Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2011

Martin Matson
Comptroller

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Office of the Comptroller

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Comptroller

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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City of Milwaukee

Office of the Comptroller

Martin Matson
Comptroller

John M. Egan, C.P.A.
Deputy Comptroller

July 30, 2012

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2011. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

This report consists of management's representation concerning the finances of the City of Milwaukee. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Milwaukee and the component units are responsible for establishing and maintaining an internal control structure designed to ensure that the assets entrusted are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An independent firm of licensed certified public accountants, KPMG LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2011, are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2011, are fairly presented in conformity with GAAP.

The GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The CAFR is presented in three sections. The **Introductory Section** includes a list of principal officials, an organizational chart, and this letter of transmittal, which highlights significant aspects of the City and particular financial issues. The **Financial Section** includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The **Statistical Section** includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The City, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of government. The Mayor, Comptroller, Treasurer, City Attorney, and 15 Common Council members are elected officials of

Room 404, City Hall, 200 East Wells Street, Milwaukee, Wisconsin 53202-3566 Phone: (414) 286-3321, Fax: (414) 286-3281

the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a general election for these positions in April 2012. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review and adoption by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce, and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, is responsible for establishing City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement, and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in the report are the enterprise operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance, and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units: Century City Redevelopment Corporation, Milwaukee Economic Development Corporation, City of Milwaukee Housing and Redevelopment Authorities and Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Comptroller is also required to provide a statement of anticipated revenues by this date. After all requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by object class (i.e., salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

LOCAL ECONOMY

Geographically, Milwaukee consists of 96.9 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. It is located approximately 75 miles east of the State capital, Madison, WI. It is the 28th largest city in the United States with a 2011 U.S. Census estimated population of 595,525. Due to its large population, it is the largest city in the State and also the only city of the First Class within the State of Wisconsin. Milwaukee is the main cultural and economic center of the combined population of 1.7 million for the Milwaukee-Racine-Waukesha metropolitan area. Milwaukee also is an international seaport.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate, and retail trade) employs over 69% of the workforce. Manufacturing firms employ 17% of the work force. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance, and services have more than 500 employees.

According to Pepperdine University research study in early 2011, Milwaukee has risen from 49 to 23 in the ranking among the best large metros for manufacturing jobs. As manufacturing employment growth from 2009-2010 increased nearly 3%, others sectors, notably business services also showed increases. Once known almost exclusively as a manufacturing and brewing powerhouse, Milwaukee's economy has changed with the national shift to a service based economy. In the past few decades, major new additions to the City include the Milwaukee Riverwalk, the Frontier Airlines Center, Miller Park, an internationally renowned addition the Milwaukee Art Museum and Pier Wisconsin, as well a major renovations to the U.S. Cellular Arena. Many new condos, lofts, and apartments have been constructed in neighborhoods on and near the lakefront and riverbanks.

Milwaukee is a major commercial shipping hub. Of vital importance to both the local and state economies is the Port of Milwaukee, a "shipping and receiving" point for international trade as well as the primary heavy-lift facility on the Great Lakes. A protected harbor permits year-round navigation through the port from three rivers in addition to Lake Michigan. With access to the eastern seaboard via the St. Lawrence Seaway and to the Gulf of Mexico through the Mississippi River, the Port of Milwaukee processed nearly 2.9 metric tons of cargo in 2011 compared to 2.3 metric tons in 2010. Both the Union Pacific Railroad and the Canadian Pacific Railway serve the Port, which is also served by convenient, non-congested access to the interstate highway system. Principal inbound commodities include cement, coal, machinery, steel, salt, limestone, asphalt, and crushed rock. The Port is also home to the U.S. Coast Guard, the U.S. Navy Reserve, and the U.S. Army. The Harbor Commission's authority also includes the property of Milwaukee World Festivals, Inc., Pier Wisconsin and the Lake Express high speed ferry.

Economic development is encouraged through the growth of employment opportunities for the citizens of Milwaukee and supports private investment that grows the City's tax base. Four key approaches are utilized: 1) direct financial assistance to small businesses that helps clients take advantage of opportunities to increase sales and employment; 2) use of tax incremental financing to provide public infrastructure improvements or other assistance to encourage major private investments that will contribute significantly to the growth of the tax base, employment or availability of commercial services in underserved areas; 3) partnerships with organizations that represent businesses and employers to improve the business environment, either in a particular geographic area or a particular industry segment; and 4) management of projects that invest City resources to redevelop underutilized or vacant properties for eventual sale to private owners.

In addition to pursuing new business, the City takes an active role in guiding economic development to serve the community. The City manages a number of programs intended to assist in local business retention efforts, provide permit assistance to new businesses, and seek out appropriate sites for these businesses. The City has established its 44th Business Improvement District and Tax Incremental District (TID) #76. In addition, the City manages various Development Fund Projects to promote urban renewal throughout the City.

Some of the City's noteworthy revitalization efforts were realized during 2011. In February 2011, the Moderne, a $54 million, 30-story tower, breaks ground at 3rd Street and Juneau Avenue in the Park East Corridor. It will contain 203 apartments and 14 condominiums. In November 2011, The Common Council approved an amendment to the Reed Street yards Tax Incremental District (TID No. 75) for $6.2 million that will provide the necessary funding to redevelop the Reed Street Yards into a water research and technology park, adjacent to the proposed Milwaukee Water Council Accelerator Building. Ingeteam, a Spanish company with worldwide operations, will produce electric generators for wind turbines and converters for green energy at its Milwaukee plant. Construction began in the Menomonee Valley Industrial Center in 2010. Ingeteam anticipates employing 275 people at the new 114,000 square foot building. The company's new facility will occupy an 8.1 acre site that Ingeteam purchased from the City at market rates. A package of loans and tax credits, including Wisconsin's new JOBS tax credit and new markets tax credits to be used in construction financing, helped Ingeteam to select Milwaukee.

Tourism is also a major contributor to the local economy. Milwaukee's arts, entertainment, professional sports, restaurants, parks, conventions, and businesses attract about six million visitors a year. There are about 20 major annual festivals hosted in Milwaukee. Summerfest is promoted as the world's largest music festival and attracts about one million attendees each year. Some of Milwaukee's ethic festivals include the largest Native American festival in the country, America's largest Polish festival, America's largest Italian festival, America's largest 3-day German festival, and the largest Irish festival in the world.

The educational opportunities in Milwaukee offer a wide variety of choices within the City. They include Alverno College, Cardinal Stritch University, Marquette University, Medical College of Wisconsin, Milwaukee Area Technical

College, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee, and Wisconsin Lutheran College.

ECONOMIC OUTLOOK

During 2011, the City's unemployment rate averaged approximately 10.6%; compared to the State of Wisconsin average of 7.5% and the United States average of 8.9% (as estimated by U.S. Department of Labor, Bureau of Labor Statistics). Milwaukee's rate decreased slightly from the 11.5% during 2010.

Retaining the City's high "investment grade" bond ratings is of prime importance and serves to maintain low borrowing costs. The low costs of borrowing, both for capital and cash flow purposes, produces direct benefits to the taxpayer. The City continues to maintain high investment grade ratings of Aa2 from Moody's and AA from Standard & Poor's on the City's most recent 2012 General Obligation Bonds and Notes. By definition, the bond ratings are a measure of the quality and safety of a bond based on the issuers' financial condition. Rating services, such as Moody's and Standard and Poor's, perform evaluations on each debt issue to indicate the likelihood that a debt issuer will be able to meet scheduled interest and principal repayments. Typically, AAA or Aaa is the highest (best) rating with D being the lowest (worst). The ratings of AAA and AA indicate high credit quality investment grade. The recent 2012 rating from Moody's is Aa2 and is slightly below the Aa1 rating received in 2011 and indicates low current risk but a slightly higher future risk . Standard & Poor's rating is the same as the prior year and is AA. As the ratings indicate, the City's capacity to meet its financial commitments on outstanding obligations is strong. The rating agencies indicate that the ratings reflect a combination of moderate overall debt burden, rapid debt repayment, manageable capital needs, and a diverse tax base. The City also assists in keeping the overall debt burden affordable by controlling the level of annual debt issued. The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City issued any refunding securities for the purpose of preventing default in the principal or interest on its debt obligations.

The 2011 property tax rate for 2012 purposes is $9.25 compared to $9.12 per $1,000 of assessed value. The 2012 budgetary City property tax levy of approximately $248 million represents a slight increase compared to the $246.7 million in 2011. The estimated assessed value used for 2012 budget purposes decreased approximately 0.8% from the value used for the 2011 budget purposes. This property tax levy will provide $115.2 million in revenue for the general city purposes budget in 2012 compared to $111.6 million for 2011 general city purposes. The actual 2011 property tax revenue reported in the General Fund was $166.8 million compared to $168 million in 2010. Property taxes revenue funding as a portion of total General Fund budgetary expenditures for 2011 was 27.2% compared to 2010 of 26.2% as depicted in Exhibits E-1.

Property tax increases have been limited by state legislation and state aids have continued to decrease. The 2012 budget estimates intergovernmental revenues of $259.5 million, of which three specific state aids comprise 97% of this amount. It is anticipated the overall decrease in state aids from 2011 will be $12.5 million. The largest amount of state aids comes in the form of State Shared Revenue. It is expected to be $218.5 million in 2012; a decrease of $9.9 million from the 2011 budgeted amount. The state transportation aids (the second largest category) are determined by the amount spent in specific transportation related accounts and the funds made available in the State's budget for this purpose. These aids total $25.5 million in 2012 which is $2.4 million below the 2011 amount. Another large state aid is the Expenditure Restraint Payment. The intent of this program is to reward communities who control their General Fund expenditures. The estimate for 2012 is $8.3 million which is $0.3 million less than 2011's estimate. Due to these declining State aids, revenue diversification and enhancement are essentials to retaining existing service levels. However, State restrictions on the type of charges for service that are available to municipalities further erode the ability to diversify revenue. The largest revenue in the Charges for Services category is the solid waste fee. This fee will rise to $171.52 per year from $168.156 per year in 2011. In addition, the additional garbage cart per household is increased from $20 to $40. These increases are expected to generate $33.9 million in 2012.

Many significant challenges remain in achieving ongoing fiscal sustainability. Over the last five years, healthcare expenditures have increased on the average of 9% annually. At this current rate, health care expenditures are projected to reach around $190 million by 2015. A more sustainable health care plan is needed. Therefore, significant plan design changes to the current Basic and HMO plans for all employees were implemented that will lower the total premium for both employees and the City, decrease large trend increases over the long-run, and, encourage more appropriate utilization. For 2012, the employee health care budget is $116.2 million, a decrease of 20% from the 2011 budgeted amount. All employees will pay a 12% monthly premium based on a four-tier rate structure beginning in 2012.

The 2011 Wisconsin Act 10 prohibits the employer from paying the employee's share of required pension contributions, except as otherwise provided in a collective bargaining agreement. The City Attorney and two firms have issued opinions that conclude Chapter 36 of the Milwaukee Charter cannot allow for payment of the member contribution by general city employees hired prior to January 1, 2010, because such a provision would constitute an unconstitutional impairment of contract rights and an unconstitutional violation of due process rights. Therefore, a conflict exists between a state statutory provision regarding fiscal policy and the City Attorney's conclusion that this statutory provision is unconstitutional and cannot be enforced. The 2012 budget includes $8.2 million in a special purpose account to continue to pay the entire member contribution for all general city employees that were hired prior to January 1, 2010. If 2011 Wisconsin Act 10 is determined to be legal and enforceable, the Mayor proposes to use the funding to provide compensation and benefit adjustments to general city employees as allowed under state statutes. This funding may also be used to reduce or eliminate the unpaid mandatory furlough days currently mandated for city employees.

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. The General Fund maintains a Reserve for Tax Stabilization (a fund balance account) that accumulates the net of revenues and other financing sources less expenditures and other financing uses, and, less other fund reserves. For 2011, this reserve was increased by $4.9 million to a year-end balance of $48.7 million compared to $43.8 million for 2010. The 2012 budget includes a withdrawal of $13.8 million, leaving that portion of the Reserve for Tax Stabilization available for future years at $34.9 million. This is an increase of $5.9 million compared to $29 million at year-end 2010.

MAJOR CAPITAL PROJECTS

The 2012 capital budget includes funds for various infrastructure and building projects. For 2012, the City capital improvements budget, not including enterprise funds and grants and aid funding, totals $113.4 million, a decrease of 3.8% or $4.5 million from the 2011 budget of $117.9 million. Funding of $29.2 million for various tax incremental district and development projects comprises 26% of the total capital budget for 2012. The Department of Public Works budget for bridges ($8.3 million), street/paving construction ($27.3 million), sewer, bridge, street/paving ($13.9 million), public safety communications and phone system ($1.2 million), various building, equipment and forestry projects ($13.7 million) total $64.4 million or approximately 57% of the total 2012 capital budget. Police projects ($1.5 million) and Library projects ($2.6 million) in the aggregate total $4.1 million or 4% of the total capital budget.

The 2012 capital projects budget includes a separate listing of twelve large-scale projects for 2012. These projects identify all funding sources including city capital budgets and grantor share funds whose components total at least $2 million. The major projects total $99.8 million. These projects include three bridge projects of $4.5 million, three connecting highway projects of $31.6 million, three major street projects of $16.4 million, and, three state trunk highways of $47.4 million.

The City has a Capital Improvements Committee, created in 2009, to provide a continuing analysis and public focus on the City's investment and management of its public facilities and networks.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities that maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, and repurchase agreements (all of which are permissible under State Statutes). The average interest earnings rate for City funds invested by the City Treasurer was approximately 0.213% in 2011 as compared to 0.315% in 2010. The City continued to use the State of Wisconsin Local Government Investment Pool to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. In 2011, the average daily investable balance was $213.5 million as compared to $235.8 million in 2010, a 9.5% decrease. The investable balance generates interest earnings for the City, which is used to offset the property tax levy.

The 2012 budget includes a change in the City's approach to investing available fund balances, which has the possibility to increase investment income, while maintaining compliance with statutory limitations and ensuring adequate liquidity to serve the City's cash flow requirements. The Common Council has authorized the Public Debt Commission to issue up to $150 million of commercial paper, as part of an overall city borrowing program, which may include the issuance of commercial paper for cash flow management and improved investment return. In addition, the Common Council has provided the Comptroller with the authority to invest available fund balances, with the additional provision to use private

investment management where it is feasible and cost effective. This change capitalizes on the existing commercial paper facility to ensure adequate liquidity and available private money management expertise to increase the City's non-property tax revenue potential. The use of commercial paper allows managing the City's pooled cash investments actively while ensuring the liquidity necessary for City operations. This establishes an enhanced performance allocation of pooled cash of at least $100 million, allowing private fund managers to provide superior yield "core" portion. Funds will be invested in accordance with State Statutes. Through the designation of the "core" Pooled Cash, fund managers will generate additional yield by extending the duration of investments to one to three years, with the possibility of a portion of the funds being invested in instruments of three to seven years. In the event remaining Pooled Cash should fall below the necessary threshold, the City will issue short-term commercial paper to provide additional funds on a temporary basis.

During 2011, the City continued its prudent use of financing techniques and investment instruments to maximize its investment return while meeting ongoing cash flow needs. The City's use of cash flow borrowing in anticipation of State Shared and State Equalization Aid Revenues totaled $245 million, compared to $372 million in 2010. The financing was accomplished through two separate offerings -- $100 million General Obligation Cash Flow Promissory Notes in June 2011 for City purposes and $145 million School Revenue Anticipation Notes in October 2011 for school purposes. The second borrowing (not a general obligation of the City) represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending its receipt of State Equalization.

In addition, the City continued its use of the State of Wisconsin's Clean Water Fund to finance sewer maintenance capital projects which began in June 2007. Over $3 million of loans were obtained during 2011. The Clean Water Fund provides below market interest loans to communities to finance storm-water control projects. This financing strategy will save ratepayer's money, as Clean Water funding and General Obligation bonds have a lower interest rate than revenue bonds. However, the recently adopted 2011-2013 State Budget has curtailed the interest rate subsidy provided by the State Clean Water Fund. General Obligation debt will finance sewer capital projects that do not qualify for the Clean Water Fund. Also, during 2011, $167 million of commercial paper to finance various public improvement projects and fiscal requirements of the City were issued.

RISK MANAGEMENT

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City has found it is more economical to manage its risk internally, setting aside funds as needed for estimated current claim settlements and judgments through annual and supplemental appropriations as needed. The City also purchases and maintains limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required of City contractors, vendors, lessees and permit holders.

ACKNOWLEDGEMENTS

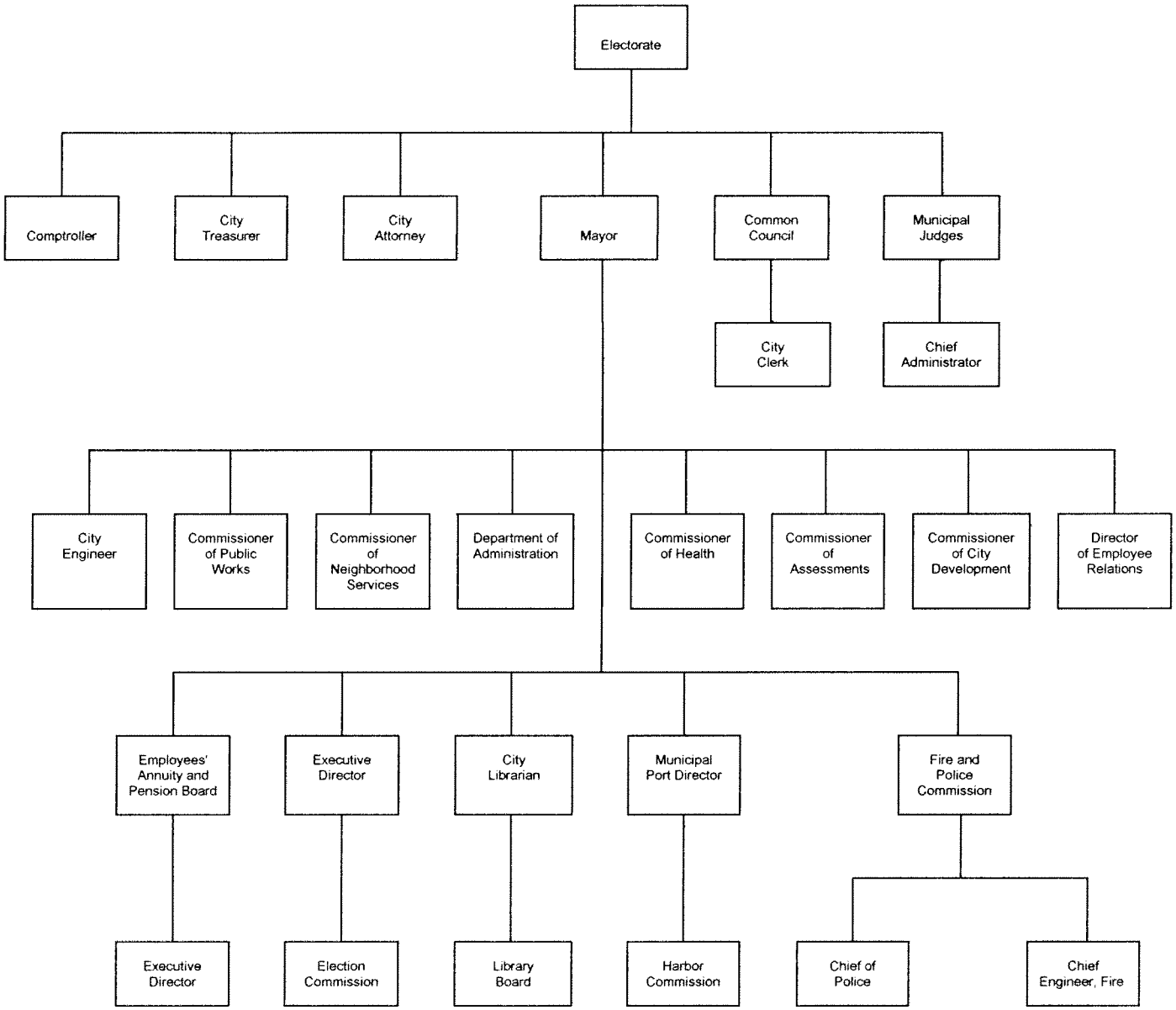
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment, and effort of each member of its General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this CAFR. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Sincerely,

Martin Matson

Martin Matson
Comptroller

CITYOF MILWAUKEE
ORGANIZATION CHART
DECEMBER 31, 2011



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2011

ELECTED

Mayor	Thomas M. Barrett
Comptroller	W. Martin Morics
City Treasurer	Wayne F. Whittow
City Attorney	Grant F. Langley
Municipal Judge	Derek C. Mosley
Municipal Judge	Phillip M. Chavez
Municipal Judge	Valarie A. Hill

COMMON COUNCIL

President	Willie L. Hines, Jr.
Aldermanic District	**Alderman**
First	Ashanti T. Hamilton
Second	Joseph L. Davis, Sr.
Third	Nik Kovac
Fourth	Robert J. Bauman
Fifth	James A. Bohl, Jr.
Sixth	Milele A. Coggs
Seventh	Willie C. Wade
Eighth	Robert G. Donovan
Ninth	Robert W. Puente
Tenth	Michael J. Murphy
Eleventh	Joseph A. Dudzik
Twelfth	James N. Witkowiak
Thirteenth	Terry L . Witkowski
Fourteenth	T. Anthony Zielinski
Fifteenth	Willie L. Hines, Jr.

FINANCE RELATED (Non-Elected)

Administration Director	Sharon D. Robinson
Budget & Management Director	Mark P. Nicolini
City Purchasing Director	Rhonda Kelsey
Commissioner of Assessments	Mary P. Reavey
Chief Information Officer	Nancy A. Olson

FINANCIAL SECTION

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KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Honorable Members
Common Council
City of Milwaukee, Wisconsin:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee, Wisconsin (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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 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 City'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 audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The

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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 read in conjunction with this report in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress on pages 17 through 31, page 98, and page 99, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, the miscellaneous financial data, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

As discussed in note 1S to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* during the year ended December 31, 2011.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2012

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City of Milwaukee's (City's) management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes MD&A. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2011 by $929 million (net assets); $237 million in governmental activities and $692 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of $318 million. The City regularly makes significant investments in private purpose developments which do not produce any direct financial return to the City. The City also finances certain long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 2% compared to the previous year of $950 million.

- The vast majority of the City's net assets are capital assets, most of which do not generate revenues by their use or sale. Total net assets comprise the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation – $964 million.
  - Restricted net assets, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – $225 million.
  - Unrestricted net assets – $(260) million.

