970-A	N	95TH	41,544	-	-	41,544	(12,244)	29,300	29,300
9010-E	N	95TH	45,336	1,770	-	47,106	(19,406)	27,700	27,700
9030-H	N	95TH	38,087	-	-	38,087	(11,887)	26,200	26,200
9031-B	N	95TH	32,783	-	-	32,783	(6,083)	26,700	26,700
9086-J	N	95TH	30,182	-	-	30,182	(2,982)	27,200	27,200
9096-H	N	95TH	23,055	-	-	23,055	-	23,055	26,700
8930-B	N	95TH	29,728	1,925	-	31,653	(4,953)	26,700	26,700
9020-C	N	95TH	25,922	-	-	25,922	-	25,922	26,700
18 parcels		Subtotal	648,432	5,715	-	654,147	(184,827)	469,320	484,700
Grand Total			$ 2,985,900	$ 2,489,299	$ (1,425,017)	$ 4,050,182	$ (1,304,386)	$ 2,745,796	$ 4,585,100

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

SCHEDULE OF PROPERTY SOLD
For the Year Ended December 31, 2011

Property Address	Sales Proceeds	Cost of Sales	Gain(Loss) on Sale
Production			
2202 North 51st Street	$ 142,900	$ 266,124	$ (123,224)
Subtotal	142,900	266,124	(123,224)
Acq/Rehab			
1838-40 North 14th Street	86,546	84,300	2,246
1630 North 20th Street	84,894	73,431	11,463
3880 North 26th Street	-	1,869	(1,869)
4381 North 26th Street	-	632	(632)
2969 North 39th Street	75,625	123,750	(48,125)
3244-46 North 48th Street	-	390	(390)
2801-03 West State Street	86,017	221,667	(135,650)
Subtotal	333,082	506,039	(172,957)
MNRC			
2210 North 15th Street	-	52,905	(52,905)
2625-27 North 15th Street	1	12,097	(12,096)
4107 North 15th Street	1	8,844	(8,843)
1234 South 23rd Street	1	22,958	(22,957)
2419 North 28th Street	1	8,367	(8,366)
2432 North 28th Street	4,387	15,382	(10,995)
1244 South 36th Street	30,102	34,198	(4,096)
1004 South 37th Street	32,032	30,718	1,314
1028 South 37th Street	19,550	19,273	277
1609 South 37th Street	29,700	29,036	664
2744-46 North 41st Street	11,057	10,441	616
2972 North 41st Street	26,390	24,975	1,415
2976 North 41st Street	1	31,905	(31,904)
2100-02 North 42nd Street	-	25,651	(25,651)
3131 North 45th Street	1	16,076	(16,075)
2350 North 46th Street	23,000	22,606	394
2402 North 46th Street	19,000	18,571	429
2421 North 46th Street	7,900	6,577	1,323
2425 North 46th Street	24,000	23,715	285
3003 North 46th Street	1	33,832	(33,831)
2331 North 47th Street	1	22,032	(22,031)
3202 North 49th Street	34,900	34,147	753
2924-26 North 51st Street	31,000	30,016	984
2962 North 51st Street	33,215	32,008	1,207
2914 North 58th Street	25,000	23,551	1,449
8227 West Bender	49,500	45,643	3,857
2837 North Grant	1	17,330	(17,329)
Subtotal	400,742	652,854	(252,112)
Selling Costs	-	14,667	(14,667)
Total	$ 876,724	$ 1,439,684	$ (562,960)

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

REPORT ON FEDERAL AWARDS

For the Year Ended December 31, 2011

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

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For the Year Ended December 31, 2011

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Agency/Program Title	CFDA Number	Total Expenditures
U.S. Department of Housing and Urban Development		
Passed Through City of Milwaukee		
Community Development Block Grant/Entitlement Grant	14.218	$ 115,978
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	77,313
Passed Through Wisconsin Department of Commerce, Division of Housing & Community Development		
Passed Through City of Milwaukee		
ARRA - Neighborhood Stabilization Program	14.256	785,054
		$ 978,345

See accompanying notes to the schedule of expenditures of federal awards

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) of the Corporation is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For purposes of the schedule, federal awards include all grants, contracts, loans and loan guarantee agreements entered into directly between the Corporation and agencies and departments of the federal government or federal awards passed through the City of Milwaukee.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule is presented on the accrual basis of accounting. Under the accrual basis, expenses are recognized in the accounting period in which the liability is incurred.

NOTE 3 – SUBRECIPIENTS

The Corporation did not make any awards to subrecipients during 2011.