- The City's total 2011 year-end other post-employment benefits (OPEB) obligation is $213 million; an increase of 21% from the 2010 obligation of $174 million. The obligation is based on an actuarial valuation as of January 1, 2011, which indicates the 2011 actuarial accrued liability for benefits was $916 million over a 30-year amortization period.

- Total liabilities of the City increased by $87 million to $1,966 million. The long-term portion of total liabilities ($1,396 million) consists of $213 million for OPEB, $1,111 million for outstanding debt and $72 million for compensated absences, claims, and judgments.

- City governmental expenses exceeded combined program revenues by $694 million General revenues and transfers of $658 million resulted in a $36 million decrease of net assets for the year. Business-type activities produced an increase of net assets of 2% over 2010, generating a net change of $15 million in 2011.

- For governmental activities, program revenue supported 23% of the total expenses for 2011. Property taxes and other taxes financed 30% of the primary government's governmental activities' expenses, state aids for the General Fund funded 30%, and miscellaneous revenues and transfers supported 12% of the expenses. Total revenues and transfers were less than expenses by 5% in 2011.

- For business-type activities, program revenue supported 130% of the expenses for 2011; and, in total exceeded the expenses by $55 million. Miscellaneous revenue and transfers reduced this excess by $40 million to result in a $15 million increase for the year.

- The City's total governmental funds reported total ending fund balances of $301 million this year. Compared to the prior year ending fund balance of $264 million, an increase of $37 million resulted by year end 2011; a 14% increase.

- The General Fund balance at year-end 2011 totaled $72 million – a $12 million increase compared to 2010 (20%). This ending Fund Balance is about 1% of combined General Fund expenditures and transfers disbursed for the year.

- The operating expenditures of the General Fund were $10 million less than budgeted. This favorable variance is a result of savings from general government departments of $8 million, public safety departments of $1 million, and a combined savings of $1 million in other departments. The combined savings from the general government departments of Comptroller, Treasurer, Employees' Retirement and Employees Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts, and, thus saved $2 million for the year. In addition, savings of $2 million was realized in departmental salary accounts; $1 million in

workers compensation account and $2 million in pension contributions. The remaining $3 million in the aggregate from all other operating accounts of other departments.

- Outstanding General Obligation bonds and notes payable increased by $21 million during the current fiscal year from $894 million to $915 million. This increase results from early retirement of General Obligation debt of $402 million and issuance of $423 million in new General Obligation bonds and notes for the continued funding of City capital projects as well as debt issued on behalf of the Milwaukee Public Schools.

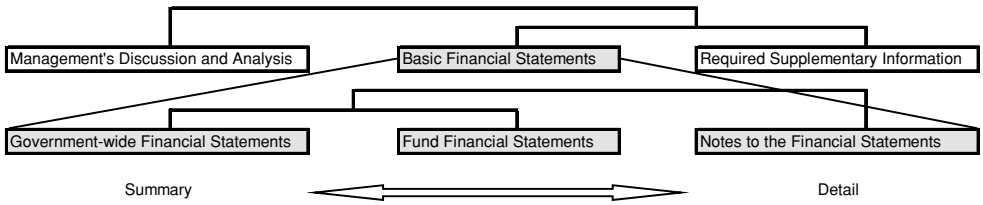
- The City issued General Obligation Cash-flow Promissory Notes for $100 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information.** Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.

Figure A-1

COMPONENTS OF THE FINANCIAL SECTION



The basic financial statements include two kinds of statements.

- Government-wide financial statements that provide both long-term and current period information about the City's overall financial status.
- "Fund" specific financial statements that focus on individual components of City government, reporting the City's operations in more detail than the government-wide statements.
  - Governmental fund statements tell how general government services such as public safety were financed in the past year as well as what remains for future spending.
  - Proprietary fund statements offer current year and long-term financial information about business-type activities such as the water utility and the sewer maintenance systems.
  - Fiduciary fund statements provide financial information about certain operations—such as benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.

A summary of the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of MD&A explains the structure and contents of each of the statements.

FIGURE A-2

MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

Two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets is one measure of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the property tax base and the condition of the City's infrastructure (streets, sewers, etc.) are also needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the City is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- The *component units* include five other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation, Neighborhood Improvement Development Corporation and the Century City Redevelopment Corporation. Although legally independent entities, these organizations are closely related to the City of Milwaukee in terms of their respective financial and public policy responsibilities.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant financial components of the municipality as opposed to the City as a whole. These individual funds are established for the purpose of executing specific activities and objectives in accordance with Federal, State and local laws and regulations.

The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses.

The City reports financial activity and status according to three fund types: governmental, proprietary and fiduciary funds.

- Governmental funds: Most of the City's basic services are reported in governmental funds, applying modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- Proprietary funds: Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds utilize full accrual accounting. The City's proprietary (enterprise) funds focus on the business-type activities reported in the government-wide statements, providing additional detail including cash flows.
- Fiduciary funds: The City is the trustee, or fiduciary, for its pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow the Government-wide and Fund financial statements (Exhibits 1 through D-2) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. This required supplementary information is presented in Exhibits E-1. A *Schedule of Funding Progress* relating to retiree health and life insurance is depicted in Exhibit E-2.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

Combining schedules provide detail in connection with nonmajor governmental funds and nonmajor enterprise funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each nonmajor special revenue fund. Capital Projects are also presented in detail by major category (i.e., streets, sewers) within the Miscellaneous Financial Data Section. See Exhibits F-1 through I-9.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The net assets and net expenses of governmental and business-type activities of the City are presented separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

Table 1
Summary of Statement of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Current and other assets	$ 888,034	$ 917,918	$ 117,622	$ 123,281	$ 1,005,656	$ 1,041,199
Capital assets	985,504	990,822	837,899	862,923	1,823,403	1,853,745
Total assets	1,873,538	1,908,740	955,521	986,204	2,829,059	2,894,944
Long-term obligations	1,072,207	1,144,531	224,791	251,894	1,296,998	1,396,425
Other liabilities	528,317	527,156	53,925	42,456	582,242	569,612
Total liabilities	1,600,524	1,671,687	278,716	294,350	1,879,240	1,966,037
Net assets:						
Invested in Capital assets, net of related debt	360,132	345,061	608,733	618,625	968,865	963,686
Restricted	197,634	210,066	11,409	15,034	209,043	225,100
Unrestricted	(284,752)	(318,074)	56,663	58,195	(228,089)	(259,879)
Total net assets	$ 273,014	$ 237,053	$ 676,805	$ 691,854	$ 949,819	$ 928,907

Net assets of the City's governmental activities decreased 13% to $237 million for 2011. The portion of these net assets restricted as to use totaled $210 million. Net assets invested in capital facilities (buildings, roads, bridges, etc.) totaled $345 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit of $318 million at the end of 2011 does not imply that the City has inadequate financial resources available to meet its current obligations. For example, the City's annual budgets do not include the full amounts needed to meet future liabilities arising from property-casualty claims, unused employee vacation-sick leave and outstanding debt. The City will include the amounts needed in future years' budgets as these obligations come due.

The net assets of business-type activities increased 2% to $692 million in 2011. The City generally can only use these net assets to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 6% and for business-type activities increased 12% from 2010 due primarily to the issuance and retirement of long-term debt and the recording of OPEB.

Total assets including capital assets increased $66 million or 2% from 2010. Capital assets of the primary government increased 2% from the previous year due to several completed major street projects by the State of Wisconsin. For 2011, capital assets of the Water Works and the Sewer Maintenance Funds comprise 93% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise (business-type) funds. The Water Works capital assets (47%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (46%) includes local sewer mains and connections.

Changes in net assets. Total annual City revenues less expenses yield the change in net assets. The City's program and general revenues totaled $823 million for governmental activities. Forty-six percent of governmental purpose revenues are intergovernmental revenues (State aids, Federal and State grants) while 33% is derived from property and other taxes. Charges for services represent 13% of total revenues, and the remaining 8% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with $327 million (36%) related to public safety (fire and police, neighborhood services). General government expenditures total $245 million (27%) while public works expenditures total $167 million (18%). Program specific revenues generated only about one-eighth of the revenue needed to support the cost of governmental activities. General revenues (taxes, State aids, and miscellaneous) provide the remaining funds.

Total governmental activities expenditures exceeded revenues and transfers by $36 million (3%). For business-type activities revenues exceeded its expenditures and transfers by $15 million (8%). However, prior to the transfer of $44 million from business type funds to governmental funds, business type funds showed a $59 million excess of revenues over expenses while governmental activities showed a $80 million gap of revenues below expenses. Chart 1, *Expenses and Program Revenues – Governmental Activities*, and Chart 2, *Expenses and Program Revenues – Business-type Activities* depict this comparison by major function.

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program revenues:						
Charges for services	$ 97,146	$ 103,493	$ 226,139	$ 233,126	$ 323,285	$ 336,619
Operating grants and contributions	95,018	102,698	-	-	95,018	102,698
Capital grants and contributions	57,739	2,724	3,094	4,393	60,833	7,117
General revenues:						
Property taxes and other taxes	283,442	276,168	-	-	283,442	276,168
State aids for General Fund	270,939	273,240	-	-	270,939	273,240
Miscellaneous	179,057	64,214	1,085	3,932	180,142	68,146
Total revenues	983,341	822,537	230,318	241,451	1,213,659	1,063,988
Expenses						
General government	259,420	245,191	-	-	259,420	245,191
Public safety	326,366	326,879	-	-	326,366	326,879
Public Works	168,699	166,787	-	-	168,699	166,787
Health	23,360	21,137	-	-	23,360	21,137
Culture and recreation	21,075	19,864	-	-	21,075	19,864
Conservation and development	66,758	67,171	-	-	66,758	67,171
Capital contribution to Milwaukee Public Schools	91,161	4,386	-	-	91,161	4,386
Contributions	23,321	23,382	-	-	23,321	23,382
Interest on long-term debt	26,467	28,047	-	-	26,467	28,047
Water	-	-	67,966	69,196	67,966	69,196
Sewer Maintenance	-	-	41,188	40,813	41,188	40,813
Parking	-	-	25,450	25,267	25,450	25,267
Port of Milwaukee	-	-	5,885	3,631	5,885	3,631
Metropolitan Sewerage District User Charges.	-	-	45,876	43,149	45,876	43,149
Total expenses	1,006,627	902,844	186,365	182,056	1,192,992	1,084,900
Increase in net assets before transfers	(23,286)	(80,307)	43,953	59,395	20,667	(20,912)
Transfers	48,177	44,346	(48,177)	(44,346)	-	-
Increase in net assets	24,891	(35,961)	(4,224)	15,049	20,667	(20,912)
Net assets – Beginning	248,123	273,014	681,029	676,805	929,152	949,819
Net assets – Ending	$ 273,014	$ 237,053	$ 676,805	$ 691,854	$ 949,819	$ 928,907

Governmental Activities

Revenues for the City's governmental activities totaled $823 million, while total expenses totaled $903 million for 2011. The 2011 governmental activity expenditures total decreased by 10% over 2010. Total revenues, excluding transfers, supported 91% of total expenses; 96% with transfers. Comparable data for 2010 indicates 98% of all revenues, excluding transfers supported the 2010 expenses and, 103% including transfers.

Property taxes represent 33% of the total revenues for 2011 compared to 29% for 2010; a 4% increase in this category. While the actual revenue decreased 3% over the previous year, the percentage comparison to the total increased due to decreases in the grants and contributions category and the miscellaneous category. The City of Milwaukee's share of the Tax Rate increased twenty-three cents (from $8.89 in 2010 to $9.12 in 2011 (per $1,000 of Assessed Value), due in part to a decrease in assessed property value. State aids for the General Fund of $273 million increased by $2 million or less than 1% in 2011. The combined property taxes and State aids comprised approximately 67% of the total revenues for governmental funds in 2011 compared to 56% in 2010. Charges for services equaled 12% of the total revenues in 2011 compared to 10% in 2010. Operating grants, capital grants, and contributions decreased $47 million, to a total $105 million or 13% of total revenues in 2011 compared to only 16% in 2010. During 2010, non-cash capital grants were recorded to represent the State contribution of completed major street projects on behalf of the City of $57 million compared to $3 million in 2011.

In 2011, governmental-activity-type expenses decreased by $104 million (10%) to $903 million. Contributing factors relate to the various activities for fiscal year 2010 of Federal Recovery Act funding, Milwaukee Public Schools (MPS) cash-flow borrowing and an addition to City Pension reserves that did not occur in 2011. Expenses for general government, which comprise 27% of the total expenses, decreased 5% in 2011. Public safety expenses represent the largest category of governmental activities or 36% of the total expenses for 2011 had an increase of 3% over 2010. The largest change occurred in the City's contribution to the Milwaukee Public Schools, a decrease of $87 million and represents 84% of the overall decrease in expenditures. The Milwaukee Public Schools cannot issue its own debt. As a result, the City issued debt in 2010 to finance MPS operations pending the issuance of revenue anticipation notes later in the year. This borrowing simply financed MPS operating costs until MPS received State aids and was $91 million; no such contribution occurred in 2011.

Chart 1
2011 Expenses and Program Revenues - Governmental Activities

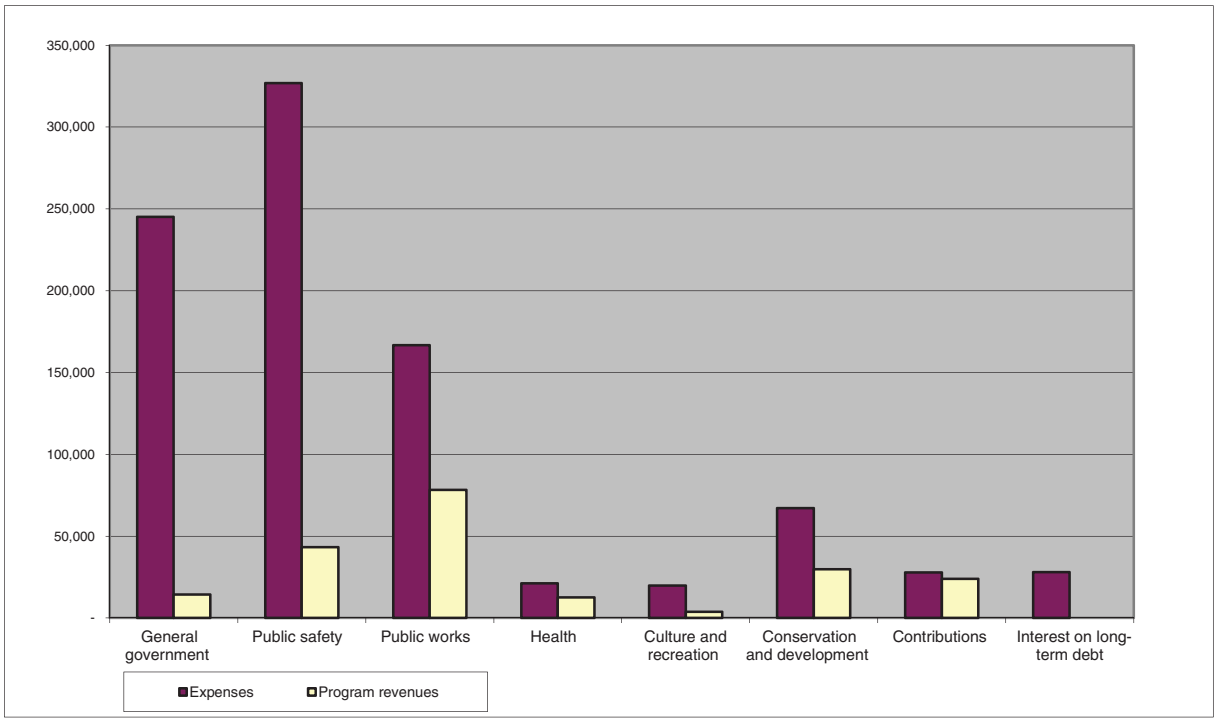


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. "Net cost" shows the financial burden placed on the city taxpayers by each of these functions.

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2010	2011	2010	2011
General government	$ 259,420	$ 245,191	$ 245,926	$ 230,868
Public safety	326,366	326,879	286,416	283,542
Public works	168,699	166,787	35,626	85,687
Health	23,360	21,137	9,942	8,583
Culture and recreation	21,075	19,864	17,181	16,067
Conservation and development	66,758	67,171	43,689	37,388
Contributions	114,482	27,768	91,477	3,747
Interest on long-term debt	26,467	28,047	26,467	28,047
Total Governmental Activities	$ 1,006,627	$ 902,844	$ 756,724	$ 693,929

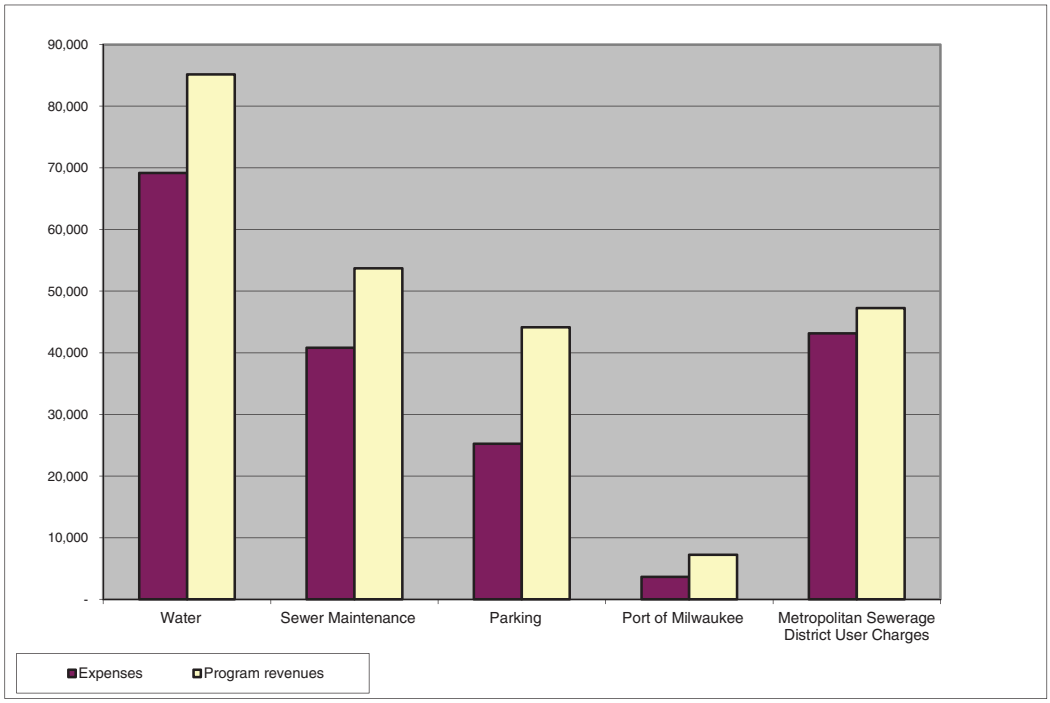
The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities decreased in 2011 to $694 million from $757 million in 2010 or 8% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total costs of service must be funded by general City taxes and State aids.

Business-type Activities

The two major enterprises or business-type activities for the City of Milwaukee are water services and sewer maintenance. The Water Works had operating expenses of $68 million and operating income of $16 million. The Sewer Maintenance produced a net operating income of $31 million after incurring expenses of $21 million.

Business-type revenues on Table 2 increased by $11 million in 2011 compared to 2010, or 5%. Total expenses and transfers of all enterprise funds of the City decreased $8 million, from $234 million in 2010 to $226 million in 2011 (3%). Overall, 2011 year-end Total Net Assets increased by $15 million to $692 million, or 2%.

Chart 2
2011 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting consistent with finance related legal requirements and external governmental accounting standards.

Governmental Funds

Governmental Funds are reported in the fund based financial statements with a focus on the annual inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with the succeeding year's requirements. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed 2011, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of $301 million, an increase of $37 million or 14% over 2010. The General Fund, General Obligation Debt Service Fund, the Public Debt Amortization Fund and Capital Projects Funds increased their fund balances by $45 million. Non-major governmental funds produced a negative change from operations of $9 million. The Capital Projects Fund balance increased by $19 million; although, the total Fund balance remains a negative $117,000. This negative balance persists because the City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects. This practice minimizes City borrowing costs and facilitates compliance with Federal Internal Revenue Service (IRS) regulations. Debt issued for capital projects totaled $101 million in 2011 compared to $238 million in 2010.

Chart 3 and 4 illustrate spending by function and revenues by source for all governmental funds.

Chart 3
2011 City Spending by Function - Governmental Funds

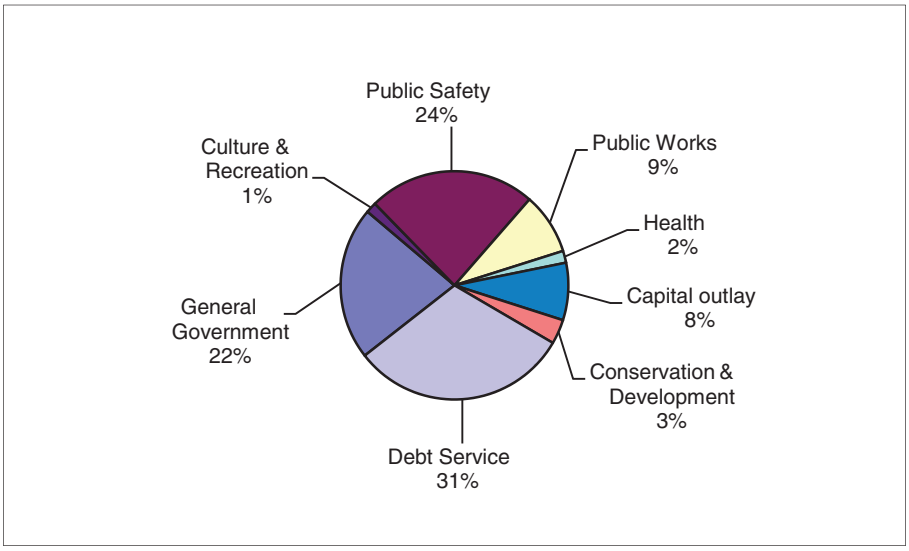
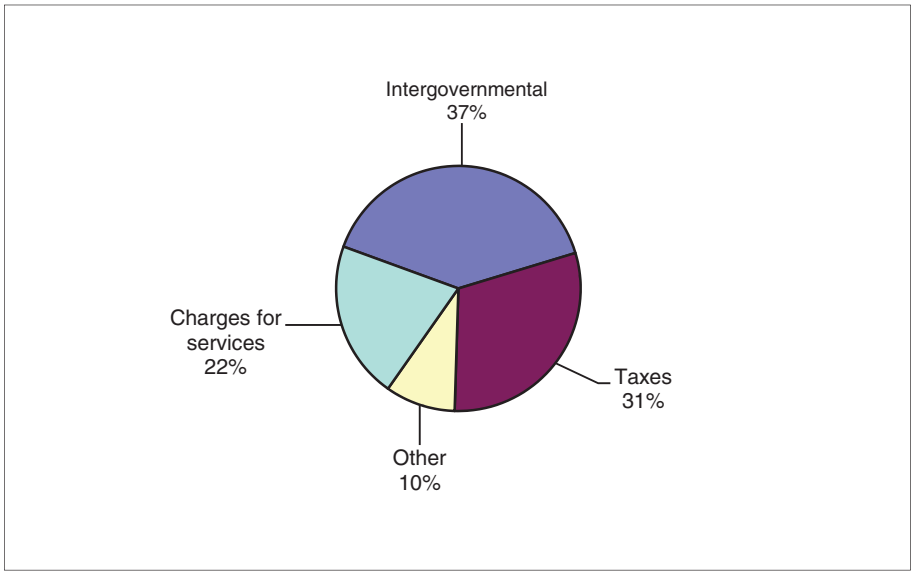


Chart 4
2011 Revenues by Source - Governmental Funds



Revenues for governmental functions overall totaled $906 million in the fiscal year ended December 31, 2011 (-2%). Expenditures for governmental funds totaled $1,193 million (-12%) Expenditures exceeded revenues by $287 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of $36 million for the year compared to an increase of $38 million in 2010. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund increased by $12 million or 21%. Revenues and other financing sources totaled approximately $751 million and expenditures and other financing uses totaled approximately $739 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by only $807 over 2010), expenditures increased by 4% over 2010, with expenditures exceeding revenues by 5%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by $45 million. This excludes the budgeted use of funds from fund balance. Nearly fifteen million was budgeted from the fund balance to fund the 2011 General Fund budget. This was an increase of $2 million from 2010.

Total General Fund revenues for 2011 totaled $604 million. The largest revenue category is intergovernmental at $273 million with 45% of the total revenue. The second largest revenue source is Property Taxes with $167 million or 28%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 17% or $103 million. These three categories combined comprise 90% of the total revenues for 2011. The largest percentage increase in revenues compared to 2010 was the Charges for Services category with a 6% increase.

The following table (Table 4) presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 4
General Fund
Summary of Revenues, Expenditures and Other Financing Sources and Uses
(Thousands of Dollars)

Revenues and Other Financing Sources

Revenues:	**2010**	**2011**	**% Change**
Property taxes	$ 168,031	$ 166,841	-0.7%
Other taxes	5,097	4,371	-14.2%
Licenses and permits	12,948	13,289	2.6%
Intergovernmental	270,939	273,240	0.8%
Charges for services	97,146	103,493	6.5%
Fines and forfeits	5,422	5,076	-6.4%
Contributions received	23,005	24,021	4.4%
Other	20,323	13,387	-34.1%
Total Revenues	602,911	603,718	0.1%
Other Financing Sources			
Debt proceeds	147,000	100,000	-32.0%
Transfers in	51,711	47,376	-8.4%
Total Revenues and Other Financing Sources	801,622	751,094	-6.3%
Excess of Revenues over Expenditures	(61,363)	(32,939)	46.3%
Net Change in Fund Balance	$ (11,730)	$ 12,360	205.4%

Expenditures and Other Financing Uses

Expenditures:	**2010**	**2011**	% Change
General government	$ 276,326	$ 252,677	-8.6%
Public safety	264,067	258,994	-1.9%
Public works	94,482	96,557	2.2%
Health	9,996	8,872	-11.2%
Culture and recreation	15,656	15,566	-0.6%
Conservation and development	3,747	3,991	6.5%
	-	-	
Total Expenditures	664,274	636,657	-4.2%
Other Financing Uses			
Transfers out	149,078	102,077	-31.5%
Total Expenditures and other Financing Uses	$ 813,352	$ 738,734	-9.2%

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes (rather than Revenue Anticipation Notes) in advance of receipt of the State Shared Revenues. For 2011, $100 million was issued.

The City maintains two separate debt service funds. The General Obligation Debt Service Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from $118 million to $126 million or 7%. Total revenues of the General Obligation Debt Service decreased from $205 million 2010 to $185 million in

2011 primarily due to the repayment on 2011 debt maturities from the Milwaukee Public Schools for debt issued on their behalf. Revenues combined with *Other Financing Sources* totaled $427 million; expenditures combined with *Other Financing Uses* totaled $419 million; resulting in a *net increase in Fund Balance* for year end 2011 of $8 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2011 showed a fund balance deficit of $117,000 (an increase in the fund balance of $20 million compared to a fund balance deficit of $20 million in 2010). In 2011, total debt proceeds amounted to $101 million as compared to $238 million in 2010, a 60% decrease. Total revenues decreased 23% from $21 million to $16 million; expenditures decreased from $240 million to $97 million or 59%. The issuance of bonds and notes during 2011 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and also reduced the 2011 year-end deficit in fund balance by $20 million.

Proprietary Funds

The proprietary fund statements provide information on both short and long-term financial status, focusing on net assets and the change in net assets as a result of operations.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were $58 million. This was an increase from $46 million at December 31, 2010 or 26%. This net increase consists of $13 million in Water Works, $3 million in nonmajor enterprise funds, and a $3 million decrease in the Sewer Maintenance fund.

In 2011, operating revenues of the enterprise funds totaled $233 million (3%); total operating expenses decreased to $160 million in 2011 (-2%). The Water Works is the largest enterprise activity for the City, comprising approximately 36% of the total operating revenues. The Sewer Maintenance Fund comprises 22% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2011, Water Works operating revenues increased 15% while Sewer Maintenance operating revenues decreased 0.5%; all other enterprise funds combined decreased by 4%. Water Works non-operating revenues for 2011 are mainly composed of interest income and other miscellaneous revenues. The investment income decreased $3,000 (20%) compared to the 2010 income. Other miscellaneous non-operating revenue increased from $45,000 to $436,000 in 2011. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) increased 869% from 2010.

The Water Works incurred total expenses of $68 million for 2011 compared to $68 million for 2010. Excluding depreciation expense, operating expenses increased over the previous year by $451,000 or 0.1%. The non-operating expenses (interest expense) of the Water Works increased by $146,000 due to the scheduled principal maturing on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds decreased 5% over 2010.

General Fund Budgetary Highlights

For the fiscal year ended December 31, 2011, the General Fund revenue budget exceeded actual revenues by $318,000. Actual 2011 General Fund revenues decreased from that of the prior year. On a budgetary basis, General Fund actual revenues totaled $580 million in 2011, no change over 2010. Property Taxes and Other Taxes decreased by 1% and 14%, respectively. Revenue categories of Licenses and Permits, Intergovernmental and Charges for Services increased in 2011. One noteworthy decrease in the Miscellaneous Revenue relates to the one-time receipt of $7 million to the City from the Pension Reserve at the Employees Retirement System (a non-city entity) in 2010. No such revenue was applicable to 2011. To offset this decrease, several other revenue categories had increases of $7 million to result in total 2011 revenue of approximately the same amount as 2010. Charges for Services increased a total of $6.4 million, of which $1.3 million related to snow and ice fees and $5.1 from various inspection fees. The Other Revenue category consists of interest on investments and in the aggregate many unrelated miscellaneous revenues. Interest on investments, totaled $303,000 for 2011. The average interest earnings rate was 0.213% compared to 0.315% in 2010 with a decrease in the average investable balance from $235.8 million in 2010 to $213.5 million in 2011.

The year 2011 also produced an unexpended budget surplus of $10 million. The general government category contributed $8 million; the public safety category had a surplus of $1 million. Public works, health culture and recreation, and, conservation and development categories, in the aggregate, added nearly $1 million. These savings included $2 million in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts. Salary accounts saved $2 million, $1 million in workers compensation accounts and $2 million in pension related costs, with all other accounts in the aggregate of $3 million. These savings are a result of final expenditures less than the final 2011 budgeted.

During 2011, the Common Council adopted five resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional $3 million in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2010 less the encumbrances carried over to 2012. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2010 by the Common Council less those appropriations authorized for carryover to 2012. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this account to specific departments during the year to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in the Required Supplementary Information Section, Exhibit E-1 shows both the original 2011 General Fund expenditure budget of $626 million and the final budget of $624 million. This is a 4% decrease over the final 2010 budget of $650 million. The original General Fund revenue budget totaled $577 million with the final budget increasing approximately $3 million. This is a 1% decrease over the final 2010 revenue budget of $583 million.

The General Fund Schedule of Expenditures-Budget and Actual (Exhibit I-9) details current year expenditures by department.

The City's General Fund's beginning Fund Balance of $60 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary Fund Balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Fund Balance of $15 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2011 total $1,854 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was $30 million or 1.7%. Governmental activities' capital assets increased $5 million or a 0.5% increase from 2010. Business-type activities' capital assets increased $25 million or 3% at the end of 2011. A schedule comparing the assets by type for 2010 and 2011 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were $17 million and deletions were $12 million for 2011 for governmental activities. The two largest business-type activities are the Sewer Maintenance Fund and the Water Works Fund. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of $25 million. Of the Sewer Maintenance Fund's net assets at year end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 67% of its total net assets with 28% consisting of machinery and equipment. The total net change in all Water Works net assets was a decrease of $54,000.

Debt issued to finance tax incremental districts (TID) totals $189 million outstanding at year end. The majority of these expenditures have no related assets for TID, so the net increase in TID debt reduces unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was $118 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statute, MPS cannot issue its own debt. As a result, the City issues debt for school purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, capital expenditures for school purposes also reduce unrestricted net assets by an equal amount.

Table 5
Capital Assets
(net of depreciation)
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Capital assets not being depreciated:						
Land	$ 164,210	$ 164,620	$ 18,253	$ 18,874	$ 182,463	$ 183,494
Construction in progress	26,513	36,272	14,897	6,991	41,410	43,263
Intangible right of ways	1,319	1,342	-	-	1,319	1,342
Capital assets being depreciated:						
Buildings	276,816	282,465	91,798	93,663	368,614	376,128
Infrastructure	1,450,918	1,467,560	861,200	893,752	2,312,118	2,361,312
Improvements other than buildings	11,811	11,891	7,771	7,998	19,582	19,889
Machinery and equipment	173,788	178,690	221,194	228,058	394,982	406,748
Intangible software	1,364	1,971	-	-	1,364	1,971
Nonutility property	-	-	4,692	5,422	4,692	5,422
Accumulated depreciation	(1,121,235)	(1,153,989)	(381,906)	(391,835)	(1,503,141)	(1,545,824)
Total	$ 985,504	$ 990,822	$ 837,899	$ 862,923	$ 1,823,403	$ 1,853,745

Debt

At year-end, the City had $915 million in general obligation bonds and notes, $81 million in State loans, and $70 million in revenue bonds outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled $423 million, of which $36 million related to Water Works, Sewer Maintenance, Port, and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa1 from Moody's Investors Service, Inc, were received on the City's June 2011 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was $1,259 at the end of 2010 and $1,272 at the end of 2011; a 1% increase from the prior year. As of December 31, 2011, the City's outstanding net general obligation debt for governmental activities was 2.57% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has used about 52% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2011, notes were issued in the amount of approximately $30.2 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

Table 6
Outstanding Debt
General Obligation and Revenue Bonds
(Thousand of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
General obligation bonds and notes (backed by the City)	$ 812,183	$ 825,574	$ 82,002	$ 89,956	$ 894,185	$ 915,530
State loans	-	-	80,724	80,513	80,724	80,513
Revenue bonds (backed by specific fee revenues)	-	-	53,737	69,618	53,737	69,618
Total	$ 812,183	$ 825,574	$ 216,463	$ 240,087	$ 1,028,646	$ 1,065,661

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the City of Milwaukee for 2011 is 10.8%, compared to 11.5% for 2010. The City of Milwaukee per capita income for the most recent fiscal year available (2010) was $37,838, compared to $37,038 for 2009. Table 13 contains demographic and economic statistics for the last ten calendar years.

The 2012 adopted City Budget is about $1.4 billion with a General Fund budget of $678 million. The General Fund budget decreased nearly 1% over the 2011 budget of $683 million. In 2012, the City will expend $116 million for health insurance and related costs compared to $145 million budgeted for 2011, a decrease of 20%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 5 FTE with the City Development and Fire decreasing 18 each and Treasurer decreasing 2; while Public Works Department increasing 16 and Unified Call Center increasing 17. Also, the City decreased mandatory furlough days from four to three for 2012.

Total property taxes levied for all funds of the City in 2011 for 2012 purposes increased $0.13 per thousand dollars of assessed valuation to a rate of $9.25 (1.4%). The 2010 for 2011 rate increased $0.23 (from $8.89 to $9.12 or 2.6%).

The total City property tax levy increased to the $248 million from 2010 of $247 million. While the rate for 2011 increased, the assessed valuation decreased; thus providing roughly the same amount in property tax revenue. The property tax levy will provide $115.2 million for general City purposes in 2012. This represents an increase of $3.6 million from 2011 or 3%. The 2012 General City Purpose budget includes $104 million in estimated revenue for City charges for services rendered, an increase of $4 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate $32 million for 2012. This fee represents 31% of the total charges for services in the 2012 budget. The Street Sweeping-Leaf Collection Fee is expected to generate $12 million for 2012, no increase over 2011. This Fee comprises 12% of the total charges for services for 2012 compared to 13% in 2011. Most 2012 revenue estimates remained consistent with the prior year with only a net overall decrease of 0.76%.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total $259.5 million; a decrease of $12 million from 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the City's finances and to demonstrate the City's accountability for the taxes and other funding received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2011
(Thousands of Dollars)

Exhibit 1

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 321,404	$ 53,480	$ 374,884	$ 73,460
Investments	19,642	-	19,642	9,100
Receivables (net):				
Taxes	226,031	-	226,031	-
Accounts	27,941	47,137	75,078	2,317
Unbilled accounts	447	17,145	17,592	-
Special assessments	8,141	-	8,141	-
Notes and loans	107,134	-	107,134	112,278
Accrued interest	200	122	322	6,911
Due from component units	20,358	-	20,358	-
Due from primary government	-	-	-	584
Due from other governmental agencies	175,747	1,762	177,509	20,232
Inventory of materials and supplies	7,122	2,920	10,042	-
Inventory of property for resale	26	-	26	11,055
Prepaid items	1,075	122	1,197	1,096
Deferred charges	2,650	383	3,033	1,209
Other assets	-	210	210	406
Total Noncapital Assets	917,918	123,281	1,041,199	238,648
Capital assets:				
Capital assets not being depreciated:				
Land	164,620	18,874	183,494	54,451
Construction in progress	36,272	6,991	43,263	47,078
Intangible right of ways	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings	282,465	93,663	376,128	477,148
Infrastructure	1,467,560	893,752	2,361,312	379
Improvements other than buildings	11,891	7,998	19,889	1,725
Machinery and equipment	178,690	228,058	406,748	5,047
Intangible software	1,971	-	1,971	565
Nonutility property	-	5,422	5,422	-
Accumulated depreciation	(1,153,989)	(391,835)	(1,545,824)	(234,276)
Total Capital Assets	990,822	862,923	1,853,745	352,117
Total Assets	1,908,740	986,204	2,894,944	590,765

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2011
(Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable	$ 35,770	$ 20,432	$ 56,202	$ 13,700
Accrued expenses	32,061	2,546	34,607	9,935
Accrued interest payable	11,511	956	12,467	-
Internal balances	(17,014)	17,014	-	-
Due to component units	584	-	584	-
Due to other governmental agencies	427	-	427	4,843
Deferred revenue	318,817	1,508	320,325	21,216
Revenue anticipation notes payable	145,000	-	145,000	-
Other payables	-	-	-	-
Other liabilities	-	-	-	13,254
Due to primary government:				
Due within one year	-	-	-	575
Due in more than one year	-	-	-	19,783
Long-term obligations:				
Due within one year	113,134	14,833	127,967	3,511
Due in more than one year	1,031,397	237,061	1,268,458	150,536
Total Liabilities	1,671,687	294,350	1,966,037	237,353
NET ASSETS				
Invested in capital assets, net of related debt	345,061	618,625	963,686	179,504
Restricted for:				
Debt Service	193,486	15,034	208,520	-
Other purposes	12,567	-	12,567	23,169
Unrestricted	(314,061)	58,195	(255,866)	150,739
Total Net Assets	**$ 237,053**	**$ 691,854**	**$ 928,907**	**$ 353,412**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 245,191	$ 10,148	$ 4,175	$ -
Public safety	326,879	19,049	24,288	-
Public works	166,787	71,348	7,028	2,724
Health	21,137	1,297	11,257	-
Culture and recreation	19,864	1,239	2,558	-
Conservation and development	67,171	412	29,371	-
Capital contribution to Milwaukee Public Schools	4,386	-	-	-
Contributions	23,382	-	24,021	-
Interest on long-term debt	28,047	-	-	-
Total Governmental Activities	902,844	103,493	102,698	2,724
Business-type Activities:				
Water	69,196	84,394	-	747
Sewer Maintenance	40,813	51,788	-	1,933
Parking	25,267	44,148	-	2
Port of Milwaukee	3,631	5,527	-	1,711
Metropolitan Sewerage District User Charges	43,149	47,269	-	-
Total Business-type Activities	182,056	233,126	-	4,393
Total Primary Government	$ 1,084,900	$ 336,619	$ 102,698	$ 7,117
Component units:				
Housing Authority	$ 92,286	$ 19,703	$ 56,919	$ 22,624
Redevelopment Authority	16,575	9,321	14,418	3,199
Milwaukee Economic Development Authority	5,514	2,858	1,672	-
Neighborhood Improvement Development Corporation	2,134	317	1,246	150
Century City Redevelopment Corporation	1,036	66	-	-
Total Component Units	$ 117,545	$ 32,265	$ 74,255	$ 25,973

General revenues:
Property taxes and other taxes
State aids for General Fund
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (230,868)		$ (230,868)	
(283,542)		(283,542)	
(85,687)		(85,687)	
(8,583)		(8,583)	
(16,067)		(16,067)	
(37,388)		(37,388)	
(4,386)		(4,386)	
639		639	
(28,047)		(28,047)	
(693,929)		(693,929)	
-	$ 15,945	15,945	
-	12,908	12,908	
-	18,883	18,883	
-	3,607	3,607	
-	4,120	4,120	
-	55,463	55,463	
(693,929)	55,463	(638,466)	
			$ 6,960
			10,363
			(984)
			(421)
			(970)
			14,948
276,168	-	276,168	-
273,240	-	273,240	-
64,214	3,932	68,146	10,053
44,346	(44,346)	-	-
657,968	(40,414)	617,554	10,053
(35,961)	15,049	(20,912)	25,001
273,014	676,805	949,819	328,411
$ 237,053	**$ 691,854**	**$ 928,907**	**$ 353,412**

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FUND FINANCIAL STATEMENTS

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	$ 92,819
Investments	128
Receivables (net):	
Taxes	144,767
Accounts	26,535
Unbilled accounts	447
Special assessments	-
Notes and loans	17
Accrued interest	70
Due from other funds	38,568
Due from component units	542
Due from other governmental agencies	332
Advances to other funds	7,562
Inventory of materials and supplies	7,122
Inventory of property for resale	26
Prepaid items	189
Total Assets	**$ 319,124**
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 20,146
Accrued expenses	31,387
Due to other funds	2,081
Due to component units	19
Due to other governmental agencies	-
Deferred revenue	193,505
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	247,138
Fund Balances:	
Nonspendable	15,044
Restricted	-
Committed	2,995
Assigned	26,778
Unassigned	27,169
Total Fund Balances	71,986
Total Liabilities and Fund Balances	**$ 319,124**

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 172,134	$ 23,666	$ 20,245	$ 12,540	$ 321,404
-	19,514	-	-	19,642
54,873	-	2,633	23,758	226,031
-	-	1,267	139	27,941
-	-	-	-	447
-	-	8,141	-	8,141
72,716	23,957	-	10,444	107,134
3	127	-	-	200
-	-	-	15	38,583
19,790	-	-	26	20,358
145,000	-	12,997	17,418	175,747
-	-	-	-	7,562
-	-	-	-	7,122
-	-	-	-	26
-	-	886	-	1,075
$ 464,516	**$ 67,264**	**$ 46,169**	**$ 64,340**	**$ 961,413**
$ 59	$ -	$ 6,902	$ 8,663	$ 35,770
1	-	324	349	32,061
4,415	-	7,592	7,481	21,569
-	-	143	422	584
-	-	-	427	427
188,819	-	23,763	11,629	417,716
145,000	-	-	-	145,000
-	-	7,562	-	7,562
338,294	-	46,286	28,971	660,689
-	-	886	-	15,930
-	-	-	5,855	5,855
126,222	67,264	-	29,514	225,995
-	-	-	-	26,778
-	-	(1,003)	-	26,166
126,222	67,264	(117)	35,369	300,724
$ 464,516	**$ 67,264**	**$ 46,169**	**$ 64,340**	**$ 961,413**

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CITY OF MILWAUKEE

Exhibit A-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2011

(Thousands of Dollars)

Fund balances - total governmental funds (Exhibit A-1)		$ 300,724
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 164,620	
Buildings, net of $84,314 accumulated depreciation	198,151	
Infrastructure, net of $953,676 accumulated depreciation	513,884	
Improvements other than buildings, net of $8,275 accumulated depreciation	3,616	
Machinery and equipment, net of $107,356 accumulated depreciation	71,334	
Intangible assets net of $368 accumulated depreciation	2,945	
Construction in progress	36,272	
		990,822
Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the government-wide statements.		2,650
Some revenues are deferred in the funds because they are not available to pay current period's expenditures.		
Taxes to be collected after year-end	14,747	
Other revenues to be collected after year-end	4,628	
Special assessments to be collected after year-end	6,808	
Notes and loans receivable to repay long-term bonds and notes	72,716	
		98,899
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.		
Accrued interest payable	(11,511)	
Bonds and notes payable	(825,574)	
Deferred amount on refunding	1,956	
Unamortized premiums	(43,084)	
Compensated absences	(47,581)	
Net other postemployment benefits obligation	(206,369)	
Claims and judgments	(23,879)	
		(1,156,042)
Total net assets of governmental activities (Exhibit 1)		**$ 237,053**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit A-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	General
Revenues:	
Property taxes	$ 166,841
Other taxes	4,371
Special assessments	-
Licenses and permits	13,289
Intergovernmental	273,240
Charges for services	103,493
Fines and forfeits	5,076
Contributions received	24,021
Other	13,387
Total Revenues	603,718
Expenditures:	
Current:	
General government	252,677
Public safety	258,994
Public works	96,557
Health	8,872
Culture and recreation	15,566
Conservation and development	3,991
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	636,657
Excess (Deficiency) of Revenues over Expenditures	(32,939)
Other Financing Sources (Uses):	
General obligation bonds and notes issued	100,000
Proceeds current refunding	-
Payment current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	47,376
Transfers out	(102,077)
Total Other Financing Sources and Uses	45,299
Net Change in Fund Balances	12,360
Fund Balances - Beginning	59,626
Fund Balances - Ending	**$ 71,986**