BAKER TILLY

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Neighborhood Improvement Development Corporation
Milwaukee, Wisconsin

We have audited the financial statements of the Neighborhood Improvement Development Corporation (the Corporation), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012. 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.

Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors
Neighborhood Improvement Development Corporation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 26, 2012.

This report is intended solely for the information and use of the Corporation's Board of Directors and management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 26, 2012

BAKER TILLY

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Neighborhood Improvement Development Corporation
Milwaukee, Wisconsin

Compliance

We have audited the Neighborhood Improvement Development Corporation's (the Corporation) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2011. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Board of Directors
Neighborhood Improvement Development Corporation

Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Corporation as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Corporation's Board of Directors and management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 26, 2012

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NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified?	____	yes	X	none reported
Noncompliance material to basic financial statements noted?	____	yes	X	no

FEDERAL AWARDS

Internal control over major programs:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified?	____	yes	X	none reported
Type of auditor's report issued on compliance for major programs: Federal	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____	yes	X	no
Dollar threshold used to distinguish Between Type A and Type B programs	$300,000			
Auditee qualifies as low-risk?	____	yes	X	no

Identification of major federal programs:

CFDA Number	*Name of Federal Program or Cluster*
14.256	ARRA - Neighborhood Stabilization Program

NEIGHBORHOOD IMPROVEMENT DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with Generally Accepted Government Auditing Standards.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs required to be reported related to federal awards.

CENTURY CITY REDEVELOPMENT CORPORATION

(A Component Unit of the City of Milwaukee, Wisconsin)

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of December 31, 2011 and for the Period
October 5, 2011 through December 31, 2011

CENTURY CITY REDEVELOPMENT CORPORATION

Table of Contents

As of December 31, 2011 and for the Period October 5, 2011 through December 31, 2011

INDEPENDENT AUDITORS' REPORT

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BAKER TILLY

Baker Tilly Virchow Krause, LLP
115 S 84th St, Ste 400
Milwaukee, WI 53214-1475
tel 414 777 5500
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bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Century City Redevelopment Corporation
Milwaukee, Wisconsin

We have audited the accompanying financial statements of the Century City Redevelopment Corporation (Corporation), a component unit of the City of Milwaukee, Wisconsin, as of December 31, 2011 and for the period October 5, 2011 (the date the Corporation was created) through December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Corporation as of December 31, 2011, and the changes in its financial position and its cash flows for the period October 5, 2011 through December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, economical, 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 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.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Century City Redevelopment Corporation (Corporation) is providing to its readers this analysis and discussion of its 2011 Financial Statements. We offer this narrative to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position.

The Corporation

The Corporation is a Wisconsin redevelopment corporation, formed in accordance with the Urban Redevelopment Law, Wis. Stat. §§ 66.1301-66.1329 (URL) and Wis. Stat. ch. 180. The purpose of the Corporation is to perform redevelopment activities, in accordance with the terms of the URL, within the Century City Industrial Park and the Villard Square Grand Family Housing & Library Mixed Use Housing Community (Villard Library). The Corporation is an instrumentality of the City of Milwaukee, Wisconsin (City), it sole owner and shareholder. The Corporation is authorized to act on behalf of the City.

The affairs of the Corporation are managed by a board of directors made up of members from City government. Employee services are provided to the Corporation by the Redevelopment Authority of the City of Milwaukee (Authority) through a cooperation agreement and the Corporation is responsible for repayment of those costs.

During 2011, the Corporation borrowed $18,850,000 from MEDC Capital VI, LLC to purchase real estate and fund an escrow to finance redevelopment activities on Authority-owned parcels within the Century City Industrial Park. The Corporation also generates income from its own activities and these funds are used by the Corporation for operating purposes.

For additional information on the Corporation, please refer to the footnotes starting on page 14.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of the 1) statement of net assets, 2) statement of revenues, expenses, and changes in net assets, 3) statement of cash flow and 4) notes to the financial statements. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of America.

Statement of Net Assets

The statement of net assets is similar to a balance sheet in corporate accounting. The statement of net assets reports all financial and capital resources for the Corporation. The statement is presented in the format where assets minus liabilities, equals net assets, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as current (convertible into cash within one year), and noncurrent. The focus of the statement of net assets is to show a picture of the liquidity and health of the organization as of the end of the year.

The statement of net assets (the unrestricted net assets) is designed to represent the net available liquid (noncapital) assets, net of liabilities, for the entire Corporation. Net assets (formerly equity) are reported in three broad categories:

- *Net assets invested in capital assets, net of related debt* – this component of net assets consists of all capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* – this component of net assets consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws, and regulations, etc.
- *Unrestricted net assets* – consists of net assets that do not meet the definition of net assets invested in capital assets, net of related debt, or restricted net assets.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets is similar to an income statement in the corporate world. This statement includes operating revenues, such as rental income and interest income; operating expenses, such as administrative, maintenance, and depreciation; and nonoperating revenue and expenses, investment income and interest expense. The focus of the statement of revenues, expenses, and changes in net assets is the change in net assets. This is similar to net income or loss and portrays the results of operations of the organization for the entire operating period.