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
$ 69,209	$ -	$ 4,277	$ 2,304	$ 242,631
23,386	2,949	-	-	30,706
-	-	3,163	-	3,163
-	-	-	-	13,289
1,009	-	5,210	80,828	360,287
84,819	-	-	-	188,312
-	-	-	-	5,076
-	-	-	-	24,021
6,950	3,466	3,085	11,595	38,483
185,373	6,415	15,735	94,727	905,968
446	-	-	5,966	259,089
-	-	-	24,288	283,282
-	-	-	7,028	103,585
-	-	-	11,257	20,129
-	-	-	2,558	18,124
-	-	-	37,468	41,459
-	-	96,870	-	96,870
331,960	-	-	-	331,960
37,184	-	-	-	37,184
1,040	-	-	-	1,040
370,630	-	96,870	88,565	1,192,722
(185,257)	6,415	(81,135)	6,162	(286,754)
-	-	101,417	30,235	231,652
80,648	-	-	-	80,648
(41,949)	-	-	-	(41,949)
-	-	-	(8,783)	(8,783)
17,079	-	-	-	17,079
144,068	3,657	-	-	195,101
(6,092)	(5,924)	(544)	(36,118)	(150,755)
193,754	(2,267)	100,873	(14,666)	322,993
8,497	4,148	19,738	(8,504)	36,239
117,725	63,116	(19,855)	43,873	264,485
$ 126,222	**$ 67,264**	**$ (117)**	**$ 35,369**	**$ 300,724**

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CITY OF MILWAUKEE

Exhibit A-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

Net change in fund balances - total governmental funds (Exhibit A-3)		36,239
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($56,719) exceeded depreciation expense ($50,609) in the current period less loss on disposals ($792)		5,318
Notes and loans receivable to repay long-term bonds and notes		(4,386)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Taxes accrued in prior years	$ 2,831	
Other revenues deferred at year end	(2,150)	
Special assessments deferred revenue beginning of the year $9,069 less deferred at end of the year $6,808	(2,261)	
		(1,580)
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(387,300)	
Issuance premiums	(17,092)	
Issuance costs	654	
Repayments:		
Principal retirement	373,909	
Amortization:		
Premiums	9,486	
Issuance costs	(493)	
Deferred amount on refunding	(947)	
		(21,783)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	(8,633)	
Net other postemployment benefits obligation	(37,329)	
Claims and judgments	(4,418)	
Accrued interest on bonds and notes	611	
		(49,769)
Changes in net assets of governmental activities (Exhibit 2)		**$ (35,961)**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit B-1

STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

ASSETS	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Current Assets:				
Cash and cash equivalents	$ 3,360	$ 14,877	$ 20,209	$ 38,446
Restricted cash and cash equivalents	692	2,769	-	3,461
Receivables (net):				
Accounts	17,075	15,508	14,554	47,137
Unbilled accounts	11,976	2,346	2,823	17,145
Accrued interest	1	121	-	122
Due from other funds	6,481	668	635	7,784
Due from other governmental agencies	-	1,243	519	1,762
Inventory of materials and supplies	2,572	348	-	2,920
Prepaid items	122	-	-	122
Deferred charges	-	383	-	383
Other assets	210	-	-	210
Total Current Assets	42,489	38,263	38,740	119,492
Noncurrent assets:				
Restricted cash and cash equivalents	-	11,573	-	11,573
Capital assets:				
Capital assets not being depreciated:				
Land	2,018	-	16,856	18,874
Construction in progress	2,829	42	4,120	6,991
Capital assets being depreciated:				
Buildings	27,259	-	66,404	93,663
Infrastructure	357,017	519,862	16,873	893,752
Improvements other than buildings	-	-	7,998	7,998
Machinery and equipment	213,310	4,563	10,185	228,058
Nonutility property	5,422	-	-	5,422
Accumulated depreciation	(205,731)	(122,696)	(63,408)	(391,835)
Net Capital Assets	402,124	401,771	59,028	862,923
Total Noncurrent Assets	402,124	413,344	59,028	874,496
Total Assets	444,613	451,607	97,768	993,988

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 4,304	$ 4,960	$ 11,168	$ 20,432
Accrued expenses	1,251	603	692	2,546
Accrued interest payable	246	-	220	466
Compensated absences	1,079	-	-	1,079
Due to other funds	16,636	-	8,162	24,798
Deferred revenue	-	1,239	269	1,508
General obligation debt payable - current	3,326	677	1,970	5,973
Revenue bonds payable - current	989	-	-	989
Total Current Liabilities	27,831	7,479	22,481	57,791
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable	-	6,792	-	6,792
Accrued interest payable	-	490	-	490
Total Current Liabilities Payable from Restricted Assets	-	7,282	-	7,282
Noncurrent Liabilities:				
General obligation debt payable	18,954	52,085	13,204	84,243
Revenue bonds & State loans payable	6,509	139,792	-	146,301
Other post employment benefits obligation	3,755	1,461	1,301	6,517
Total Noncurrent Liabilities	29,218	193,338	14,505	237,061
Total Liabilities	57,049	208,099	36,986	302,134
Net Assets:				
Invested in capital assets, net of related debt	372,346	202,425	43,854	618,625
Restricted for Debt Service	692	14,342	-	15,034
Unrestricted	14,526	26,741	16,928	58,195
Total Net Assets	**$ 387,564**	**$ 243,508**	**$ 60,782**	**$ 691,854**

The notes to the financial statements are an integral part of this statement.

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CITY OF MILWAUKEE

Exhibit B-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales	$ 69,944	$ -	$ -	$ 69,944
Statutory sewer user fee	-	-	45,765	45,765
Sewer maintenance fee	-	51,788	-	51,788
Rent	-	-	12,605	12,605
Fire protection service	6,921	-	-	6,921
Parking meters	-	-	4,937	4,937
Parking permits	-	-	3,900	3,900
Vehicle towing	-	-	5,135	5,135
Parking forfeitures	-	-	23,098	23,098
Other	7,529	-	1,504	9,033
Total Operating Revenues	84,394	51,788	96,944	233,126
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges	-	-	38,631	38,631
Employee services	-	7,344	9,410	16,754
Administrative and general	6,474	-	-	6,474
Depreciation	14,067	5,949	3,442	23,458
Transmission and distribution	21,688	-	-	21,688
Services, supplies, and materials	-	7,347	19,959	27,306
Water treatment	14,448	-	-	14,448
Water pumping	8,748	-	-	8,748
Billing and collection	2,704	-	-	2,704
Total Operating Expenses	68,129	20,640	71,442	160,211
Operating Income	16,265	31,148	25,502	72,915
Nonoperating Revenues (Expenses):				
Investment income	12	2,879	-	2,891
Grant Revenue	-	1,910	54	1,964
Interest expense	(1,067)	(5,261)	(605)	(6,933)
Other	436	(14,912)	605	(13,871)
Total Nonoperating Revenues (Expenses)	(619)	(15,384)	54	(15,949)
Income before Contributions and Transfers	15,646	15,764	25,556	56,966
Capital contributions	747	23	1,659	2,429
Transfers in	-	-	617	617
Transfers out	(11,151)	(8,678)	(25,134)	(44,963)
Change in Net Assets	5,242	7,109	2,698	15,049
Total Net Assets - Beginning	382,322	236,399	58,084	676,805
Total Net Assets - Ending	**$ 387,564**	**$ 243,508**	**$ 60,782**	**$ 691,854**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 75,008	$ 52,062	$ 97,449	$ 224,519
Receipts from interfund services provided	5,085	-	-	5,085
Payments to suppliers	(27,871)	(7,012)	(59,063)	(93,946)
Payments to employees	(24,133)	(7,208)	(9,219)	(40,560)
Payments from other funds	-	-	(3,572)	(3,572)
Payments to other funds	(4,219)	-	(54)	(4,273)
Net Cash Provided by Operating Activities	23,870	37,842	25,541	87,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	435	1,958	52	2,445
Other nonoperating expenses	-	(14,912)	-	(14,912)
Transfers to other funds	3,540	(8,678)	(24,517)	(29,655)
Net Cash Used for Noncapital Financing Activities	3,975	(21,632)	(24,465)	(42,122)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	11,625	77,868	2,520	92,013
Acquisition of property, plant, and equipment	(34,482)	(31,290)	(2,711)	(68,483)
Retirement of bonds, notes, and revenue bonds	(3,989)	(61,909)	(2,491)	(68,389)
Interest paid	(1,134)	(2,911)	(628)	(4,673)
Other	-	-	1,439	1,439
Net Cash Used for Capital and Related Financing Activities	(27,980)	(18,242)	(1,871)	(48,093)
CASH FLOWS FROM INVESTING ACTIVITY:				
Investment income	13	2,764	-	2,777
Net Increase (Decrease) in Cash and Cash Equivalents	(122)	732	(795)	(185)
Cash and Cash Equivalents - Beginning	4,174	28,487	21,004	53,665
Cash and Cash Equivalents - Ending	**$ 4,052**	**$ 29,219**	**$ 20,209**	**$ 53,480**

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash	$ 3,360	$ 14,877	$ 20,209	$ 38,446
Restricted Cash	692	14,342	-	15,034
	$ 4,052	$ 29,219	$ 20,209	$ 53,480
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 16,265	$ 31,148	$ 25,502	$ 72,915
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	14,067	5,949	3,442	23,458
Changes in assets and liabilities:				
Receivables	(4,752)	180	387	(4,185)
Due from other funds	(2,063)	94	(54)	(2,023)
Inventories	60	(348)	-	(288)
Prepaid items	468	-	-	468
Other assets	48	-	-	48
Accounts payable	(789)	683	(472)	(578)
Accrued liabilities	(112)	(141)	(7)	(260)
Net other postemployment benefits obligation	678	277	196	1,151
Due to other funds	-	-	(3,572)	(3,572)
Deferred revenue	-	-	119	119
Net Cash Provided by Operating Activities	$ 23,870	$ 37,842	$ 25,541	$ 87,253

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of $747,013.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing $115,291 with a net value of $0, and received donated assets in the amount of $22,588.

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit C-1

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	$ 403	$ 2,158	$ 338,085
Investments	-	2,099	-
Total Assets	403	4,257	**$ 338,085**
LIABILITIES			
Liabilities:			
Accounts payable	$ 24	$ 87	$ 2,000
Due to other governmental agencies	-	-	336,085
Total Liabilities	24	87	**$ 338,085**
Net Assets			
Employees' pension benefits and other purposes	**$ 379**	**$ 4,170**	

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit C-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts
Additions		
Contributions:		
Plan members	$ 1,543	$ -
Private donations	-	1,907
Total Contributions	1,543	1,907
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	94
Total Additions	1,543	2,001
Deductions		
Benefits	1,481	-
Fees remitted from Trust	-	1,900
Other	-	1,407
Total Deductions	1,481	3,307
Change in Net Assets	62	(1,306)
Net Assets - Beginning	317	5,476
Net Assets - Ending	**$ 379**	**$ 4,170**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit D-1

COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2011
(Thousands of Dollars)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 28,520	$ 21,981	$ 13,777	$ 2,011	$ 7,171	$ 73,460
Investments	3,116	5,684	-	300	-	9,100
Receivables (net):						
Accounts	1,943	142	201	28	3	2,317
Notes and loans	45,217	37,386	29,280	395	-	112,278
Accrued interest	6,247	434	109	121	-	6,911
Due from primary government	323	261	-	-	-	584
Due from other governmental agencies	709	1,112	18,393	18	-	20,232
Inventory of property for resale	-	6,580	1,729	2,746	-	11,055
Prepaid items	983	90	-	-	23	1,096
Deferred charges	196	744	-	-	269	1,209
Other assets	320	-	86	-	-	406
Total Noncapital Assets	87,574	74,414	63,575	5,619	7,466	238,648
Capital assets:						
Capital assets not being depreciated:						
Land and land improvements	39,721	13,621	-	-	1,109	54,451
Construction in progress	47,078	-	-	-	-	47,078
Capital assets being depreciated:						
Buildings	374,071	92,989	-	-	10,088	477,148
Infrastructure	-	379	-	-	-	379
Improvements other than buildings	882	843	-	-	-	1,725
Machinery and equipment	4,595	-	299	-	153	5,047
Intangible assets	-	565	-	-	-	565
Accumulated depreciation	(220,925)	(13,036)	(242)	-	(73)	(234,276)
Total Capital Assets, Net of Depreciation	245,422	95,361	57	-	11,277	352,117
Total Assets	332,996	169,775	63,632	5,619	18,743	590,765

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2011
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
LIABILITIES						
Current Liabilities:						
Accounts payable	$ 9,535	$ 2,869	$ 452	$ 64	$ 780	$ 13,700
Accrued expenses	7,108	2,810	-	-	17	9,935
Due to other governmental agencies	1,194	3,589	-	-	60	4,843
Deferred revenue	20,355	518	-	343	-	21,216
Other liabilities	7,641	2,655	912	2,046	-	13,254
Total Current Liabilities	45,833	12,441	1,364	2,453	857	62,948
Due to primary government:						
Due within one year	495	-	55	25	-	575
Due in more than one year	-	19,306	477	-	-	19,783
Total Due to Primary Government	495	19,306	532	25	-	20,358
Long-term obligations:						
Due within one year	3,511	-	-	-	-	3,511
Due in more than one year	48,256	78,881	4,549	-	18,850	150,536
Total Noncurrent Liabilities	51,767	78,881	4,549	-	18,850	154,047
Total Liabilities	98,095	110,628	6,445	2,478	19,707	237,353
NET ASSETS:						
Invested in capital assets, net of related debt	151,349	28,230	-	-	(75)	179,504
Restricted	4,823	8,515	8,841	990	-	23,169
Unrestricted	78,729	22,402	48,346	2,151	(889)	150,739
Total Net Assets	**$234,901**	**$ 59,147**	**$ 57,187**	**$ 3,141**	**$ (964)**	**$ 353,412**

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE

Exhibit D-2

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Housing Authority				
Low income housing	$ 92,286	$ 19,703	$ 56,919	$ 22,624
Redevelopment Authority				
Prevention and elimination of blight	16,575	9,321	14,418	3,199
Milwaukee Economic Development Corporation				
Increase employment and expansion of business	5,514	2,858	1,672	-
Neighborhood Improvement Development Corp.				
Housing improvements	2,134	317	1,246	150
Century City Redevelopment Corporation				
Rental income	1,036	66	-	-
Total Component Units	$117,545	$ 32,265	$ 74,255	$ 25,973

General revenues:
Miscellaneous .....

Total General Revenues .....

Change in Net Assets .....

Net Assets - Beginning.....

Net Assets - Ending .....

The notes to the financial statements are an integral part of this statement.

	Net (Expense) Revenue and Changes in Net Assets					
	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
	$ 6,960	$ -	$ -	$ -	$ -	$ 6,960
	-	10,363	-	-	-	10,363
	-	-	(984)	-	-	(984)
	-	-	-	(421)	-	(421)
	-	-	-	-	(970)	(970)
	6,960	10,363	(984)	(421)	(970)	14,948
	8,337	202	1,462	46	6	10,053
	8,337	202	1,462	46	6	10,053
	15,297	10,565	478	(375)	(964)	25,001
	219,604	48,582	56,709	3,516	-	328,411
	$ 234,901	**$ 59,147**	**$ 57,187**	**$ 3,141**	**$ (964)**	**$353,412**

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, 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 component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements include the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a non-profit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Century City Redevelopment Corporation - The Century City Redevelopment Corporation (CCRC) is a nonprofit organization created to perform redevelopment activities within the City. CCRC is managed by a Board of Directors made up of members from City government and employee services are provided by the Redevelopment Authority through a cooperation agreement.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 1st Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; and CCRC, 841 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employes' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the GASB Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

Related Organizations

Milwaukee Area Workforce Investment Board

The Milwaukee Area Workforce Investment Board (MAWIB) was established to provide job training, employment services, and workforce development within Milwaukee County. MAWIB acts as the recipient, dispenser, and administer of funding provided under the Workforce Development Act for Milwaukee County.

The Governor designated the Mayor of the City of Milwaukee as Milwaukee County's chief local elected officer for the Workforce Investment Act of 1998. The directors of the MAWIB are appointed by the Mayor in accordance with the Workforce Investment Act. The City is not legally obligated for any of MAWIB obligations or debt. The City is not entitled to access funds of the MAWIB.

B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Proprietary fund operating revenues and expenses are a result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of rents, sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting these criteria are reported as nonoperating expenses. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water Works – All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.0821, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for employee flexible spending plans.

Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2011 that will be collected in 2012 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the 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; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines, and forfeits are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day-to-day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds are credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company, or savings and loan association, which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating, which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc., or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.
The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2011 is approximately $2,258,000.

H. Unbilled Services

Unbilled water and sewer services at year-end are recognized as revenues and receivables in the accompanying financial statements.

I. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is approximately $22,134,000 as of December 31, 2011.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased therefore inventories are classified as non-spendable in fund balance.

L. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year and are classified as non-spendable in fund balance.

M. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks, and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Intangible right of ways	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A
Intangible software	100,000	5-20

N. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

O. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

P. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary, and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e., are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Q. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

R. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

S. Fund Balance-Governmental Funds

As of December 31, 2011, GASB 54 was implemented resulting in the fund balances of the governmental funds to be classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City's Common Council. The Common Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Common Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intend to be used for specific purposes. It is the policy of the City that the City Comptroller will have the authority to assign funds intended for a specific purpose but have not received formal approval by the Common Council. The Comptroller will record funds as assigned fund balance based on intentions for use of the funds and can redeploy assigned resources to an alternative fund balance category based on intended use of the funds.

Unassigned – All other spendable amounts.

When expenditure is incurred for purposes for which restricted, committed, assigned, or unassigned amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first followed by committed, assigned and then unassigned fund balance unless the order of fund balance usage is dictated by legal, borrowing or other requirements.

T. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This 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 City's policy to use restricted resources first, then unrestricted resources when they are needed.

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

U. Interfund Transactions

The City has the following types of interfund transactions:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

V. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

W. New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses service concession arrangements, which are a type of public-private partnership. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In November 2010, the GASB issued Statement No. 61, *an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity display and disclosure requirements. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In December 2011, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations; Accounting Principles Board Opinions, or; Accounting Research Bulletins of the AICPA Committee on Accounting Procedure (collectively referred to as the – FASB and AICPA pronouncements). The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not have any derivative instruments.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, or current period outflows and inflows. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of previous pronouncements. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In July 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans.* This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.* The objective of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans. This statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In July 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures.* This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and RSI. The City will implement this Statement beginning with the year ending December 31, 2014. The City has not analyzed the potential impact of the Statement on its financial statements.

2. DEPOSITS AND INVESTMENTS

A. Primary Government

The description of the City's deposit and investment policy is discussed in Note 1 D and E.

As of December 31, 2011, the City's deposits and investments are as follows:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Greater than 10**	**Credit Rating**
Governmental and Business-type activities:						
Investment type						
Pooled Deposits and Investments	$ 271,270	$ 271,270	$ -	$ -	$ -	see below
Segregated Deposits and Investments						
Interest Checking	17,275	17,275	-	-	-	not rated
Wisconsin Local Government Investment Pool	74,654	74,654	-	-	-	not rated
Municipal Bonds	13,829	-	2,772	9,649	1,408	see below
U.S. Treasury strips	1,035	1,035	-	-	-	AAA
Treasuries (Fiscal Agent)	11,813	11,813	-	-	-	AAA
Certificates of Deposits	4,650	1,950	2,700	-	-	not rated
	$ 394,526	$ 377,997	$ 5,472	$ 9,649	$ 1,408	
Fiduciary activities:						
Investment type						
Investments in the Pool	$ 305,662	$ 305,662	$ -	$ -	$ -	see below
Other Deposits	34,097	34,097	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government Investment Pool	887	887	-	-	-	not rated
U.S. Treasury strips	2,099	420	1,679	-	-	AAA
	$ 342,745	$ 341,066	$ 1,679	$ -	$ -	

Municipal Bonds

The Moody's ratings vary from AAA to A2 for the Municipal Bonds that were rated. The remainder of the Municipal bonds held by the City was not rated.

Pooled Deposits and Investments

The City maintains a cash and investment pool (Pool) that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Each fund's share of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

As of December 31, 2011, the City had the following investments and maturities in the Pool**:**

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair Value	**Less than 1**	**1-5**	**6-10**	**Greater than 10**	**Credit Rating**
Pooled Deposits and Investments						
Bank Demand Deposits	$ 41,715	$ 41,715	$ -	$ -	$ -	not rated
Other Deposits	1,006	1,006	-	-	-	not rated
Deposits and Investments						
Interest Checking	285,416	285,416	-	-	-	not rated
Wisconsin Local Government Investment Pool	240,445	240,445	-	-	-	not rated
Government Money Market	100	100	-	-	-	AAA
Certificates of Deposits	8,250	8,250	-	-	-	not rated
	$ 576,932	$ 576,932	$ -	$ -	$ -	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council, the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of $650,000. As of December 31, 2011, the City's bank balances of $1,012,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs of the City and limiting the amount of pooled investments to $60,000,000 with maturities greater than one year.

Credit risk

Credit risk is the risk that the City will not recover its investments due to the inability of the counterparty to fulfill its obligations. Wisconsin Statutes expressly limit the City to invest in certain allowable investments as listed in Note 1. E. The City's investment policy generally does not further limit its investment choices.

B. Component Units

Deposits and Investments

Deposits in each local area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000 for interest bearing accounts and $250,000 for noninterest bearing accounts. An additional $400,000 is covered by the State Deposit Guarantee Fund.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Component Unit investments are exposed to losses as a result of increases in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

The Component Units have the following investments on December 31, 2011:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair value	**Less than 1**	**1-5**	**6-10**	**10 and greater**	**Credit Rating**
Component Units:						
Local Government Investment Pool	$ 22,136	$ 22,136	$ -	$ -	$ -	not rated
U.S. Treasury Money Market Fund	11,249	11,249	-	-	-	Aaa
U.S. Treasury Notes	970	303	667	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	2,339	3	1,841	495	-	Aaa
Municipal Bonds	296	141	155	-	-	Aa
Corporate Bonds	1,787	317	1,470	-	-	Aa
Negotiable Certificates of Deposit	355	355	-	-	-	Aa
Money Market	1,740	1,740	-	-	-	N/A
	$ 40,872	$ 36,244	$ 4,133	$ 495	$ -	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Component Units deposits may not be returned.

As of December 31, 2011 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	**Uninsured and Uncollateralized**
Housing Authority	$ 7,395,798	$ 1,483,251
Redevelopment Authority	10,996,354	1,238,016
Milwaukee Economic Development Corporation	13,308,651	6,284,691
Neighborhood Improvement Development Corporation	2,342,683	1,031,431
Century City Redevelopment Corporation	7,171,296	6,820,411

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the component unit 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, the Housing Authority had $497,840 of investments exposed to custodial credit risk as uninsured and uncollateralized.

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

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

At December 31, 2011, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	(Thousands of Dollars)		
2006 and prior	$ 714	$ 1,164	$ 1,878
2007	412	662	1,074
2008	1,521	2,387	3,908
2009	4,789	7,431	12,220
2010	12,095	19,495	31,590
Total delinquent property taxes receivable	$ 19,531	$ 31,139	50,670
Property taxes receivable on foreclosed property			24,874
Less: Allowance for uncollectible taxes			(20,746)
Net delinquent property taxes receivable, including tax deeded property			$ 54,798

4. CAPITAL ASSETS

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

Governmental activities	**Balance 01-01-11**	**Additions**	**Deletions**	**Balance 12-31-11**
		(Thousands of Dollars)		
Capital assets not being depreciated:				
Land	$ 164,210	$ 410	$ -	$ 164,620
Construction in progress	26,513	20,388	10,629	36,272
Intangible right of ways	1,319	23	-	1,342
Total capital assets not being depreciated	192,042	20,821	10,629	202,234
Capital assets being depreciated:				
Buildings	276,816	6,809	1,160	282,465
Infrastructure	1,450,918	27,530	10,888	1,467,560
Improvements other than buildings	11,811	103	23	11,891
Machinery and equipment	173,788	11,478	6,576	178,690
Intangible software	1,364	607	-	1,971
Total capital assets being depreciated	1,914,697	46,527	18,647	1,942,577
Less accumulated depreciation for:				
Buildings	78,395	6,888	969	84,314
Infrastructure	934,550	30,015	10,889	953,676
Improvements other than buildings	7,972	316	13	8,275
Machinery and equipment	100,221	13,119	5,984	107,356
Intangible software	97	271	-	368
Total accumulated depreciation	1,121,235	50,609	17,855	1,153,989
Total capital assets being depreciated, net	793,462	(4,082)	792	788,588
Government activity capital assets, net	$ 985,504	$ 16,739	$ 11,421	$ 990,822

Depreciation expense for governmental activities was charged to functions as follows:

General government	$ 592
Public safety	8,969
Public works	40,327
Health	269
Culture and recreation	452
Total	$ 50,609

Business-type activities	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Water Works				
Capital assets not being depreciated:				
Land	$ 2,022	$ -	$ 4	$ 2,018
Construction in progress	12,717	34,364	44,252	2,829
Total capital assets not being depreciated	14,739	34,364	44,256	4,847
Capital assets being depreciated:				
Buildings	25,406	2,056	203	27,259
Infrastructure	355,873	24,644	23,500	357,017
Machinery and equipment	206,450	17,551	10,691	213,310
Nonutility property	4,692	730	-	5,422
Total capital assets being depreciated	592,421	44,981	34,394	603,008
Less accumulated depreciation for:				
Buildings	15,974	833	306	16,501
Infrastructure	83,978	4,637	2,373	86,242
Machinery and equipment	104,453	8,597	10,827	102,223
Nonutility property	577	188	-	765
Total accumulated depreciation	204,982	14,255	13,506	205,731
Total capital assets being depreciated, net	387,439	30,726	20,888	397,277
Water Works capital assets, net	402,178	65,090	65,144	402,124
Sewer Maintenance				
Capital assets not being depreciated:				
Construction in progress	-	42	-	42
Total capital assets not being depreciated	-	42	-	42
Capital assets being depreciated:				
Infrastructure	488,707	31,270	115	519,862
Machinery and equipment	4,563	-	-	4,563
Total capital assets being depreciated	493,270	31,270	115	524,425
Less accumulated depreciation for:				
Infrastructure	114,216	5,884	115	119,985
Machinery and equipment	2,646	65	-	2,711
Total accumulated depreciation	116,862	5,949	115	122,696
Total capital assets being depreciated, net	376,408	25,321	-	401,729
Sewer Maintenance capital assets, net	376,408	25,363	-	401,771

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Other business-type activities:				
Capital assets not being depreciated:				
Land	16,231	663	38	16,856
Construction in progress	2,180	2,000	60	4,120
Total capital assets not being depreciated	18,411	2,663	98	20,976
Capital assets being depreciated:				
Buildings	66,392	12	-	66,404
Infrastructure–port	16,620	253	-	16,873
Improvements other than buildings	7,771	227	-	7,998
Machinery and equipment	10,181	123	119	10,185
Total capital assets being depreciated	100,964	615	119	101,460
Less accumulated depreciation for:				
Buildings	39,478	2,213	-	41,691
Infrastructure–port	9,354	290	-	9,644
Improvements other than buildings	5,619	305	-	5,924
Machinery and equipment	5,611	633	95	6,149
Total accumulated depreciation	60,062	3,441	95	63,408
Total capital assets being depreciated, net	40,902	(2,826)	24	38,052
Other business-type activities, net	59,313	(163)	122	59,028
Business-type activity capital assets, net	$ 837,899	$ 90,290	$ 65,266	$ 862,923

	Balance 01-01-11	Additions	Deletions	Balance 12-31-11
		(Thousands of Dollars)		
Component Units				
Capital assets not being depreciated:				
Land	$ 56,816	$ 1,314	$ 3,679	$ 54,451
Construction in Progress	16,732	38,699	8,353	47,078
Total capital assets not being depreciated	73,548	40,013	12,032	101,529
Capital assets being depreciated:				
Buildings	500,289	24,909	48,050	477,148
Infrastructure	379	-	-	379
Improvements other than buildings	1,725	-	-	1,725
Machinery and equipment	3,718	1,476	147	5,047
Intangibles	-	565	-	565
Total capital assets being depreciated	506,111	26,950	48,197	484,864
Less accumulated depreciation for:				
Buildings	247,884	12,770	30,186	230,468
Infrastructure	41	16	-	57
Improvements other than buildings	453	121	-	574
Machinery and equipment	2,796	459	106	3,149
Machinery and equipment	-	28	-	28
Intangibles				
Total accumulated depreciation	251,174	13,394	30,292	234,276
Total capital assets being depreciated, net	254,937	13,556	17,905	250,588
Component units capital assets, net	$ 328,485	$ 53,569	$ 29,937	$ 352,117

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2011 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		(Thousands of Dollars)			
Current property taxes	$ 183,873	$ 96,313	$ 4,620	$ -	$ 284,806
Delinquent property taxes	9,632	-	-	5,115	14,747
Unearned revenue	-	-	12,335	6,352	18,687
Long-term receivables	-	92,506	-	162	92,668
Unbilled special assessments	-	-	6,808	-	6,808
Total	$ 193,505	$ 188,819	$ 23,763	$ 11,629	$ 417,716

6. SHORT-TERM DEBT

During 2011, the City issued and repaid $100,000,000 of General Obligation Cash Flow Promissory Notes, Series 2011 R2 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2011.

As of December 31, 2010, the City had outstanding $175,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2011, the City repaid the outstanding balance and issued $145,000,000 short-term RANs for the same purpose. The new notes of $145,000,000 bear an interest rate of 1.5% and will mature on June 27, 2012. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

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 01-01-11	Additions	Deductions	Balance 12-31-11	Amounts Due within One Year
		(Thousands of Dollars)			
Governmental activities:					
General obligation bonds and notes					
City	$ 680,664	$ 312,300	$ 285,581	$ 707,383	$ 98,826
Milwaukee Public Schools	131,519	75,000	88,328	118,191	5,181
Deferred amount on refundings	(2,903)	-	(947)	(1,956)	-
Unamortized premiums	35,478	17,092	9,486	43,084	-
Compensated absences	38,948	10,588	1,955	47,581	2,562
Net other postemployment benefits obligation	169,040	69,349	32,020	206,369	-
Claims and judgments	19,461	10,308	5,890	23,879	6,565
Total governmental activities	$ 1,072,207	$ 494,637	$ 422,313	$ 1,144,531	$ 113,134
Business-type activities					
Water Works					
General obligation bonds and notes	$ 13,453	$ 11,625	$ 3,025	$ 22,053	$ 3,326
Deferred amount on refundings	(112)	-	(70)	(42)	-
Unamortized premiums	406	-	137	269	-
Revenue bonds	8,462	-	964	7,498	989
Compensated absences	1,329	676	926	1,079	1,079
Net other postemployment benefits obligation	3,077	2,108	1,430	3,755	-
Total Water Works	26,615	14,409	6,412	34,612	5,394
Sewer Maintenance					
General obligation bonds and notes	53,437	22,000	22,675	52,762	677
State Loans	80,724	3,303	3,514	80,513	3,742
Revenue bonds	45,275	52,565	35,720	62,120	3,050
Deferred amount on refundings	-	(1,594)	(199)	(1,395)	-
Unamortized premiums	1,342	5,421	1,417	5,346	-
Net other postemployment benefits obligation	1,184	863	586	1,461	-
Total Sewer Maintenance	181,962	82,558	63,713	200,807	7,469
Other Enterprise Funds					
General obligation bonds and notes	15,112	2,520	2,491	15,141	1,970
Deferred amount on refundings	(95)	-	(36)	(59)	-
Unamortized premiums	138	-	46	92	-
Net other postemployment benefits obligation	1,059	751	509	1,301	-
Total Other Enterprise	16,214	3,271	3,010	16,475	1,970
Total business-type activities	$ 224,791	$ 100,238	$ 73,135	$ 251,894	$ 14,833

	Balance 01-01-11	New Issues	Repayments	Balance 12-31-11	Amounts Due within One Year
		(Thousands of Dollars)			
Component Units					
Revenue bonds	$ 91,725	$ -	$ 4,105	$ 87,620	$ 570
Unamortized discounts	(91)	-	(6)	(85)	-
Notes payable	50,713	22,831	10,859	62,685	2,674
Advance from other organizations	-	-	-	-	-
Compensated Absences	794	97	-	891	267
Net other postemployment benefits	2,242	957	263	2,936	-
Total component units	$ 145,383	$ 23,885	$ 15,221	$ 154,047	$ 3,511

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2011, general obligation bonds totaling $52,778,627 were issued. $48,194,667 was issued to finance capital improvements and $4,583,960 for business-type activities.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40% of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below $2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2011, $181,793,598 has been borrowed and outstanding for forty-seven TID's. Total debt service requirements associated with these debt issues amounts to $247,304,078. Active Tax increments received through 2011 total $163,125,139. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The $118,191,000 of Milwaukee Public School long-term debt outstanding at December 31, 2011 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2011, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately $1,011,272,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds and State Loans

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2011, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of $3,303,000. The revenue bonds and State loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2011, installment loans totaling $68,626,341 were issued. $29,223,421 was issued to finance capital improvements, $9,167,920 for business-type activities and $30,235,000 to purchase 2010's delinquent taxes.

During 2011, the City continued to issue General Obligation Commercial Paper Promissory Notes totaling $167,000,000. $24,000,000 was issued to finance capital improvements, $22,000,000 for business-type activities, $46,000,000 for general fiscal requirements of the City and $75,000,000 for schools. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above:

Balance 01-01-11	Additions	Deletions	Balance 12-31-11
78,600	167,000	179,600	66,000

In order to provide a source for payment of the principal and interest on the General Obligation Commercial Paper Promissory Notes, on January 1, 2008, the City entered into an irrevocable letter of credit and reimbursement agreement with a bank. The letter of credit and reimbursement agreement has an authorized maximum draw of $125 million, and expires on December 1, 2012. Each advance on the letter of credit is due and payable on the 60th day following the date of the draw; however, the agreement allows the bank to make a three-year term loan available upon each advance not repaid within 60 days, for which payments will begin one year after the date the term loan began. Principal payments on the term loan shall be made quarterly. Interest is required to be paid monthly, and the rate varies based on the period the advance is outstanding, as follows:

Period Outstanding	Interest Rate
30 days or less	Prime rate
31 days to 60 days	Prime rate plus 1%
Greater than 60 days (term loan)	Prime rate plus 2%

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2011, the City had no outstanding draws on the letter of credit.

E. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
	(Thousands of Dollars)				
Governmental activities					
2012	$ 104,007	$ 35,715	$ -	$ -	$ 139,722
2013	88,342	31,396	-	-	119,738
2014	73,555	27,479	-	-	101,034
2015	67,997	24,060	-	-	92,057
2016	67,420	20,807	-	-	88,227
2017-2021	265,530	62,905	-	-	328,435
2022-2026	112,588	22,276	-	-	134,864
2027-2031	46,135	1,369	-	-	47,504
Total	$ 825,574	$ 226,007	$ -	$ -	$ 1,051,581
Business-type activities					
Water Works					
2012	$ 3,326	$ 1,089	$ 989	$ 185	$ 5,589
2013	2,936	918	1,015	158	5,027
2014	3,121	769	1,042	131	5,063
2015	2,511	617	1,069	104	4,301
2016	1,817	488	1,098	75	3,478
2017-2021	4,242	1,551	2,285	60	8,138
2022-2026	4,100	505	-	-	4,605
Total	$ 22,053	$ 5,937	$ 7,498	$ 713	$ 36,201
Sewer Maintenance					
2012	$ 677	$ 601	$ 6,792	$ 4,616	$ 12,686
2013	697	571	7,018	4,391	12,677
2014	701	540	7,221	4,183	12,645
2015	703	506	7,412	3,986	12,607
2016	706	472	7,595	3,784	12,557
2017-2021	45,801	1,486	41,729	14,883	103,899
2022-2026	3,477	327	39,233	7,474	50,511
2027-2031	-	-	25,633	1,999	27,632
Total	$ 52,762	$ 4,503	$ 142,633	$ 45,316	$ 245,214
Other Enterprise					
2012	$ 1,970	$ 701	$ -	$ -	$ 2,671
2013	1,810	611	-	-	2,421
2014	1,783	524	-	-	2,307
2015	1,644	440	-	-	2,084
2016	1,307	360	-	-	1,667
2017-2021	4,397	1,042	-	-	5,439
2022-2026	2,230	212	-	-	2,442
Total	$ 15,141	$ 3,890	$ -	$ -	$ 19,031

Year	General Obligation Debt Principal	General Obligation Debt Interest	Revenue Bonds Payable Principal	Revenue Bonds Payable Interest	Total Debt Service
	(Thousands of Dollars)				
Total Component Units					
2012	$ 2,674	$ 1,544	$ 570	$ 409	$ 5,197
2013	177	1,640	990	480	3,287
2014	3,885	1,616	1,195	452	7,148
2015	445	1,488	1,425	423	3,781
2016	902	1,465	1,670	389	4,426
2017-2021	5,239	6,892	13,031	1,333	26,495
2022-2026	4,784	5,995	31,419	377	42,575
2027-2031	4,342	5,653	29,295	124	39,414
2032-2036	6,690	5,167	8,025	5	19,887
2037-2041	9,452	4,434	-	-	13,886
2042-2046	9,888	3,117	-	-	13,005
2047-2051	10,654	1,170	-	-	11,824
2052-2056	127	760	-	-	887
2057-2061	3,426	182	-	-	3,608
Total	$ 62,685	$ 41,123	$ 87,620	$ 3,992	$ 195,420

F. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2011, the City's legal debt margin was $1,277,147,000. Of this amount, $590,416,000 was for school purposes and $686,731,000 was for City purposes.

G. Refundings

During May 2011, the City issued General Obligation Promissory Notes, Series 2011 N3 with a par amount of $24,998,659 and interest rates from 4% to 5%, Corporate Purpose Bonds, Series 2011 B4 with a par amount of $7,986,341 and interest rates from 4% to 5% and Corporate Purpose Bonds, Series 2011 T5 with a par amount of $2,055,032 and interest rates from 3% to 4.75%. These refundings will reduce future debt service payments by $ 736,142 and result in an economic gain of $642,371. During June 2011, the City issued Sewerage System Revenue Bonds, Series 2011 S1 with a par amount of $52,565,000 and interest rates from 3% to 5%. A portion of the proceeds from this sale was placed in an irrevocable trust that will be used to service the future requirements of the defeased Sewerage System Revenue Bonds. This refunding reduced future debt service payments by $3,188,903 and results in an economic gain of $2,837,397.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2011, $49,325,000 of City bonds and $32,780,000 of Sewerage System Revenue Bonds outstanding is considered defeased, which includes debt defeased during the current year.

H. Conduit Debt

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2011 is approximately $42,326,000 for the City and $592,077,000 for RACM.

8. RETIREMENT PLANS

Pension Benefits

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

Funding Policy – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The City's contributions to the System for the years ending December 31, 2011, 2010, and 2009, were $22,878,684, $17,371,000, and $19,294,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides other postemployment benefits (OPEB) to its retirees for health and life insurance.

Plan Description. The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employee Retirement System (MERS). The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by 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 City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or at age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters and police officers with single enrollment status. The City contribution for firefighters and police officers between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

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 City 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 City contributes a 25% subsidy of the applicable HMO premium.

In addition to medical insurance, the City 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 Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City 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. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage 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 City assuming all future premiums.
Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2011, the City paid approximately $33,225,000 and $1,320,000, respectively, toward medical and life insurance for retirees.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you basis), and the changes in the City's net OPEB obligation:

Funding Status and Funding Progress

ARC	$ 71,883,000
Interest on Net OPEB Obligation	7,846,000
Adjustment to ARC	(6,658,000)
Annual OPEB Cost	73,071,000
Contribution made	34,545,000
Increase in net OPEB Obligation	38,526,000
Net OPEB obligation - beginning of year	174,360,000
Net OPEB obligation - end of year	$ 212,886,000

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 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	$ 77,389,000	37.1%	$ 127,074,000
12/31/2010	81,311,000	41.8%	174,360,000
12/31/2011	73,071,000	47.3%	212,886,000

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $916,383,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $916,383,000. The covered payroll (annual payroll of active employees covered by the plan) was $407,840,000 and the ratio of the UAAL to the covered payroll was 225 percent.

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.

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 OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 8.5% initially, and reduced by decrements to the ultimate rate of 4.5% after 9 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between $45 and $65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between $21 and $30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2011, approximately $8,340,000 was paid for sick leave from all funds. At December 31, 2011, accumulated sick leave earned but not taken totaled approximately $172,424,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2011, terminal leave payments totaled $1,939,000 to employees retiring during the year. As of December 31, 2011, the City has accrued approximately $30,139,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of $47,581,000 with the remainder accrued vacation leave of $17,442,000.

9. FUND BALANCE

The constraints placed on fund balance for the governmental funds at December 31, 2011 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
			(Thousands of Dollars)			
Nonspendable						
Loans receivable	$ 17	$ -	$ -	$ -	$ -	$ 17
Advances	7,562	-	-	-	-	7,562
Inventory	7,122	-	-	-	-	7,122
Inventory of property for resale	26	-	-	-	-	26
Prepaid items	189	-	-	886	-	1,075
Investment-Targeted Mortgage	128	-	-	-	-	128
Spendable						
Restricted for:						
Grants	-	-	-	-	5,800	5,800
Economic Development	-	-	-	-	55	55
Committed to:						
Contributions	2,995	-	-	-	-	2,995
Debt	-	126,222	67,264	-	-	193,486
Delinquent taxes	-	-	-	-	29,514	29,514
Assigned to:						
Conservation and development	113	-	-	-	-	113
General government	9,281	-	-	-	-	9,281
Health	181	-	-	-	-	181
Housing trust	390	-	-	-	-	390
Library	118	-	-	-	-	118
Public safety	2,055	-	-	-	-	2,055
Public works	570	-	-	-	-	570
2012 budgetary financing	13,767	-	-	-	-	13,767
Environmental remediation	303	-	-	-	-	303
Unassigned	27,169	-	-	(1,003)	-	26,166
Total Fund Balance	$ 71,986	$ 126,222	$ 67,264	$ (117)	$ 35,369	$ 300,724

Reserved for Tax Stabilization and Advances to Other Funds

A tax stabilization arrangement is incorporated into the City's adopted a *Reserve for Tax Stabilization Fund Balance Policy* and is governed by the City's Code of Ordinances. At December 31, 2011, the tax stabilization reserve was $48,704,000. Of this amount, $13,767,000 has been committed to the funding of the 2012 General Fund budget and $34,937,000 is unassigned for 2013 and subsequent years' budgets. This Reserve includes an amount for advances of $7,562,000 from the General Fund to the Capital Projects Fund. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the reserved for tax stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budgeted, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council prior to budget adoption.

Fund deficit

The Capital Projects Fund had a deficit fund balance of $117,000 as of December 31, 2011, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2012.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2011 were as follows:

		Due From					
		General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
				(Thousands of Dollars)			
Due To	General Fund	$ -	$ 15	$ 2,066	$ -	$ -	$ 2,081
	General Obligation Debt	-	-	4,415	-	-	4,415
	Capital Projects	7,592	-	-	-	-	7,592
	Nonmajor Governmental Funds	7,481	-	-	-	-	7,481
	Water Works	15,333	-	-	668	635	16,636
	Sewer Maintenance	-	-	-	-	-	-
	Nonmajor Enterprise Funds	8,162	-	-	-	-	8,162
	Totals	$ 38,568	$ 15	$ 6,481	$ 668	$ 635	$ 46,367

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

Interfund transfers for the year ended December 31, 2011 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	$ 1,818	Funding for debt payments
	Nonmajor Governmental Funds	9,785	Subsidize uncollected property taxes
	Capital Projects	85	Capital close outs
	Water Works	11,151	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	1,405	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	20,787	Subsidy for operations
	Nonmajor Enterprise Funds	2,345	Excess earnings of Port
	Subtotal General Fund	**47,376**	
General Obligation Debt	General	100,000	Funding for cash flow debt
	General	2,077	Funding for debt payments
	Public Debt Amortization	5,924	Capital Projects
	Capital Projects	53	Capital close outs
	Capital Projects	406	Tax Incremental District closeouts
	Nonmajor Governmental Funds	26,333	Funding for debt payments
	Sewer Maintenance	8,678	Subsidy for operations
	Nonmajor Enterprise Funds	597	Subsidy for operations
	Subtotal Debt Service	**144,068**	
Public Debt Amortization	General Obligation Debt	3,657	Funding for debt payments
	Subtotal Public Debt Amortization	**3,657**	
Nonmajor Enterprise	General Obligation Debt	617	Funding for debt payments
	Subtotal Nonmajor Proprietary	**617**	
	Total Interfund Transfers	**$ 195,718**	

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2011 were as follows:

Component Unit Payable	Primary Government's Receivable (Thousands of Dollars)
Due from HACM for reimbursable expenditures	$ 495
Due from RACM for reimbursable expenditures	12
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	19,293
Due from MEDC for reimbursements for expenditures	35
Due from MEDC for tax incremental district loans	497
Due from NIDC for home and Community Development Block grants	26
Total	$ 20,358

Component Unit Receivable	Primary Government's Payable (Thousands of Dollars)
Due to RACM for tax incremental projects	$ 70
Due to RACM for urban renewal projects	73
Due to RACM Community Development Block grants and Home grants	118
Due to HACM for reimbursable expenditures	19
Due to HACM Community Development Block grants and Home grants	304
Total	$ 584

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2012 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
	(Thousands of Dollars)
2012	$ 5,734
2013	5,604
2014	4,751
2015	4,701
2016	3,782
2017-2021	15,749
2022-2026	8,067
2027-2031	7,298
2032 and beyond	11,065
Total	$ 66,751

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statements.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries, or death in any action founded on fact against the City, agencies, officials, officers, or employees cannot exceed $50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide financial statements.