Statements of Cash Flow

The statement of cash flows discloses net cash provided by, or used for operating activities, investing activities, noncapital financing activities, and from capital and related financing activities. This statement also portrays the health of the Corporation in that current cash flows are sufficient to pay current liabilities.

Notes to Financial Statements

The notes to financial statements are an integral part of the basic financial statements and describe in detail significant accounting policies, related party transactions, deposits and investments, long term debt, and redevelopment costs. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

Financial Analysis

The following table presents a summary of net assets as of December 31, 2011:

Statement of Net Assets

	2011
Cash and cash equivalents	$ 7,171,296
Receivables and prepaids	26,142
Capital assets	11,276,762
Debt issuance cost	268,613
Total assets	18,742,813
Current liabilities	797,367
Long-term debt	18,850,000
Due to the Authority	59,507
Total liabilities	19,706,874
Net assets:	
Invested in capital assets, net of related debt	(75,166)
Unrestricted (deficit)	(888,895)
Total net assets	$ (964,061)

Year Ended December 31, 2011

The Corporation's assets totaled $18,742,813 at December 31, 2011. This amount is comprised of cash and cash equivalents of $7,171,296, accounts receivable of $2,747, prepaid items of $23,395, capital assets of $11,276,762 and net debt issuance cost of $268,613.

Cash and cash equivalents totaled $7,171,296. During 2011, the Corporation had two cash accounts, an escrow account for funding redevelopment activities and an operating account used to pay operating expenses. On December 31, 2011 the escrow account balance was $7,070,411 while the operating account balance was $100,885.

Accounts receivable total $2,747 and consist of the 2011 portion of Villard Library rent due the Corporation from the City. The prepaid items balance is $23,395 and comprises the unamortized balance of an insurance policy on the Corporation's properties.

On October 14, 2011, the Corporation purchased the Talgo/T-Mobile and Villard Library properties from the Authority. The cost of the Talgo/T-Mobile property was $8,054,625 while the cost of the Villard Library was $3,295,375. The combined $11,350,000 purchase price of these properties less 2011 depreciation expense of $73,238 accounts for the capital asset total of $11,276,762.

Summary of Capital Assets

	2011
Land	$ 1,108,923
Structures	10,088,533
Equipment	152,544
Total capital assets	11,350,000
Less: accumulated depreciation	(73,238)
Net capital assets	$ 11,276,762

For additional information on the Corporation's capital assets, see Note 5.

The debt issuance cost amount of $268,613 represents the net balance of costs incurred to close the loans used to finance the Corporation.

The Corporation's liabilities totaled $19,706,874 at December 31, 2011. This amount is comprised of current liabilities of $797,367, long-term debt of $18,850,000 and due to the Authority of $59,507.

Current liabilities consist of amounts due to vendors for services provided during 2011 but not paid until 2012.

The long-term debt total of $18,850,000 represents the three loans from MEDC Capital VI, LLC, the proceeds of which were used to purchase real estate and fund the Corporation's activities.

Summary of Long-term Debt

	2011
MEDC Capital Fund VI, LLC - Note A	$ 10,781,015
MEDC Capital Fund VI, LLC - Note B	2,636,375
MEDC Capital Fund VI, LLC - Note C	5,432,610
Total long-term debt	$ 18,850,000

For additional information on the Corporation's long-term debt, see Note 6.

Due to the Authority is the amount owed to the Authority for employee payroll and benefits and other payments made on the Corporation's behalf. The Corporation repays the Authority as cash flow permits.

Total net assets for 2011 were $(964,061). The invested in capital assets, net of related debt amount of $(75,166) is equal to the cost of the Corporation's assets less accumulated depreciation and amortization. The unrestricted net assets total of $(888,895) consists of the net assets that are neither invested in capital assets, net of related debt nor restricted. The Corporation did not have any restricted net assets in 2011.

Statement of Revenues, Expenses and Changes in Net Assets

The following table presents a summary of revenues and expenses for the period October 5, 2011 through December 31, 2011:

	2011
Operating revenues:	
Rental income	$ 65,835
Total operating revenue	65,835
Operating expenses:	
Property and administrative expense	916,049
Depreciation	73,238
Total operating expenses	989,287
Operating loss	(923,452)
Nonoperating revenues	6,217
Nonoperating expenses	(46,826)
Increase (decrease) in net assets	$ (964,061)

Year Ended December 31, 2011

The 2011 operating revenue total of $65,835 consists of the rental income earned on the Talgo, T-Mobile and Villard Library properties. Talgo rent totaled $59,488, T-Mobile rent amounted to $3,600 and Villard Library rent was $2,747.