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2011 were as follows:

General liability claims	$ 6,125,000
Workers' compensation claims	11,033,000
Unemployment claims	1,022,000
Health insurance claims	4,268,000
Pollution remediation obligation	1,431,000

Changes in the balances of claim liabilities during the past two years were as follows:

	2010	2011
Beginning of year liability	$ 23,719,000	$ 19,461,000
Current year claims and changes in estimates	2,812,000	10,308,000
Claim payments	(7,070,000)	(5,890,000)
End of year liability	$ 19,461,000	$ 23,879,000

Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009 and 2010 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication beginning about the middle of 2012. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax year 2010. These cases are also moving toward adjudication in 2012 and 2013. Appeals by the losing party are likely in many of these cases.

In a civil rights action, plaintiffs claim that an off-duty Milwaukee police officer violated their civil rights when in March 2005 he fatally shot a person. The officer subsequently committed suicide after he was charged criminally with the murder. In this ensuing civil litigation, the City has vigorously contested the plaintiffs' claims that the officer was acting within the scope of his employment and under color of law at the time of the shooting. The court ruled, however, not only that the issue of action under color of law presented a jury question but also that the plaintiffs could recover punitive damages even though the officer is deceased. The City has recently filed a motion on certain evidentiary issues that would have the effect of a dismissal of the case if granted. In the event that the motion is denied, however, the matter is set for trial later in 2012.

Environmental Liabilities

The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PBC pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of $563,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, clean up is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

During 2011, the City spent $304,000 in pollution remediation-related activities. At December 31, 2011, the City has an outstanding liability of $1,431,000 related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Four of the seven landfills have been closed. The remaining three landfills are no longer accepting waste. The Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The City has accrued $350,000 in the government-wide financial statement, as part of general liability claims for landfill closure related to the three sites. $150,000 of these costs is meant to bring closure to the Hartung Quarry by constructing a sledding hill and additional landscaping. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost's,* establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and are therefore, not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2011.

Commitments

The following is a list of encumbrances by function at December 31, 2011:

	General Fund	Capital Projects	Water Works	Total
		(Thousands of Dollars)		
General government	$ 9,281	$ 2	$ -	$ 9,283
Conservation and development	113	8,465	-	8,578
Health	181	-	-	181
Housing trust	390	-	-	390
Library	118	626	-	744
Public safety	2,055	1,212	-	3,267
Public works	570	-	-	570
Infrastructures	-	15,204	3,391	18,595
Total	$ 12,708	$ 25,509	$ 3,391	$ 41,608

14. SUBSEQUENT EVENTS

On May 3, 2012, the City issued $6,085,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2013 until 2022. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $3,540,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2023 until 2032. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $8,455,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2023 until 2027. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $113,430,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 1 of each year beginning 2013 until 2022. Interest is payable on May 1 and November 1 commencing November 1, 2012.

On May 3, 2012, the City issued $100,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 4, 2012 with interest.

On May 22, 2012, the City issued $70,000,000 of extendable municipal commercial paper notes for various governmental purposes. The final maturity is on May 22, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILWAUKEE

Exhibit E-1

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

	Budgeted Amounts		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	$ 176,588	$ 176,588	$ 166,841	$ (9,747)
Other taxes	4,634	4,634	4,371	(263)
Licenses and permits	12,429	12,429	13,289	860
Intergovernmental	271,595	271,596	273,240	1,644
Charges for services	96,108	98,633	103,493	4,860
Fines and forfeits	5,255	5,255	5,076	(179)
Other	10,849	10,880	13,387	2,507
Total Revenues	577,458	580,015	579,697	(318)
Expenditures:				
Current:				
General government	247,285	237,305	229,556	7,749
Public safety	258,799	259,954	258,994	960
Public works	90,476	96,840	96,557	283
Health	9,328	9,276	8,872	404
Culture and recreation	16,092	16,120	15,566	554
Conservation and development	3,687	4,067	3,991	76
Total Expenditures	625,667	623,562	613,536	10,026
Deficiency of Revenues over Expenditures	(48,209)	(43,547)	(33,839)	9,708
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	-	100,000	100,000
Transfers in	34,353	36,170	47,376	11,206
Transfers out	-	-	(102,077)	(102,077)
Contributions received	32,343	32,871	24,021	(8,850)
Contributions used	(31,247)	(32,536)	(23,121)	9,415
Use of fund balance - reserved for tax stabilization	14,600	14,600	14,600	-
Total Other Financing Sources and Uses	50,049	51,105	60,799	9,694
Net Change in Fund Balance	1,840	7,558	26,960	19,402
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	45,026	45,026	45,026	-
Fund Balance - Ending	**$ 46,866**	**$ 52,584**	**$ 71,986**	**$ 19,402**

Explanation of Differences of Budget to GAAP:

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is $14.6 million at January 1, 2011.

Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2011
(unaudited)

Exhibit E-2

Retiree Health and Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	-	959,562,000	959,562,000	0.0%	419,811,361	228.6%
1/1/2010	-	1,007,573,100	1,007,573,100	0.0%	413,647,606	243.6%
1/1/2011	-	916,383,400	916,383,400	0.0%	407,839,733	224.7%

See accompanying independent auditors' report.

Budgets and Budgetary Accounting

City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Department of Administration, Division of Budget and Management Analysis, acting as staff for the Mayor, reviews the request in detail with the departments during June and July. After all of the requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. During the year, various amendments were made to the budget including carryovers of appropriations and encumbrances, and internal transfers.

Annual budgets are legally adopted by the Common Council for some but not all governmental funds. Annual budgets are not adopted for Special Revenue Fund - Delinquent Tax, Debt Service Fund - Public Debt Amortization and Capital Projects Funds. The Debt Service Fund - General Obligation Debt uses a non-appropriated budget. Budgets for Capital Projects Funds are prepared for the project life, rather than for the standard current fiscal year. Therefore, project appropriations for these budgets lapse at the conclusion of the project. All other appropriations lapse at the end of the current fiscal year. Governmental funds for which annual budgets have been adopted are included in the accompanying Required Supplementary Information Budgetary Comparison Schedule and in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	January 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	8.5% per year graded down to 4.5% per year ultimate trend in 0.5% increments.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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Nonmajor Governmental Funds

Nonmajor funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects – This fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant – The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax – This fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

Economic Development Fund – This fund provides expenditure authority for owner financed economic development in commercial areas, including the Business Improvement District program.

CITY OF MILWAUKEE

Exhibit F-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	$ 1,614	$ -	$ 10,871	$ 55	$ 12,540
Receivables (net):					
Taxes	-	-	23,758	-	23,758
Accounts	115	24	-	-	139
Notes and loans	6,620	3,824	-	-	10,444
Due from other funds	-	15	-	-	15
Due from component units	21	5	-	-	26
Due from other governmental agencies	12,083	5,335	-	-	17,418
Prepaid items	-	-	-	-	-
Total Assets	**$ 20,453**	**$ 9,203**	**$ 34,629**	**$ 55**	**$ 64,340**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 4,019	$ 4,644	$ -	$ -	$ 8,663
Accrued expenses	164	185	-	-	349
Due to other funds	7,481	-	-	-	7,481
Due to component units	58	364	-	-	422
Due to other governmental agencies	403	24	-	-	427
Deferred revenue	6,352	162	5,115	-	11,629
Total Liabilities	18,477	5,379	5,115	-	28,971
Fund Balances:					
Restricted	1,976	3,824	-	55	5,855
Committed	-	-	29,514	-	29,514
Total Fund Balances	1,976	3,824	29,514	55	35,369
Total Liabilities and Fund Balances	**$ 20,453**	**$ 9,203**	**$ 34,629**	**$ 55**	**$ 64,340**

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit F-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ -	$ -	$ 2,304	$ -	$ 2,304
Intergovernmental	47,490	33,338	-	-	80,828
Other	-	-	3,656	7,939	11,595
Total Revenues	47,490	33,338	5,960	7,939	94,727
Expenditures:					
Current:					
General government	-	4,175	1,791	-	5,966
Public safety	20,884	3,404	-	-	24,288
Public works	5,562	1,466	-	-	7,028
Health	11,257	-	-	-	11,257
Culture and recreation	1,468	1,090	-	-	2,558
Conservation and development	6,169	23,202	-	8,097	37,468
Total Expenditures	45,340	33,337	1,791	8,097	88,565
Excess (deficiency) of Revenues over Expenditures	2,150	1	4,169	(158)	6,162
Other Financing Sources (Uses):					
General obligation bonds and notes issued	-	-	30,235	-	30,235
Loans receivable activities	(8,915)	132	-	-	(8,783)
Transfers out	-	-	(36,118)	-	(36,118)
Total Other Financing Sources and Uses	(8,915)	132	(5,883)	-	(14,666)
Net Change in Fund Balances	(6,765)	133	(1,714)	(158)	(8,504)
Fund Balances - Beginning	8,741	3,691	31,228	213	43,873
Fund Balances - Ending	**$ 1,976**	**$ 3,824**	**$ 29,514**	**$ 55**	**$ 35,369**

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit F-3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANT AND AID PROJECTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	$ 46,785	$ 47,490	$ 705
Expenditures:			
Current:			
Public safety	21,464	20,884	580
Public works	5,633	5,562	71
Health	11,849	11,257	592
Culture and recreation	1,537	1,468	69
Conservation and development	6,302	6,169	133
Total Expenditures	46,785	45,340	1,445
Excess of Revenues over (under) Expenditures	-	2,150	2,150
Other Financing Sources (Uses):			
Loans receivable activities	-	(8,915)	(8,915)
Transfers out	-	-	-
Net Change in Fund Balance	-	(6,765)	(6,765)
Fund Balance - Beginning	-	8,741	8,741
Fund Balance - Ending	**$ -**	**$ 1,976**	**$ 1,976**

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit F-4

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	$ 33,338	$ 33,338	$ -
Expenditures:			
Current:			
General government	4,175	4,175	-
Public safety	3,404	3,404	-
Public works	1,466	1,466	-
Health	-	-	-
Culture and recreation	1,090	1,090	-
Conservation and development	23,202	23,202	-
Total Expenditures	33,337	33,337	-
Excess of Revenues over (under) Expenditures	1	1	-
Other Financing Sources (Uses):			
Loans receivable activities	132	132	-
Fund Balance - Beginning	3,691	3,691	-
Fund Balance - Ending	**$ 3,824**	**$ 3,824**	**$ -**

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit F-5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other	$ 8,840	$ 7,939	$ (901)
Expenditures:			
Current:			
Conservation and development	8,840	8,097	$ 743
Excess of Revenues over (under) Expenditures	-	(158)	(158)
Fund Balance - Beginning	213	213	-
Fund Balance - Ending	**$ 213**	**$ 55**	**$ (158)**

See accompanying independent auditors' report.

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities, and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire landscape and construct parking lots and structures.

Port of Milwaukee – All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this fund.

Metropolitan Sewerage District User Charge – The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a “wholesale” user charge basis and the subsequent billing by the City to customers on a “retail” basis. The City adds administrative expense to the District’s charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE

Exhibit G-1

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2011
(Thousands of Dollars)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 20,209	$ -	$ -	$ 20,209
Receivables (net):				
Accounts	184	835	13,535	14,554
Unbilled accounts	-	-	2,823	2,823
Due from other funds	-	-	635	635
Due from other governmental agencies	-	519	-	519
Total Current Assets	20,393	1,354	16,993	38,740
Noncurrent assets:				
Capital assets:				
Capital assets not being depreciated:				
Land	8,402	8,454	-	16,856
Construction in progress	3,109	1,011	-	4,120
Capital assets being depreciated:				
Buildings	52,846	13,558	-	66,404
Infrastructures	-	16,873	-	16,873
Improvements other than buildings	5,429	2,569	-	7,998
Machinery and equipment	5,347	4,838	-	10,185
Accumulated depreciation	(40,082)	(23,326)	-	(63,408)
Total Noncurrent Assets	35,051	23,977	-	59,028
Total Assets	55,444	25,331	16,993	97,768
LIABILITIES				
Current Liabilities:				
Accounts payable	1,500	493	9,175	11,168
Accrued expenses	523	167	2	692
Accrued interest payable	178	42	-	220
Due to other funds	-	1,168	6,994	8,162
Deferred revenue	3	266	-	269
General obligation debt payable - current	1,506	464	-	1,970
Total Current Liabilities	3,710	2,600	16,171	22,481
Noncurrent Liabilities:				
General obligation debt	10,691	2,513	-	13,204
Other post employment benefits obligation	1,059	242	-	1,301
Total Noncurrent Liabilities	11,750	2,755	-	14,505
Total Liabilities	15,460	5,355	16,171	36,986
NET ASSETS:				
Invested in capital assets, net of related debt	22,854	21,000	-	43,854
Unrestricted	17,130	(1,024)	822	16,928
Total Net Assets	**$ 39,984**	**$ 19,976**	**$ 822**	**$ 60,782**

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit G-2

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for Services:				
Statutory sewer user fee	$ -	$ -	$ 45,765	$ 45,765
Rent	7,078	5,527	-	12,605
Parking meters	4,937	-	-	4,937
Parking permits	3,900	-	-	3,900
Vehicle towing	5,135	-	-	5,135
Parking forfeitures	23,098	-	-	23,098
Other	-	-	1,504	1,504
Total Operating Revenues	44,148	5,527	47,269	96,944
Operating Expenses:				
Milwaukee Metropolitan Sewerage District Charges	-	-	38,631	38,631
Employee services	7,604	1,695	111	9,410
Administrative and general	-	-	-	-
Depreciation	2,650	792	-	3,442
Transmission and distribution	-	-	-	-
Services, supplies and materials	14,454	1,098	4,407	19,959
Billing and collection	-	-	-	-
Total Operating Expenses	24,708	3,585	43,149	71,442
Operating Income	19,440	1,942	4,120	25,502
Nonoperating Revenues (Expenses):				
Grant revenue	2	52	-	54
Interest expense	(559)	(46)	-	(605)
Other	605	-	-	605
Total Nonoperating Revenues (Expenses)	48	6	-	54
Income (Loss) before Contributions and Transfers	19,488	1,948	4,120	25,556
Capital contributions	-	1,659	-	1,659
Transfers in	-	617	-	617
Transfers out	(22,789)	(2,345)	-	(25,134)
Change in Net Assets	(3,301)	1,879	4,120	2,698
Total Net Assets (Accumulated Deficit) - Beginning	43,285	18,097	(3,298)	58,084
Total Net Assets - Ending	**$ 39,984**	**$ 19,976**	**$ 822**	**$ 60,782**

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit G-3

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 44,252	$ 5,744	$ 47,453	$ 97,449
Payments to suppliers	(14,254)	(907)	(43,902)	(59,063)
Payments to employees	(7,461)	(1,647)	(111)	(9,219)
Payments from other funds	-	(186)	(3,386)	(3,572)
Payments to other funds	-	-	(54)	(54)
Net Cash Provided by Operating Activities	22,537	3,004	-	25,541
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	-	52	-	52
Transfers to other funds	(22,789)	(1,728)	-	(24,517)
Net Cash Used for Noncapital Financing Activities	(22,789)	(1,676)	-	(24,465)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	1,950	570	-	2,520
Acquisition of property, plant and equipment	(1,052)	(1,659)	-	(2,711)
Retirement of bonds, notes and revenue bonds	(1,533)	(958)	-	(2,491)
Interest paid	(576)	(52)	-	(628)
Other	668	771	-	1,439
Net Cash Used for Capital and Related Financing Activities	(543)	(1,328)	-	(1,871)
Net Decrease in Cash and Cash Equivalents	(795)	-	-	(795)
Cash and Cash Equivalents - Beginning	21,004	-	-	21,004
Cash and Cash Equivalents - Ending	**$ 20,209**	**$ -**	**$ -**	**$ 20,209**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income	$ 19,440	$ 1,942	$ 4,120	$ 25,502
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,650	792	-	3,442
Changes in assets and liabilities:				
Receivables	115	88	184	387
Due from other funds	-	-	(54)	(54)
Accounts payable	200	192	(864)	(472)
Accrued liabilities	(53)	46	-	(7)
Net other postemployment benefits obligation	196	-	-	196
Due to other funds	-	(186)	(3,386)	(3,572)
Deferred revenue	(11)	130	-	119
Net Cash Provided by Operating Activities	$ 22,537	$ 3,004	$ -	$ 25,541

Non-cash Activities: During the year, the Port of Milwaukee received donated assets in the amount of $ 507,000.

See accompanying independent auditors' report.

Agency Funds

These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

CITY OF MILWAUKEE

Exhibit H-1

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Balance 01-01-11	Additions	Deductions	Balance 12-31-11
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and cash equivalents	$ 190,962	$ 1,582,180	$ 1,546,165	$ 226,977
Taxes receivable	-	152,583	152,583	-
Total Assets	**$ 190,962**	**$ 1,734,763**	**$ 1,698,748**	**$ 226,977**
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	**$ 190,962**	**$ 1,582,180**	**$ 1,546,165**	**$ 226,977**
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	$ 109,207	$ 227,137	$ 227,682	$ 108,662
Taxes Receivable	-	119,455	119,455	-
Total Assets	**$ 109,207**	**$ 346,592**	**$ 347,137**	**$ 108,662**
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	$ 60	$ 5,038	$ 5,034	$ 64
Milwaukee County	63,186	127,123	126,702	63,607
Menomonee Falls School District	-	194,582	194,582	-
Milwaukee Area District Board of Vocational Technical & Adult Education	26,258	53,722	54,637	25,343
Milwaukee Metropolitan Sewerage District	19,703	41,022	41,077	19,648
Washington County	-	5	5	-
Waukesha County	-	37	37	-
Total Liabilities	**$ 109,207**	**$ 421,529**	**$ 422,074**	**$ 108,662**
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	**$ 251**	**$ 1,160**	**$ 1,145**	**$ 266**
LIABILITIES				
Accounts payable	**$ 251**	**$ 1,160**	**$ 1,145**	**$ 266**

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit H-1 (Continued)

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Thousands of Dollars)

	Balance 01-01-11	Additions	Deductions	Balance 12-31-11
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and cash equivalents	**$ 572**	**$ 4,165**	**$ 4,291**	**$ 446**
LIABILITIES				
Accounts payable	$ -	$ 95	$ 95	$ -
Due to Other Governmental Agencies:				
State of Wisconsin	529	3,269	3,393	405
Milwaukee County	43	801	803	41
Total Liabilities	**$ 572**	**$ 4,165**	**$ 4,291**	**$ 446**
OTHER				
ASSETS				
Cash and cash equivalents	**$ 1,570**	**$ 15,094**	**$ 14,930**	**$ 1,734**
LIABILITIES				
Accounts payable	**$ 1,570**	**$ 15,094**	**$ 14,930**	**$ 1,734**
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 302,562	$ 1,829,736	$ 1,794,213	$ 338,085
Receivables:				
Taxes	-	272,038	272,038	-
Total Assets	**$ 302,562**	**$ 2,101,774**	**$ 2,066,251**	**$ 338,085**
LIABILITIES				
Accounts payable	$ 1,821	$ 16,349	$ 16,170	$ 2,000
Due to other governmental agencies	300,741	2,007,779	1,972,435	336,085
Total Liabilities	**$ 302,562**	**$ 2,024,128**	**$ 1,988,605**	**$ 338,085**

See accompanying independent auditors' report.

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MISCELLANEOUS FINANCIAL DATA

CITY OF MILWAUKEE

Exhibit I-1

COMBINED SCHEDULE OF DELINQUENT TAXES RECEIVABLE

DECEMBER 31, 2011

(Thousands of Dollars)

	Real Estate	Personal Property	Total
Year Levied			
1985 -2000	$ 130	$ 2	$ 132
2001	60	-	60
2002	95	-	95
2003	128	-	128
2004	172	-	172
2005	218	269	487
2006	453	351	804
2007	748	326	1,074
2008	3,526	382	3,908
2009	11,732	488	12,220
2010	31,007	583	31,590
Delinquent Taxes Receivable	$ 48,269	$ 2,401	50,670
Add: Property taxes receivable on foreclosed property (A)			24,874
Total Delinquent Taxes Receivable			75,544
Less: Estimated uncollectible taxes			(20,746)
Net Delinquent Taxes Receivable			**$ 54,798**

(A) Property taxes receivable on foreclosed property is valued at the cost of delinquent taxes and assessments on acquired property.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit I-2

COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - PRIMARY GOVERNMENT

DECEMBER 31, 2011

(Thousands of Dollars)

Cash and Cash Equivalents:		
Cash	$ 43,276	
Local Government Pooled - Investment Fund	315,986	
Institutional Money Market Fund	336,333	
Cash with Fiscal Agent	11,685	
Total Cash and Cash Equivalents		$ 707,280
Investments:		
Treasury Notes, Bills and Agencies	2,721	
Municipal Bonds	13,829	
Certificates of Deposit	12,900	
Other	541	
Total Investments		29,991
Total Cash and Cash Equivalents and Investments		$ 737,271

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Cash and Cash Equivalents and Investments - Fund:				
General	$ 92,819	$ 128	$ -	$ 92,947
General Obligation Debt Service	172,134	-	-	172,134
Public Debt Amortization	23,666	19,514	-	43,180
Capital Projects	20,245	-	-	20,245
Nonmajor Governmental Funds	12,540	-	-	12,540
Water Works	3,360	-	692	4,052
Sewer Maintenance	14,877	-	14,342	29,219
Nonmajor Enterprise Funds	20,209	-	-	20,209
Pension and Other Employee Benefit Trusts	403	-	-	403
Private-Purpose Trusts	2,158	2,099	-	4,257
Agency Funds	338,085	-	-	338,085
Total Cash and Cash Equivalents and Investments - Fund	**$ 700,496**	**$ 21,741**	**$ 15,034**	**$ 737,271**

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit I-3

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION BONDS AND NOTES

DECEMBER 31, 2011

(Thousands of Dollars)

	Bridges		Economic Development		Finance Real and Personal Property Tax Receivables	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 2,649	$ 1,224	$ 2	$ -	$ 28,117	$ 1,690
2013	2,545	1,102	2	-	12,166	865
2014	2,412	980	1	-	5,355	465
2015	2,398	860	1	-	3,685	253
2016	2,166	743	-	-	2,315	112
2017	2,015	639	-	-	1,090	27
2018	5,331	538	-	-	-	-
2019	1,804	448	-	-	-	-
2020	1,617	366	-	-	-	-
2021	1,713	288	-	-	-	-
2022	1,269	214	-	-	-	-
2023	1,166	157	-	-	-	-
2024	1,166	97	-	-	-	-
2025	1,157	41	-	-	-	-
2026	276	7	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
Totals	**29,684**	**7,704**	**6**	**-**	**52,728**	**3,412**
Total Requirements	**$37,388**		**$6**		**$56,140**	

See accompanying independent auditors' report.

Fire		Grant and Aid Improvements - City Share		Harbor	
Principal	Interest	Principal	Interest	Principal	Interest
$ 2,802	$ 904	$ 39	$ 5	$ 464	$ 141
2,775	777	39	3	426	119
2,762	645	16	1	417	97
2,073	527	15	1	390	77
1,753	434	7	-	218	58
2,111	340	-	-	170	48
1,588	257	-	-	150	40
1,262	196	-	-	146	32
791	145	-	-	119	26
609	110	-	-	119	21
609	79	-	-	85	15
342	56	-	-	79	11
342	39	-	-	75	8
304	23	-	-	75	4
302	8	-	-	38	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,425	**4,540**	**116**	**10**	**2,971**	**698**
$24,965		**$126**		**$3,669**	

CITY OF MILWAUKEE

Exhibit I-3 (Continued)

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION BONDS AND NOTES

DECEMBER 31, 2011

(Thousands of Dollars)

	Industrial Land Bank		Library		Local Improvement Projects/ Special Assessments	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 1	$ -	$ 1,424	$ 666	$ 958	$ 467
2013	1	-	1,449	599	1,137	410
2014	1	-	1,401	529	1,045	353
2015	1	-	1,174	463	676	308
2016	-	-	1,166	407	2,421	273
2017	-	-	1,105	350	2,130	173
2018	-	-	1,591	295	2,073	86
2019	-	-	879	251	22	1
2020	-	-	824	209	-	-
2021	-	-	767	169	-	-
2022	-	-	717	133	-	-
2023	-	-	659	99	-	-
2024	-	-	659	66	-	-
2025	-	-	572	35	-	-
2026	-	-	417	10	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
Totals	**4**	**-**	**14,804**	**4,281**	**10,462**	**2,071**
Total Requirements	**$4**		**$19,085**		**$12,533**	

See accompanying independent auditors' report.

Milwaukee Exposition and Convention Center and Arena		Parking		Playgrounds/ Recreational Facilities	
Principal	Interest	Principal	Interest	Principal	Interest
$ 1	$ -	$ 1,506	$ 560	$ 1,240	$ 389
1	-	1,384	492	1,327	333
-	-	1,366	427	1,282	271
-	-	1,254	363	1,102	214
-	-	1,089	302	963	166
-	-	867	250	794	123
-	-	794	209	673	89
-	-	729	172	602	61
-	-	687	138	286	37
-	-	616	106	101	28
-	-	603	77	101	23
-	-	494	51	101	18
-	-	412	29	101	12
-	-	239	13	101	8
-	-	130	3	101	2
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2	**-**	**12,170**	**3,192**	**8,875**	**1,774**
$2		**$15,362**		**$10,649**	

CITY OF MILWAUKEE

Exhibit I-3 (Continued)

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION BONDS AND NOTES

DECEMBER 31, 2011

(Thousands of Dollars)

	Police		Public Buildings		Resource Recovery	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 5,374	$ 1,393	$ 18,803	$ 6,936	$ -	$ -
2013	4,728	1,152	18,755	6,106	1	-
2014	3,737	920	18,048	5,234	-	-
2015	3,844	748	17,235	4,391	-	-
2016	2,454	568	16,594	3,597	-	-
2017	2,284	449	14,222	2,866	-	-
2018	4,854	337	19,216	2,218	-	-
2019	1,297	261	12,862	1,613	-	-
2020	867	208	10,356	1,059	-	-
2021	928	167	8,245	637	-	-
2022	739	125	3,356	357	-	-
2023	678	95	3,268	230	-	-
2024	678	59	2,445	78	-	-
2025	571	29	696	9	-	-
2026	335	8	78	2	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
Totals	**33,368**	**6,519**	**164,179**	**35,333**	**1**	**-**
Total Requirements	**$39,887**		**$199,512**		**$1**	

See accompanying independent auditors' report.

Schools		Sewer Maintenance		Sewers	
Principal	Interest	Principal	Interest	Principal	Interest
$ 12,315	$ 5,181	$ 677	$ 601	$ 5,478	$ 1,422
11,782	4,659	697	571	4,917	1,153
7,834	4,199	701	540	4,666	911
6,512	3,845	703	506	4,096	686
8,542	3,525	706	472	3,166	479
6,228	3,128	681	438	2,102	322
5,375	2,823	42,681	323	1,620	220
4,706	2,570	681	279	1,079	152
3,837	2,359	681	245	1,022	102
497	2,169	1,077	201	675	67
496	2,147	1,077	147	528	35
497	2,126	800	100	312	23
270	2,107	800	60	192	8
12,000	2,100	800	20	192	1
-	1,958	-	-	-	-
37,300	979	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
118,191	**45,875**	**52,762**	**4,503**	**30,045**	**5,581**
$164,066		**$57,265**		**$35,626**	

CITY OF MILWAUKEE

Exhibit I-3 (Continued)

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION BONDS AND NOTES

DECEMBER 31, 2011

(Thousands of Dollars)

	Streets		Tax Incremental Districts		Urban Renewal	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2012	$ 11,931	$ 5,286	$ 9,626	$ 8,865	$ 3,247	$ 1,287
2013	11,341	4,752	12,448	8,340	2,928	1,145
2014	10,503	4,209	11,511	7,750	2,981	1,012
2015	9,829	3,710	12,549	7,181	2,807	873
2016	9,052	3,235	14,482	6,525	2,339	743
2017	8,428	2,795	16,497	5,791	1,890	633
2018	17,094	2,382	17,026	4,977	1,997	545
2019	6,688	2,040	15,024	4,206	1,810	458
2020	6,430	1,719	14,299	3,491	1,659	376
2021	7,056	1,421	13,780	2,819	1,802	299
2022	6,449	1,072	12,100	2,202	1,391	218
2023	6,317	814	10,570	1,662	1,262	164
2024	6,218	481	7,865	1,223	1,232	98
2025	5,166	214	7,640	850	1,102	43
2026	2,144	54	4,935	547	404	10
2027	-	-	5,170	302	-	-
2028	-	-	3,665	88	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
Totals	**124,646**	**34,184**	**189,187**	**66,819**	**28,851**	**7,904**
Total Requirements	**$158,830**		**$256,006**		**$36,755**	

See accompanying independent auditors' report.

Water		Total Requirements	
Principal	Interest	Principal	Interest
$3,326	$1,089	$109,980	$38,106
2,936	918	93,785	33,496
3,121	769	79,160	29,312
2,511	617	72,855	25,623
1,817	488	71,250	22,127
856	395	63,470	18,767
857	353	122,920	15,692
859	310	50,450	13,050
835	267	44,310	10,747
835	226	38,820	8,728
835	184	30,355	7,028
835	142	27,380	5,748
835	101	23,290	4,466
820	59	31,435	3,449
775	19	9,935	2,629
-	-	42,470	1,281
-	-	3,665	88
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
22,053	**5,937**	**915,530**	**240,337**
$27,990		**$1,155,867**	

CITY OF MILWAUKEE

Exhibit I-4

DEBT SERVICE REQUIREMENTS TO MATURITY - WATER REVENUE AND DISCLOSURE OF BOND COVERAGE

(Thousands of Dollars)

Year	Principal	Interest	Total Requirements
2012	$ 989	$ 185	$ 1,174
2013	1,015	158	1,173
2014	1,042	131	1,173
2015	1,069	104	1,173
2016	1,098	75	1,173
2017	1,127	45	1,172
2018	1,158	15	1,173
	$ 7,498	**$ 713**	**$ 8,211**

Note: *Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 and 5 for 2011 consisted of gross revenues plus interest income in the amount of $84,406, less operating expenses (excluding depreciation but including the payment in lieu of taxes) of $65,213. As a result, the net revenue available for debt service was $19,193. Debt service requirements consisted of $1,175 for 2011. At the end of the year, bond coverage computes to 16.33.*

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit I-5

DEBT SERVICE REQUIREMENTS TO MATURITY - SEWERAGE SYSTEM REVENUE AND DISCLOSURE OF BOND COVERAGE

(Thousands of Dollars)

Year	Revenue Bonds		State Loans (Revenue Bonds)		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 3,050	$ 2,700	$ 3,742	$ 1,916	$ 6,792	$ 4,616
2013	3,185	2,567	3,833	1,824	7,018	4,391
2014	3,295	2,453	3,926	1,730	7,221	4,183
2015	3,390	2,353	4,022	1,633	7,412	3,986
2016	3,475	2,250	4,120	1,534	7,595	3,784
2017	3,580	2,126	4,220	1,432	7,800	3,558
2018	3,725	1,961	4,323	1,328	8,048	3,289
2019	3,900	1,771	4,428	1,221	8,328	2,992
2020	4,090	1,571	4,536	1,112	8,626	2,683
2021	4,280	1,361	4,647	1,000	8,927	2,361
2022	4,075	1,153	4,760	885	8,835	2,038
2023	4,260	952	4,877	768	9,137	1,720
2024	1,880	806	4,996	647	6,876	1,453
2025	1,965	718	5,118	524	7,083	1,242
2026	2,060	624	5,242	397	7,302	1,021
2027	2,165	519	5,371	267	7,536	786
2028	2,265	419	4,578	146	6,843	565
2029	2,370	315	2,403	60	4,773	375
2030	2,490	193	1,371	15	3,861	208
2031	2,620	65	-	-	2,620	65
	$ 62,120	**$ 26,877**	**$ 80,513**	**$ 18,439**	**$ 142,633**	**$45,316**

Note: Sewerage System Revenue Bonds coverage consisted of gross revenues plus interest income in the amount of $54,667 less operating expenses (excluding depreciation) of $14,691. As a result, the net revenue available for debt service was $39,976. Debt service requirements consisted of $6,200 for 2011. At the end of the year, bond coverage computes to 6.44.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit I-6

SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
DECEMBER 31, 2011
(Thousands of Dollars)

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	$3,177	$ 827	$ 1,283	$ 355	$ 314
Receivables (net):					
Taxes	-	62	-	-	-
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governmental agencies	951	-	-	-	-
Prepaid items	-	-	-	-	-
Total Assets	**$4,128**	**$ 889**	**$ 1,283**	**$ 355**	**$ 314**
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 500	$ 5	$ 446	$ 272	$ 147
Accrued expenses	14	-	-	-	37
Due to other funds	-	-	-	-	-
Due to component units	-	-	-	-	-
Deferred revenue	565	110	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	1,079	115	446	272	184
Fund Balance	3,049	774	837	83	130
Total Liabilities and Fund Balance	**$4,128**	**$ 889**	**$ 1,283**	**$ 355**	**$ 314**

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
$ 344	$ 592	$ 1,368	$ 1,169	$ -	$ 10,816	$ -	$ 20,245
-	365	-	157	-	2,049	-	2,633
-	-	4	-	1,263	-	-	1,267
-	-	-	-	-	-	8,141	8,141
-	-	-	-	-	-	-	-
-	2,932	-	-	9,114	-	-	12,997
886	-	-	-	-	-	-	886
$ 1,230	**$ 3,889**	**$ 1,372**	**$ 1,326**	**$ 10,377**	**$ 12,865**	**$ 8,141**	**$ 46,169**
$ 204	$ 896	$ 37	$ 837	$ 1,486	$ 2,005	$ 67	$ 6,902
-	40	-	1	231	1	-	324
-	-	-	-	7,592	-	-	7,592
-	-	-	73	-	70	-	143
-	2,343	23	275	10,044	3,595	6,808	23,763
-	-	-	-	-	-	7,562	7,562
204	3,279	60	1,186	19,353	5,671	14,437	46,286
1,026	610	1,312	140	(8,976)	7,194	(6,296)	(117)
$ 1,230	**$ 3,889**	**$ 1,372**	**$ 1,326**	**$ 10,377**	**$ 12,865**	**$ 8,141**	**$ 46,169**

CITY OF MILWAUKEE

Exhibit I-7

SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS BY PURPOSE

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	$ -	$ 135	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Intergovernmental	1,328	-	-	-	1
Other	-	-	-	-	2,177
Total Revenues	1,328	135	-	-	2,178
Expenditures:					
Capital outlay	6,711	103	3,354	5,015	2,909
Excess (deficiency) of Revenues over Expenditures	(5,383)	32	(3,354)	(5,015)	(731)
Other Financing Sources (Uses):					
General obligation bonds and notes issued	6,377	-	4,054	5,274	82
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources and Uses	6,377	-	4,054	5,274	82
Net Change in Fund Balance	994	32	700	259	(649)
Fund Balance (Deficit) - Beginning	2,055	742	137	(176)	779
Fund Balance (Deficit) - Ending	**$ 3,049**	**$ 774**	**$ 837**	**$ 83**	**$ 130**

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
$ 42	$ 280	$ -	$ 450	$ -	$ 3,370	$ -	$ 4,277
-	-	-	-	-	-	3,163	3,163
-	1,229	19	55	2,578	-	-	5,210
-	-	15	-	424	469	-	3,085
42	1,509	34	505	3,002	3,839	3,163	15,735
5,309	14,699	14	4,056	32,388	21,339	973	96,870
(5,267)	(13,190)	20	(3,551)	(29,386)	(17,500)	2,190	(81,135)
6,125	10,881	-	3,707	28,397	36,520	-	101,417
-	-	-	-	-	-	-	-
-	-	-	-	(138)	(406)	-	(544)
6,125	10,881	-	3,707	28,259	36,114	-	100,873
858	(2,309)	20	156	(1,127)	18,614	2,190	19,738
168	2,919	1,292	(16)	(7,849)	(11,420)	(8,486)	(19,855)
$ 1,026	**$ 610**	**$ 1,312**	**$ 140**	**$ (8,976)**	**$ 7,194**	**$ (6,296)**	**$ (117)**

CITY OF MILWAUKEE

Exhibit I-8

GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	$ 116,575	$ 106,828	$ (9,747)
Provision for Employees' Retirement	60,013	60,013	-
Total Property Taxes	176,588	166,841	(9,747)
Other Taxes:			
Payment in lieu of taxes	975	1,157	182
Interest on city tax certificates and other taxes	3,659	3,214	(445)
Total Other Taxes	4,634	4,371	(263)
Licenses and Permits:			
Licenses:			
Business and occupational	5,282	5,172	(110)
Other	119	106	(13)
Permits:			
Building	5,626	6,526	900
Zoning	347	348	1
Other	1,055	1,137	82
Total Licenses and Permits	12,429	13,289	860
Intergovernmental:			
State Shares Revenues:			
State shared taxes	236,958	237,058	100
Local street aids	27,850	28,012	162
Payment for municipal services	1,750	1,968	218
Other	5,038	6,202	1,164
Total Intergovernmental	271,596	273,240	1,644
Charges for Services:			
General government	9,847	10,148	301
Public safety	17,661	19,049	1,388
Public works	68,448	71,348	2,900
Health	984	1,297	313
Culture and recreation	1,385	1,239	(146)
Conservation and development	308	412	104
Total Charges for Services	98,633	103,493	4,860
Fines and Forfeits:			
Court and contract forfeitures	5,255	5,070	(185)
Other	-	6	6
Total Fines and Forfeits	5,255	5,076	(179)
Other:			
Interest on temporary investments	800	303	(497)
Miscellaneous	10,080	13,084	3,004
Total Other	10,880	13,387	2,507
Total	**$ 580,015**	**$ 579,697**	**$ (318)**

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit I-9

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2011

(Thousands of Dollars)

		2011 Actual				
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Zoning Appeals	$ 245	$ 192	$ 34	$ -	$ 226	$ 19
Mayor	829	800	26	-	826	3
Unified Call Center	219	76	137	-	213	6
Common Council - City Clerk	6,479	4,978	1,288	41	6,307	172
Municipal Court	3,043	1,886	1,052	3	2,941	102
City Attorney	8,067	4,817	3,019	61	7,897	170
Administration	6,085	4,177	1,830	16	6,023	62
Employee Relations	138,462	2,768	132,811	25	135,604	2,858
Election Commission	1,218	769	427	-	1,196	22
Comptroller	27,736	3,259	21,282	22	24,563	3,173
City Treasurer	3,085	1,702	1,208	11	2,921	164
Assessor's Office	3,319	2,583	444	-	3,027	292
Employee's Retirement	19,260	157	18,488	-	18,645	615
Interest Expense	1,817	-	1,817	-	1,817	-
Pension Reserve Fund	17,350	-	17,350	-	17,350	-
Non-departmental - unallocated	91	-	-	-	-	91
Total General Government	237,305	28,164	201,213	179	229,556	7,749
Public Safety:						
Fire and Police Commission	903	642	252	4	898	5
Fire Department	74,995	68,693	5,574	118	74,385	610
Police Department	171,240	156,331	12,930	1,930	171,191	49
Neighborhood Services	12,816	8,264	4,171	85	12,520	296
Total Public Safety	259,954	233,930	22,927	2,137	258,994	960
Public Works:						
General Office	3,432	2,808	574	30	3,412	20
Infrastructure	29,784	16,018	13,610	156	29,784	-
Operations	63,624	33,761	28,469	1,131	63,361	263
Total Public Works	96,840	52,587	42,653	1,317	96,557	283
Health	9,276	6,726	2,144	2	8,872	404
Culture and Recreation:						
Public Library	16,120	11,532	2,458	1,576	15,566	554
Conservation and Development:						
Department of City Development	4,067	2,607	1,384	-	3,991	76
Total	**$ 623,562**	**$335,546**	**$ 272,779**	**$ 5,211**	**$ 613,536**	**$ 10,026**

See accompanying independent auditors' report.

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STATISTICAL SECTION

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CITY OF MILWAUKEE

Table 1

NET ASSETS BY COMPONENT

LAST TEN YEARS

(Accrual Basis of Accounting) (Thousands of Dollars)

	Fiscal Year				
	2002	**2003**	**2004**	**2005**	**2006**
Governmental activities					
Invested in capital assets, net of related debt	$ 392,967	$ 420,357	$ 444,873	$ 492,841	$ 500,045
Restricted	135,885	104,600	110,417	109,149	115,803
Unrestricted	(97,970)	(99,195)	(159,507)	(196,677)	(200,581)
Total governmental activities net assets	430,882	425,762	395,783	405,313	415,267
Business-type activities					
Invested in capital assets, net of related debt	506,502	518,861	529,213	560,899	554,966
Restricted	3,715	26,329	8,123	8,383	8,748
Unrestricted	67,505	58,061	89,077	63,657	82,725
Total business-type activities net assets	577,722	603,251	626,413	632,939	646,439
Primary government					
Invested in capital assets, net of related debt	899,469	939,218	974,086	1,053,740	1,055,011
Restricted	139,600	130,929	118,540	117,532	124,551
Unrestricted	(30,465)	(41,134)	(70,430)	(133,020)	(117,856)
Total primary government net assets	$ 1,008,604	$ 1,029,013	$ 1,022,196	$ 1,038,252	$ 1,061,706

	Fiscal Year				
	2007	**2008**	**2009**	**2010**	**2011**
Governmental activities					
Invested in capital assets, net of related debt	$ 558,328	$ 559,343	$ 367,061	$ 360,132	$ 345,061
Restricted	116,516	143,951	164,011	210,066	206,053
Unrestricted	(298,676)	(396,139)	(282,949)	(297,184)	(314,061)
Total governmental activities net assets	376,168	307,155	248,123	273,014	237,053
Business-type activities					
Invested in capital assets, net of related debt	581,594	607,122	650,478	619,758	618,625
Restricted	9,528	10,935	11,159	11,422	15,034
Unrestricted	60,566	47,065	19,392	45,625	58,195
Total business-type activities net assets	651,688	665,122	681,029	676,805	691,854
Primary government					
Invested in capital assets, net of related debt	1,139,922	1,166,465	1,017,539	979,890	963,686
Restricted	126,044	154,886	175,170	221,488	221,087
Unrestricted	(238,110)	(349,074)	(263,557)	(251,559)	(255,866)
Total primary government net assets	$ 1,027,856	$ 972,277	$ 929,152	$ 949,819	$ 928,907

See accompanying independent auditors' report.

CITY OF MILWAUKEE

CHANGES IN NET ASSETS

LAST TEN YEARS

(*Accrual Basis of Accounting*) (*Thousands of Dollars*)

Table 2

	Fiscal Year			
	2002	**2003**	**2004**	**2005**
Expenses				
Governmental Activities				
General government	$ 159,681	$ 166,270	$ 177,761	$ 180,975
Public safety	229,167	257,207	241,027	263,852
Public works	132,198	137,693	150,591	155,048
Health	22,125	24,679	27,251	27,036
Culture and recreation	22,924	19,520	29,014	19,931
Conservation and development	50,828	64,197	57,967	57,245
Capital contribution to Milwaukee Public Schools	18,725	8,904	15,686	18,002
Contributions	20,378	22,499	20,582	25,465
Interest on long-term debt	29,908	26,981	24,159	22,589
Total Governmental Activities Expenses	685,934	727,950	744,038	770,143
Business-type Activities				
Water	52,821	56,554	54,030	58,230
Sewer Maintenance	24,214	26,440	24,361	26,096
Parking	21,893	21,438	22,283	22,369
Other activities	33,924	34,936	34,214	34,789
Total Business-type Activities	132,852	139,368	134,888	141,484
Total Primary Government Expenses	818,786	867,318	878,926	911,627
Program Revenues				
Governmental activities				
Charges for services				
General government	14,411	10,822	10,460	11,049
Public safety	8,081	8,348	13,153	13,888
Public works	31,652	32,777	33,305	35,382
Health	877	890	911	693
Culture and recreation	2,308	2,366	2,412	1,808
Conservation and development	420	511	584	590
Operating grants and contributions	89,217	94,646	82,664	87,718
Total Governmental Activities Program Revenues	146,966	150,360	143,489	151,128
Business-type Activities				
Charges for services				
Water	74,300	74,136	71,579	71,903
Sewer Maintenance	28,007	32,657	30,959	31,072
Parking	37,735	39,279	41,470	38,961
Other activities	33,416	34,363	33,631	36,395
Capital grants and contributions	1,108	2,053	2,236	1,850
Total Business-type Activities Program Revenues	174,566	182,488	179,875	180,181
Total Primary Government Program Revenues	321,532	332,848	323,364	331,309
Net (Expense)/Revenue				
Governmental Activities	(538,968)	(577,590)	(600,549)	(619,015)
Business-type Activities	41,714	43,120	44,987	38,697
Total primary government net expense	$ (497,254)	$ (534,470)	$ (555,562)	$ (580,318)

See accompanying independent auditors' report.