Operating expenses totaled $989,287 in 2011. Property and administrative expense includes site improvements, property maintenance and administrative expense. Site improvements totaled $872,912, property maintenance totaled $4,011, administrative expenses amounted to $39,126 and depreciation expense was $73,238.

Site improvements include demolition, excavation, environmental remediation and other activities performed on Authority-owned properties to make them development-ready. Property maintenance is comprised of expenses incurred by the Corporation to maintain the Talgo/T-Mobile and Villard Library properties. Administrative expense includes payroll and benefits of the Authority staff managing the Corporation, audit costs and software fees.

Depreciation expense for 2011 was $73,238. Depreciation was $48,374 on the Talgo/T-Mobile property and $24,864 on the Villard Library property. Since these properties were acquired on October 14th, only 2.5 months of depreciation were taken during 2011.

The Corporation's nonoperating revenues totaled $6,217. Nonoperating revenue consists of interest earned on the Corporation's two bank accounts. Interest on the predevelopment account was $6,210 while interest on the operating account was $7.

Nonoperating expenses totaled $46,826 in 2011. Nonoperating expense consisted of interest incurred on the Corporation's debt of $44,948 and amortization of debt issuance costs of $1,848.

Factors Affecting the Financial Health of the Corporation

As part of a complex financing structure involving New Market Tax Credits, the Century City Redevelopment Corporation (Corporation) purchased approximately 17 acres of the Century City Industrial Park and the first floor condominium of the Villard Square Grand Family Housing & Library Mixed Use Housing Community from the Redevelopment Authority of the City of Milwaukee (Authority) in October 2011. With the acquisition of the property came the assignment of three leases including the Corporation's leases with Talgo, Inc. and T-Mobile at the Century City Industrial Park and a lease with the City of Milwaukee (City) for the condominium that is occupied by the Villard Library.

- **Talgo and T-Mobile Leases**
  The lease with Talgo, Inc. is for use of Building 36 of the Century City Industrial Park near the intersection of W. Townsend Street and N. 27th Street and was signed on September 1, 2010. There is an option to extend the two-year lease for three additional 2-year terms. The Talgo lease requires a payment of $2.59 per square foot for approximately 137,000 square feet or approximately $30,000 per month to the Corporation with the potential for rent escalators. The current lease is set to expire September 1, 2012 but Talgo, Inc. and City staff are working diligently on securing additional work for the company that would require an extension of the lease.

  The current 5-year lease with T-Mobile is for use a monopole erected along W. Townsend Street and was signed in August 2010. There is an option to extend the lease for four additional 5-year terms. The first year of the lease required a payment of $1,800 per month to the Corporation with annual increases of 3% per year of the term. Based on the lease, if T-Mobile decides to allow any co-locators on the monopole, the rent for each subtenant will be split 50/50 between T-Mobile and the Corporation.

- **Villard Library Lease**
  The lease with the City's Villard Library is for the first floor condominium at the Villard Square Grand Family Housing & Library Mixed Use Housing Community, at the intersection of W. Villard Street and N. 35th Street. The 7-year lease was signed on June 9, 2011 and includes an annual payment of $13,182 from the City to the Corporation. Following the 7-year term, and as contemplated with the use of the New Market Tax Credit structure, the City has the option to purchase the Villard Library condominium from the Corporation. The Corporation expects the City to exercise that option to purchase in June 2018.

- **Local Economic Conditions**
  Since the Corporation was created in 2011 and was primarily designed to prepare the Century City site for redevelopment, the downturn in the economy has had little impact on the Corporation. In fact, the organization has probably benefited from the slower economy in bidding out the current asbestos abatement and demolition contracts for the site. Despite the site not being cleared, the marketing of individual lots has already begun and will continue for the next few years. There is no question that the local economic conditions will have a direct impact on the success of the marketing and ultimate reuse of the entire Century City Industrial Park including residential, commercial, and industrial users.

- **Corporation Performance**
  The Corporation is a redevelopment corporation that is an instrumentality of the City, managed by a Board of Directors, and used for the purposes of (a) carrying out a development plan for any and all real property as directed and approved by the City Planning Commission or its authorized designee under Wis. Stat. § 66.1303(8); (b) acquiring or accepting any transfer of land or other property as permitted by the URL; (c) petitioning the City or Authority for condemnation of land; (d) borrowing funds and securing the repayment of such funds by granting a mortgage; (e) buying, selling or leasing land as authorized by the City; (f) accepting assignments of contracts by the City for the administration of such contracts; and (g) accepting legal services from the City of Milwaukee City Attorney or retaining specialists to render legal services as required by the Corporation. To date, the agency has utilized several of these tools including the leveraging of New Market Tax Credits which brought over $4.0 million of equity into the Century City and Villard Library Projects.

Financial Contact

The individual to be contacted regarding this report is Rocky Wruck, Lead Accountant for Century City Redevelopment Corporation at 414-286-5930. Specific requests may be submitted to David Misky, President of Century City Redevelopment Corporation at 414-286-8682.

FINANCIAL STATEMENTS

CENTURY CITY REDEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS
As of December 31, 2011

ASSETS

	2011
Current assets	
Cash and cash equivalents (note 4)	$ 7,171,296
Accounts receivable	2,747
Prepaid items	23,395
Total current assets	7,197,438
Noncurrent assets	
Capital Assets (note 5)	
Land	1,108,923
Structures, net of accumulated depreciation	10,018,473
Equipment, net of accumulated depreciation	149,366
Debt issuance cost, net	268,613
Total noncurrent assets	11,545,375
Total assets	18,742,813

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	780,079
Accrued interest	17,288
Total current liabilities	797,367
Noncurrent liabilities	
Long-term debt (note 6)	18,850,000
Due to the Authority (note 3)	59,507
Total noncurrent liabilities	18,909,507
Total liabilities	19,706,874
Net assets (deficit)	
Invested in capital assets, net of related debt (deficit) (note 7)	(75,166)
Restricted (note 7)	-
Unrestricted (deficit) (note 7)	(888,895)
Total net assets (deficit)	$ (964,061)

See accompanying notes to the financial statements

CENTURY CITY REDEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Period October 5, 2011 through December 31, 2011

	2011
Operating revenues	
Rental income	$ 65,835
Total operating revenues	65,835
Operating expenses	
Site improvements	872,912
Property maintenance	4,011
Administrative expenses	39,126
Depreciation	73,238
Total operating expenses	989,287
Operating loss	(923,452)
Nonoperating revenues (expenses)	
Investment income	6,217
Interest expense	(44,948)
Amortization of debt issuance costs	(1,878)
Total nonoperating revenues (expense:	(40,609)
Change in net assets	(964,061)
Net assets, beginning of year	-
Net assets (deficit), end of year	$ (964,061)

CENTURY CITY REDEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOW

For the Period October 5, 2011 through December 31, 2011

	2011
Cash flows from operating activities	
Receipts from rental income	$ 63,088
Payments for site improvements	(98,765)
Payments for property maintenance	(947)
Payments for administrative expenses	(146)
Net cash flows from operating activities	(36,770)
Cash flows from capital and related financing activities	
Issuance of long-term debt	18,850,000
Purchase of capital assets	(11,350,000)
Interest paid on long-term debt	(27,660)
Payment of debt issuance costs	(270,491)
Net cash flows from capital and related financing activities	7,201,849
Cash flows from investing activities	
Investment income	6,217
Net cash flows from investing activities	6,217
Net change in cash and cash equivalents	7,171,296
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ 7,171,296

CENTURY CITY REDEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOW

For the Period October 5, 2011 through December 31, 2011

		2011
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	$	(923,452)
Adjustments to reconcile operating loss		
to net cash flows from operating activities		
Depreciation		73,238
Changes in operating assets and liabilities		
Accounts receivable		(2,747)
Accounts payable		780,079
Prepaid items		(23,395)
Due to the Authority		59,507
Net cash flows from operating activities	$	(36,770)
Reconciliation of cash and cash equivalents to the Statement of Net Assets		
Cash and cash equivalents	$	7,171,296
Restricted cash and cash equivalents		-
Cash and cash equivalents, end of year	$	7,171,296

NOTE 1 – DESCRIPTION OF ENTITY

Century City Redevelopment Corporation (the Corporation) is a discretely presented component unit of the City of Milwaukee, Wisconsin (the City), was established on October 5, 2011 and is organized under Chapter 180 of the Wisconsin Statutes. The corporation is a Qualified Active Low-Income Community Business (QALICB), in accordance with the terms under the New Markets Tax Credit (NMTC) program pursuant to Section 45D of the Internal Revenue Code (IRC).

The purpose of the Corporation is to perform redevelopment activities, in accordance with the terms of the Wisconsin Urban Redevelopment Law, within the Century City Industrial Park and the Villard Square Grand Family Housing & Library Mixed Use Housing Community (Villard Library). The Corporation is managed by a board of directors made up of members from City government.

The Corporation is an instrumentality of the City of Milwaukee, its sole owner and shareholder. The City of Milwaukee includes the Corporation as a component unit enterprise fund in its comprehensive annual financial report due to the appointment of the board of directors and because the City is financially accountable for the Corporation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

As defined by accounting principles generally accepted in the United States of America (GAAP), the reporting entity for the Corporation consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF ACCOUNTING

The accounting policies of the Corporation conform to GAAP as applicable to governmental entities. The accounts of the Corporation, which are organized as an enterprise fund, are used to account for the Corporation's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Corporation maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses, including depreciation and amortization, are recorded when incurred.

The Corporation follows all pronouncements of the Governmental Accounting Standards Board and has elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989.

C. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments with original maturities of three months or less, when acquired, to be cash equivalents.

Pursuant to the loan agreement between the Corporation (Borrower) and MEDC Capital VI, LLC (Lender), investments are limited to:

1. Investments in readily marketable direct obligations issued or unconditionally guaranteed by the United States government or any agency thereof and supported by the full faith and credit of the United States.
2. Certificates of deposit or bankers' acceptances at FDIC insured institutions in amounts within the FDIC insurance limits or issued by any commercial bank organized under the laws of the United States or any State thereof which has (a) combined capital and surplus of at least $100,000,000, and (b) a credit rating with respect to its unsecured indebtedness from a nationally recognized rating service that is satisfactory to Lender.
3. Commercial paper given the highest rating by a nationally recognized rating service.
4. Repurchase agreements relating to securities of the kind described in clause (1) above.
5. Other readily marketable investments in debt securities which are reasonably acceptable to Lender.
6. Loans to or investments in Guarantor (the Authority).
7. Any investments or loans under the clauses (1) – (5) above must mature within eighteen months of the acquisition thereof by the Corporation.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. The Corporation's investments totaled $0 on December 31, 2011. The Corporation has not adopted an investment policy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. RECEIVABLES

Receivables represent amounts due from other organizations. Receivables are stated at their estimated net realizable value and no provision for uncollectible accounts receivable has been made.

E. CAPITAL ASSETS

Capital assets which consist of land, structures and equipment are defined by the Corporation as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost. Expenditures for ordinary and extraordinary maintenance and repairs are charged to expense as incurred. No interest was capitalized during the current year. Depreciable assets consist of the buildings located on the 3533 and 3524 parcels (Talgo), and the Villard Library condo unit, both of which were purchased from the Redevelopment Authority of the City of Milwaukee on October 14, 2011. The Talgo and Villard Library structures are depreciated using the straight-line method over an estimated 30-year life. Villard Library equipment is depreciated using the straight-line method over an estimated 10-year life.

F. LONG-TERM OBLIGATIONS

Long-term debt and other obligations are reported as Corporation liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

G. NEW MARKET TAX CREDIT (NMTC) TRANSACTION COSTS

Costs related to the creation of the Corporation and the deployment of the NMTC financing arrangement are deferred and amortized over the life of the related notes payable.

H. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. NET ASSETS

Equity is displayed in three components as follows:

Invested in capital asset, net of related debt – Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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

When both restricted and unrestricted resources are available for use, generally it is the Corporation's policy to use restricted resources first, and then unrestricted resources when they are needed. At December 31, 2011, the Corporation did not have any restricted net assets.

J. CLASSIFICATION OF REVENUES AND EXPENSES

The Corporation has classified its revenues and expenses as either operating or nonoperating. Operating revenue includes activities that have characteristics of exchange transactions including revenues related to the leasing of facilities. Operating expenses for the Corporation include the cost of excavation, remediation and other land improvement activities on the Century City site, maintenance of Corporation-owned properties, administrative expenses and depreciation on capital assets. Nonoperating revenue includes activities that have characteristics of non-exchange transactions such as the receipt of bank account interest. Nonoperating expenses include interest expense on outstanding debt and amortization of debt issuance costs.

K. INCOME TAX STATUS

The Corporation is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code of 1986, as amended. The Corporation is also exempt from state income taxes. No provision has been made for income taxes in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

M. USE OF ESTIMATES

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

NOTE 3 – RELATED PARTY TRANSACTIONS

Pursuant to a cooperation agreement with the City, the Corporation is to assist the City with the implementation of Century City and Villard Library projects by providing certain services, including demolition, environmental remediation, asbestos and lead abatement, and marketing for lease or sale and management of real estate. The Corporation is a component unit of the City.

Pursuant to a cooperation agreement with the Redevelopment Authority of the City of Milwaukee (the Authority), the Corporation is responsible for 1) implementing the Century City Industrial Park development plan and 2) owning, managing and leasing the Villard Library site.

On October 14, 2011, the Corporation purchased the Talgo and T-Mobile properties, along with the Villard Library condo unit, from the Authority. The lease agreements related to these properties were assigned to the Corporation at the time of property sale. The City has the option to purchase solely and exclusively, from the Corporation, the Villard Library commencing on January 1, 2019 for the price of $1.

The Corporation is staffed and managed by Authority employees and is subject to all Authority operating procedures, processes and controls. Wages and related fringe benefits are processed by the Authority. Along with wages and benefits, the Authority occasionally pays other operating expenses of the Corporation. The Corporation repays the Authority as cash flow permits. Accounts payable to the Authority for wages, benefits and other items amounted to $59,507 for the year ended December 31, 2011. The Corporation's payable to the Authority is considered long-term.

NOTE 4 – DEPOSITS AND INVESTMENTS

The Corporation's deposits and investments at December 31, 2011 were comprised of the following:

	Carrying Value	Bank Balance	Associated Risk
Demand deposits	$ 7,171,296	$ 7,172,288	Custodial Credit Risk
Total Cash and Investments	$ 7,171,296	$ 7,172,288	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and cash equivalents	$ 7,171,296		
Total Cash and Investments	$ 7,171,296		

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Corporation's deposits may not be returned to the Corporation.

As of December 31, 2011, $6,820,411 of the Corporation's total bank balances of $7,172,288 was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance, January 1, 2011	Additions	Deductions	Balance, December 31, 2011
Capital assets not being depreciated:				
Land	$ -	$ 1,108,923	$ -	$ 1,108,923
Total capital assets not being depreciated	-	1,108,923	-	1,108,923
Capital assets being depreciated:				
Structures	-	10,088,533	-	10,088,533
Equipment	-	152,544	-	152,544
Total capital assets being depreciated	-	10,241,077	-	10,241,077
Less: accumulated depreciation				
Structures	-	(70,060)	-	(70,060)
Equipment	-	(3,178)	-	(3,178)
Total accumulated depreciation	-	(73,238)	-	(73,238)
Total capital assets being depreciated, net	-	10,167,839	-	10,167,839
Total capital assets, net	$ -	$11,276,762	$ -	$11,276,762

NOTE 6 – LONG-TERM OBLIGATIONS

CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2011 were as follows:

	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011	Amounts due within one year
Notes Payable					
Note A	$ -	$ 10,781,015	$ -	$ 10,781,015	$ -
Note B	-	2,636,375	-	2,636,375	-
Note C	-	5,432,610	-	5,432,610	-
Total	$ -	$ 18,850,000	$ -	$ 18,850,000	$ -

NOTES PAYABLE

During 2011, the Corporation entered into a loan agreement with MEDC Capital VI, LLC. MEDC Capital VI, LLC is a sub-allocatee, managed by the Milwaukee Economic Development Corp (MEDC). MEDC allocated $18,850,000 of its qualified equity investment (QEI) issuance authority to MEDC Capital VI, LLC. On October 14, 2011, the Century City Investment Fund, LLC, which is 100%-owned by a New Market Tax Credit investor, made an $18,850,000 capital contribution to MEDC Capital VI, LLC. MEDC Capital VI, LLC used these funds to issue three promissory notes, totaling $18,850,000 to the Corporation. The proceeds of the loans were utilized by the Corporation to 1) acquire the Talgo, T-Mobile and Villard Library properties, 2) fund an escrow to finance property improvements within the Century City Industrial Park and 3) pay costs and expenses in connection with the closing and funding of the loans. The interest rate on all three notes is 1.10053%. The notes will be paid from the operating revenues of the Corporation.

The notes are payable in installments as follows:

(i) Commencing on December 1, 2011, and on each December 1 and June 1 thereafter, until through and including November 1, 2018, interest on the unpaid principal.

(ii) Commencing on May 1, 2019, and on each May 1 and November 1 thereafter, until the maturity date, payments of principal and interest shall be made.

(iii) On November 1, 2041, all of the unpaid principal, and accrued but unpaid interest is due and payable.

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Notes payable at December 31, 2011 were as follows:

	Original issue date	Interest rate	Final maturity date	Original indebtedness	Balance December 31, 2011
Notes payable:					
Note A	10/14/2011	1.10053%	11/1/2041	$ 10,781,015	$ 10,781,015
Note B	10/14/2011	1.10053%	11/1/2041	2,636,375	2,636,375
Note C	10/14/2011	1.10053%	11/1/2041	5,432,610	5,432,610
					$ 18,850,000

Aggregate annual debt service requirements are as follows as of December 31, 2011:

	Principal	Interest	Total
2012	$ -	$ 210,908	$ 210,908
2013	-	210,331	210,331
2014	-	210,331	210,331
2015	-	210,331	210,331
2016	-	210,908	210,908
2017-2021	2,193,403	1,004,467	3,197,870
2022-2026	3,822,842	834,648	4,657,490
2027-2031	4,041,651	615,839	4,657,490
2032-2036	4,272,820	384,670	4,657,490
2037-2041	4,519,284	139,823	4,659,107
	$ 18,850,000	$ 4,032,256	$ 22,882,256

NOTE 7 – NET ASSETS

Net assets reported on the financial statements as of December 31, 2011 include the following:

Net Assets	2011
Invested in capital assets net of related debt	
Total capital assets, net of depreciation	$ 11,276,762
Less: long-term debt outstanding	(18,850,000)
Plus: noncapital debt outstanding	7,229,459
Plus: unamortized debt issue costs	268,613
Total invested in capital assets	(75,166)
Restricted	-
Unrestricted	(888,895)
Total net assets	$ (964,061)

NOTE 8 – LAND OPTIONS

On October 12, 2011, the Corporation and the Authority entered into a 12-year option agreement which provides the Corporation the first right to purchase one or more Authority-owned option parcels at the price of $1 per acre. An option parcel is one or more parcels which constitute the entirety of the Century City site, exclusive of the Talgo and T-Mobile sites. As of December 31, 2011, the Corporation had not exercised any options.

NOTE 9 – LEASE DISCLOSURES

During 2011, the Authority assigned its rights under the Talgo, T-Mobile and Villard Library operating lease agreements to the Corporation.

The Talgo lease has an initial 2-year term ending on August 31, 2012. Rent of $29,744 per month is due on or before the 10th day of each month. Talgo has 3 options of 2-years each to extend the initial term on the same terms and conditions of the initial term except that rent for each year in any such extension shall be adjusted to fair market value but not less than the rent payable under the previous term. The cost of the Talgo building is $6,965,790 with accumulated depreciation of $48,374 as of December 31, 2011.

The T-Mobile lease has an initial term of 5 years, ending on November 11, 2015. T-Mobile has the option to extend the lease term beyond the initial term for 4 renewal terms of 5 years each. Annual rent of $21,600 per year is payable on a monthly basis on or before the 10th day of each month. On each anniversary of July 1, 2011, annual rent shall increase cumulatively by 3% per year.

NOTE 9 – LEASE DISCLOSURES (CONTINUED)

The Villard Library lease has an initial term of 7 years, ending on July 31, 2018. At the conclusion of the initial term and at any time thereafter, the City has the option to purchase the leased premises. The purchase price to be paid shall be equal to the remaining net balance of the aggregate unpaid rental payments due under the remaining term of the lease. Rent of $13,182 is due and payable, in arrears, on an annual basis every August 1 during the initial term. The cost of the Villard Library building is $3,122,743 with accumulated depreciation of $21,686 as of December 31, 2011.

The following is the schedule of future lease payment revenues:

Year	Lease Payments
2012	$ 273,058
2013	35,764
2014	36,441
2015	37,139
2016	37,858
2017-2018	77,958
Total	$ 498,218

NOTE 10 – DEVELOPMENT GRANT

The City has provided the Corporation with financial support in the form of a $3,000,000 development grant. This grant is available only to the extent needed to fund the continuing operations of the Corporation, provided, however, operations must first be funded through rent, land sale proceeds and existing cash accounts. Disbursements are allowed, at the written direction of the Corporation treasurer, no more than twice a year. These grant funds are in the custody of the Authority. During the period ended December 31, 2011, the Corporation did not receive or expend any of these grant funds.

NOTE 11 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions, injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Corporation purchases commercial insurance.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

From time to time, the Corporation is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Corporation's legal counsel that the likelihood is remote that any such claims or proceedings willl have a material adverse effect on the Corporation's financial position or results of operations.

NOTE 13 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;* and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53.* Application of these standards may restate portions of these financial statements.

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OTHER INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Century City Redevelopment Corporation
Milwaukee, Wisconsin

We have audited the financial statements of the Century City Redevelopment Corporation (Corporation) as of December 31, 2011 and for the period October 5, 2011 through December 31, 2011, and have issued our report thereon dated June 21, 2012. 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.

Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

To the Board of Directors
Century City Redevelopment Corporation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 21, 2012.

This report is intended solely for the information and use of the Corporation's Board of Directors and management, others within the organization, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 21, 2012