Table 2 (continued)

Fiscal Year					
2006	2007	2008	2009	2010	2011
$ 179,647	$ 204,724	$ 208,608	$ 207,504	$ 259,420	$ 245,191
263,608	297,711	314,935	331,409	326,366	326,879
154,644	157,701	174,629	167,983	168,699	166,787
27,316	23,102	20,830	22,995	23,360	21,137
21,506	21,298	20,639	22,901	21,075	19,864
66,092	70,025	61,693	50,683	66,758	67,171
14,028	2,788	6,474	5,153	91,161	4,386
25,412	21,915	22,177	21,026	23,321	23,382
32,131	30,536	28,368	23,985	26,467	28,047
784,384	829,800	858,353	853,639	1,006,627	902,844
58,074	62,064	64,562	67,946	67,966	69,196
26,605	29,928	29,167	34,847	41,188	40,813
22,609	24,025	25,078	24,659	25,450	25,267
35,603	37,927	44,401	48,356	51,761	46,780
142,891	153,944	163,208	175,808	186,365	182,056
927,275	983,744	1,021,561	1,029,447	1,192,992	1,084,900
12,174	12,408	12,589	9,011	9,931	10,148
13,522	15,121	17,998	16,649	16,202	19,049
44,722	45,855	53,348	62,553	68,135	71,348
667	798	644	1,078	1,071	1,297
1,892	1,888	1,443	1,482	1,504	1,239
551	426	388	284	303	412
91,271	75,074	77,032	73,694	152,757	105,422
164,799	151,570	163,442	164,751	249,903	208,915
69,636	72,808	73,731	73,132	73,473	84,394
34,261	37,756	40,724	48,199	52,046	51,788
40,736	39,730	43,961	42,245	47,477	44,148
35,489	37,199	45,096	49,456	53,143	52,796
7,780	6,062	10,203	18,674	3,094	4,393
187,902	193,555	213,715	231,706	229,233	237,519
352,701	345,125	377,157	396,457	479,136	446,434
(619,585)	(678,230)	(694,911)	(688,888)	(756,724)	(693,929)
45,011	39,611	50,507	55,898	42,868	55,463
$ (574,574)	$ (638,619)	$ (644,404)	$ (632,990)	$ (713,856)	$ (638,466)

CITY OF MILWAUKEE

CHANGES IN NET ASSETS

LAST TEN YEARS

(*Accrual Basis of Accounting*) (*Thousands of Dollars*)

Table 2 (continued)

	Fiscal Year			
	2002	**2003**	**2004**	**2005**
General Revenues and Other Changes in Net Assets				
Governmental Activities				
Taxes	$ 207,944	$ 213,014	$ 217,762	$ 224,918
State aids for General Fund	283,068	284,565	273,865	272,875
Miscellaneous	57,999	56,815	56,321	82,796
Special item - receipt of loans receivable	-	-	-	14,325
Transfers	11,151	18,073	22,622	33,631
Total Governmental Activities	560,162	572,467	570,570	628,545
Business-type Activities				
Miscellaneous	686	482	797	1,460
Transfers	(11,151)	(18,073)	(22,622)	(33,631)
Total Business-type Activities	(10,465)	(17,591)	(21,825)	(32,171)
Total Primary Government	549,697	554,876	548,745	596,374
Change in Net Assets				
Governmental Activities	21,194	(5,123)	(29,979)	9,530
Business-type Activities	31,249	25,529	23,162	6,526
Total Primary Government	$ 52,443	$ 20,406	$ (6,817)	$ 16,056

See accompanying independent auditors' report.

Table 2 (continued)

Fiscal Year					
2006	2007	2008	2009	2010	2011
$ 236,043	$ 243,654	$ 257,210	$ 270,191	$ 283,442	$ 276,168
272,417	272,539	271,100	272,337	270,939	273,240
87,510	84,042	61,949	47,217	179,057	64,214
-	-	-	-	-	-
33,569	36,483	38,052	40,111	48,177	44,346
629,539	636,718	628,311	629,856	781,615	657,968
2,058	2,121	979	120	1,085	3,932
(33,569)	(36,483)	(38,052)	(40,111)	(48,177)	(44,346)
(31,511)	(34,362)	(37,073)	(39,991)	(47,092)	(40,414)
598,028	602,356	591,238	589,865	734,523	617,554
9,954	(41,512)	(66,600)	(59,032)	24,891	(35,961)
13,500	5,249	13,434	15,907	(4,224)	15,049
$ 23,454	$ (36,263)	$ (53,166)	$ (43,125)	$ 20,667	$ (20,912)

CITY OF MILWAUKEE

Table 3

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN YEARS

(Modified Accrual Basis of Accounting) (Thousands of Dollars)

	Fiscal Year			
	2002	**2003**	**2004**	**2005**
Revenues:				
Property taxes	$ 183,697	$ 197,499	$ 198,938	$ 205,205
Other taxes	16,579	16,336	19,284	20,461
Special assessments	4,053	4,482	4,665	4,651
Licenses and permits	10,814	10,883	11,530	13,374
Intergovernmental	356,730	362,778	337,058	355,406
Charges for services	63,726	61,478	66,409	68,762
Fines and forfeits	5,210	6,115	5,647	5,893
Contributions received	21,107	22,499	22,236	25,187
Other	26,806	24,040	24,811	32,333
Total Revenues	688,722	706,110	690,578	731,272
Expenditures:				
Current:				
General government	183,046	189,789	203,331	209,446
Public safety	227,416	259,379	241,100	262,934
Public works	92,028	91,406	93,047	92,701
Health	22,219	24,696	27,365	26,970
Culture and recreation	20,893	19,031	19,736	19,162
Conservation and development	40,113	38,519	34,629	32,079
Capital outlay	93,515	107,829	104,842	138,839
Debt Service:				
Principal retirement	76,046	73,696	68,618	81,206
Interest	28,980	28,250	28,620	29,593
Bond issuance costs	1,104	542	411	887
Total Expenditures	785,360	833,137	821,699	893,817
Excess (deficiency) of Revenues over Expenditures	(96,638)	(127,027)	(131,121)	(162,545)
Other Financing Sources (Uses):				
General obligation bonds and notes issued	101,838	81,901	89,331	126,828
Refunding bonds issued	138,044	16,563	-	28,112
Payment to refunded bond escrow agent	(150,999)	(17,648)	-	(30,492)
Payment - current refunding	-	-	-	-
Loans receivable activities	-	-	-	-
Issuance premium	19,313	6,589	10,467	13,692
Capital lease	-	563	-	-
Transfers in	47,776	50,318	57,312	71,699
Transfers out	(36,625)	(32,245)	(34,690)	(38,068)
Total Other Financing Sources and Uses	119,347	106,041	122,420	171,771
Special Item:				
Receipt of loans receivable	-	-	-	14,325
Net Change in Fund Balances	$ 22,709	$ (20,986)	$ (8,701)	$ 23,551
Debt service as a percentage of noncapital expenditures	14.7%	13.2%	12.6%	13.6%

See accompanying independent auditors' report.

Table 3 (Continued)

Fiscal Year					
2006	2007	2008	2009	2010	2011
$ 214,833	$ 221,082	$ 227,637	$ 238,832	$ 247,956	$ 242,631
20,910	20,867	27,746	30,291	34,109	30,706
3,823	3,542	3,631	2,418	3,421	3,163
13,729	13,704	12,918	12,186	12,948	13,289
345,078	336,870	333,345	332,138	344,929	360,287
84,191	79,754	88,224	93,498	200,461	188,312
5,541	5,800	5,277	4,802	5,422	5,076
25,807	22,270	21,532	21,300	23,005	24,021
44,169	43,990	33,563	40,682	49,541	38,483
758,081	747,879	753,873	776,147	921,792	905,968
206,581	225,893	224,444	227,325	281,978	259,089
267,669	268,456	279,934	290,535	287,815	283,282
90,539	97,778	109,196	101,118	101,681	103,585
27,782	22,288	20,748	21,867	22,343	20,129
20,409	19,714	18,858	19,654	18,046	18,124
34,801	30,954	31,796	28,298	35,468	41,459
145,095	127,336	114,825	98,003	240,480	96,870
146,721	152,077	181,102	205,228	333,780	331,960
34,798	35,360	33,637	31,941	33,305	37,184
484	78	147	463	1,314	1,040
974,879	979,934	1,014,687	1,024,432	1,356,210	1,192,722
(216,798)	(232,055)	(260,814)	(248,285)	(434,418)	(286,754)
215,763	102,928	237,368	227,525	415,291	231,652
1,785	-	-	66,585	94,420	80,648
-	-	-	(71,800)	(106,500)	(41,949)
(1,819)	-	-	-	-	-
1,007	4,975	(518)	(250)	(293)	(8,783)
8,033	2,129	3,694	9,437	21,632	17,079
-	-	-	-	-	-
139,533	145,447	201,073	196,930	253,412	195,101
(105,964)	(108,964)	(163,021)	(156,819)	(205,235)	(150,755)
258,338	146,515	278,596	271,608	472,727	322,993
-	-	-	-	-	-
$ 41,540	$ (85,540)	$ 17,782	$ 23,323	$ 38,309	$ 36,239
20.5%	20.7%	22.5%	24.0%	29.5%	32.7%

CITY OF MILWAUKEE

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN YEARS

(Modified Accrual Basis of Accounting) (Thousands of Dollars)

	Fiscal Year				
	2002	**2003**	**2004**	**2005**	**2006**
General Fund					
Reserved	$ 86,010	$ 89,981	$ 87,036	$ 85,227	$ 105,175
All Other Governmental Funds					
Reserved	$ 161,094	$ 135,708	$ 135,777	$ 148,440	$ 171,682
Unreserved, reported in:					
Capital projects funds	(11,897)	(11,468)	(13,116)	(15,093)	(14,400)
Nonmajor governmental funds	-	-	(4,177)	10,497	8,154
Total all other governmental funds	$ 149,197	$ 124,240	$ 118,484	$ 143,844	$ 165,436

	Fiscal Year				
	2007	**2008**	**2009**	**2010**	**2011**
General Fund					
Reserved	$ 90,853	$ 73,007	$ 71,356	$ 59,626	
All Other Governmental Funds					
Reserved	$ 90,812	$ 154,448	$ 177,820	$ 232,790	
Unreserved, reported in:					
Capital projects funds	(12,951)	(39,071)	(38,776)	(27,931)	
Nonmajor governmental funds	16,357	14,469	15,776	-	
Total all other governmental funds	$ 94,218	$ 129,846	$ 154,820	$ 204,859	
General Fund					
Nonspendable					$ 15,044
Restricted					-
Committed					2,995
Assigned					26,778
Unassigned					27,169
Total General Fund					$ 71,986
All Other Governmental Funds					
Nonspendable					$ 886
Restricted					5,855
Committed					223,000
Assigned					-
Unassigned					(1,003)
Total all other governmental funds					$ 228,738

Note: The City began to implement GASB Statement No. 54 in 2011 which changes the Fund Balance classifications .

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 5

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN YEARS

(Thousands of Dollars)

Budget Year	Real Estate: Residential Property	Real Estate: Commercial Property	Real Estate: Manufacturing Property	Personal Property: Machinery Tools Patterns	Personal Property: Furniture Fixtures & Equipment	Personal Property: All Other
2001	10,292,623	5,612,522	741,472	218,677	621,414	96,287
2002	10,358,671	5,716,180	717,831	215,683	597,457	93,962
2003	12,027,395	6,176,332	765,130	205,531	593,878	97,989
2004	12,938,633	6,493,805	729,858	187,208	560,426	99,587
2005	14,301,662	6,903,490	733,600	178,275	558,290	97,103
2006	16,116,818	7,547,715	721,966	185,601	541,831	108,218
2007	18,211,504	8,498,283	740,265	212,808	577,964	114,128
2008	18,753,915	8,950,205	726,692	220,073	578,674	144,790
2009	19,173,233	9,483,547	772,960	219,741	631,263	150,908
2010	17,743,825	9,485,580	732,008	211,075	632,652	139,433
2011	17,156,627	9,202,213	732,280	219,340	605,115	132,890

Budget Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Total Assessed to Total Estimated Actual Value
2001	17,582,995	10.49	17,344,251	101.4
2002	17,699,784	10.87	19,453,830	90.9
2003	19,866,255	10.15	20,298,387	97.9
2004	21,009,517	9.73	21,730,754	96.7
2005	22,772,420	9.19	23,491,774	96.9
2006	25,222,149	8.75	26,256,714	96.1
2007	28,354,952	7.99	30,226,985	93.8
2008	29,374,373	8.00	31,887,192	92.1
2009	30,431,675	8.09	32,257,525	94.4
2010	28,944,573	8.89	31,266,329	92.6
2011	28,048,464	9.12	29,520,783	95.0

Source: *The Assessed Values are established by the City of Milwaukee Assessor's Office and are used to calculate property taxes. The Estimated Actual (Equalized) Values are provided by the State Supervisor of Assessments. State law requires all assessments to be within 10% of the equalized value ratio at least once every four year period.*

Note: *Beginning with the year 2002, property is reassessed each year. Prior to 2002 property was reassessed every two years.*

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 6

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

(Rate per $1,000 of assessed value)

	Budget Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
City Direct Rates (A)										
City of Milwaukee	$ 10.22	$ 9.51	$ 9.22	$ 8.52	$ 8.08	$ 7.28	$ 7.46	$ 7.59	$ 8.42	$ 8.67
Allocation of Debt Service incurred for Schools	0.65	0.64	0.51	0.64	0.67	0.71	0.55	0.50	0.47	0.45
Total Direct Rate	10.87	10.15	9.73	9.16	8.75	7.99	8.01	8.09	8.89	9.12
Overlapping Rates (B)										
Milwaukee School Board	9.11	8.55	8.12	8.84	8.35	7.48	7.96	8.75	9.41	9.49
Less: allocation of Debt Service in City rate	(0.65)	(0.64)	(0.51)	(0.64)	(0.67)	(0.71)	(0.55)	(0.50)	(0.47)	(0.45)
Total School Rate	8.46	7.91	7.61	8.20	7.68	6.77	7.41	8.25	8.94	9.04
Milwaukee Area District Board of Vocational, Technical and Adult Education	2.23	2.05	2.04	2.00	1.96	1.89	1.92	1.94	2.06	2.02
County of Milwaukee	5.91	5.20	4.94	4.70	4.43	4.18	4.22	4.20	4.48	4.69
State of Wisconsin	0.22	0.20	0.21	0.21	0.20	0.19	0.19	0.18	0.18	0.18
Milwaukee Metropolitan Sewerage District	1.87	1.74	1.64	1.59	1.48	1.39	1.39	1.37	1.43	1.52
Total Tax Rate (C)	$ 29.56	$ 27.25	$ 26.17	$ 25.86	$ 24.50	$ 22.41	$ 23.14	$ 24.03	$ 25.98	$ 26.57

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

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

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

See accompanying independent auditors' report.

CITY OF MILWAUKEE

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

(Thousands of Dollars)

Table 7

		2011		2002	
Taxpayer	**Type of Business**	**Assessed Valuation**	**Percentage of Total Assessed Valuation**	**Assessed Valuation**	**Percentage of Total Assessed Valuation**
U. S. Bank	Banking	$ 250,271	.90	$ 200,732	1.01
Northwestern Mutual Life Insurance Company	Insurance	194,409	.70	166,276	.84
Mandel Group	Real Estate	107,238	.38	-	-
Metropolitan Associates	Real Estate	95,295	.34	66,607	.33
Marcus Corp./Mil. City Center/Pfister	Hotels/Motels/Restaurants	97,849	.35	74,043	.37
NNN 411 East Wisconsin LLC	Real Estate	90,149	.32	-	-
100 E. Wisconsin Ave Joint Venture	Real Estate Investment	80,200	.29	55,950	.28
Towne Realty	Real Estate	76,146	.27	81,212	.41
Flanders Westborough	Real Estate Investment	56,973	.20	-	-
875 East Wisconsin-875 East Sponsor LLC	Real Estate	54,700	.20	-	-
Teachers Insurance & Annuity Association of America	Real Estate	-	-	100,879	.51
M&I Marshall & Ilsley Bank/Metavente Corp.	Banking	-	-	78,634	.40
Miller Brewing	Brewery	-	-	69,660	.35
Great Lakes, REIT LP	Real Estate	-	-	67,147	.34
		$ 1,103,230	3.95	$ 961,140	4.84

Source: City of Milwaukee Assessor's Office

See accompanying independent auditors' report.

CITY OF MILWAUKEE

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS

(Thousands of Dollars)

Table 8

Budget Year	Taxes Levied for the Fiscal Year (Original Levy)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy Levy Year (B) Current Tax Collections	Percent Original Levy Collected	Collections Purchased Delinquents Original Levy Year (C)	Total Adjusted Levy in Subsequent Years	Total Collections to Date Amount	Percentage of Adjusted Levy
2002	$ 222,708	$ 21,869	$ 244,577	$ 217,242	97.55%	$ 13,599	$ 13,677	$ 244,518	99.98%
2003	234,485	20,321	254,806	228,345	97.38	12,918	13,447	254,710	99.96
2004	240,643	21,961	262,604	235,013	97.66	15,497	11,966	262,476	99.95
2005	248,267	22,303	270,570	242,587	97.71	14,992	12,818	270,397	99.94
2006	261,685	24,096	285,781	255,823	97.76	15,664	13,695	285,182	99.79
2007	265,319	29,853	295,172	257,347	97.00	18,577	18,284	294,208	99.67
2008	286,180	36,740	322,920	277,119	96.83	23,949	20,635	321,703	99.62
2009	276,186	34,594	310,780	265,691	96.20	18,027	22,998	306,716	98.69
2010	291,943	33,752	325,695	281,099	96.29	16,324	15,859	313,282	96.19
2011	295,967	35,814	331,781	284,489	96.12	15,702	-	300,191	90.48

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

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

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

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

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 9

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN YEARS

(Dollars in Thousands, except per capita)

	Governmental Activities					
Year	General Obligation Bonds and Notes	Less: Amounts Available in Debt Service Fund	Total	Estimated Actual Taxable Value of Property	Percentage of Total Taxable Value of Property	Per Capita
2002	$ 591,155	$ 40,466	$ 550,689	$ 19,453,830	2.83%	$ 924.04
2003	598,275	35,365	562,910	20,298,387	2.77%	945.68
2004	618,988	43,807	575,181	21,730,754	2.65%	968.45
2005	664,285	44,207	620,078	23,491,774	2.64%	1,046.08
2006	733,327	52,284	681,043	26,256,714	2.59%	1,153.59
2007	669,404	56,778	612,626	30,226,985	2.03%	1,038.01
2008	725,670	59,849	665,821	31,887,192	2.09%	1,126.85
2009	742,752	68,241	674,511	32,257,525	2.09%	1,154.98
2010	812,183	63,116	749,067	31,266,329	2.40%	1,259.29
2011	825,574	67,264	758,310	29,520,783	2.57%	1,272.33

	Business-Type Activities					
Year	General Obligation Bonds and Notes	Revenue Bonds	State Loans (Revenue Bonds)	Total Primary Government	Percentage of Personal Income (A)	Per Capita (A)
2002	$ 68,394	$ 44,426	$ -	$ 663,509	2.31%	$ 1,113.35
2003	61,807	76,528	-	701,245	2.41%	1,178.08
2004	53,943	74,690	-	703,814	2.36%	1,185.03
2005	46,125	71,476	-	737,679	2.39%	1,244.47
2006	74,135	68,150	-	823,328	2.53%	1,394.60
2007	58,936	64,711	14,369	750,642	2.20%	1,271.86
2008	34,970	61,170	49,653	811,614	2.31%	1,373.59
2009	36,803	57,515	48,002	816,831	2.30%	1,389.68
2010	82,002	53,737	80,724	965,530	2.69%	1,622.74
2011	88,956	74,815	80,513	1,002,594	not available	1,682.20

Note: *Details regarding the City's outstanding debt can be found in the notes to the financial statements and in the Miscellaneous Financial Data Section.*

(A) *See Table 13 for personal income and population data*

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 10

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Thousand of Dollars)

	Fiscal Year				
	2002	**2003**	**2004**	**2005**	**2006**
Debt limit	$ 1,420,887	$ 1,521,153	$ 1,644,424	$ 1,837,970	$ 1,837,970
Total net debt applicable to limit	619,083	624,717	629,124	666,203	755,178
Legal debt margin	$ 801,804	$ 896,436	$ 1,015,300	$ 1,171,767	$ 1,082,792
Total net debt applicable to the limit as a percentage of debt limit ...	43.57%	41.07%	38.26%	36.25%	41.09%

	Fiscal Year				
	2007	**2008**	**2009**	**2010**	**2011**
Debt limit	$ 2,115,889	$ 2,232,103	$ 2,258,027	$ 2,188,643	$ 2,066,455
Total net debt applicable to limit	671,562	689,401	698,775	805,660	789,308
Legal debt margin	$ 1,444,327	$ 1,542,702	$ 1,559,252	$ 1,382,983	$ 1,277,147
Total net debt applicable to the limit as a percentage of debt limit ...	31.74%	30.89%	30.95%	36.81%	36.82%

CITY OF MILWAUKEE

Table 10 (continued)

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Thousand of Dollars)

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value			$ 28,048,464
Equalized Value			29,520,783
Debt Limit 7% of Equalized Value			2,066,455
Amount of Debt Applicable to Debt Limit:			
General Obligation bonds	$ 451,479		
General Obligation notes	374,095		
Parking bonds and notes	12,170		
Harbor bonds and notes	2,971		
Water Works bonds	22,053		
Sewer Maintenance bonds and notes	52,762		
Water Works revenue bonds	7,498		
Sewer revenue bonds	62,120		
Total Debt		$ 985,148	
Deduct:			
Debt Service Fund Balance	126,222		
Water Works revenue bonds (A)	7,498		
Sewer revenue bonds	62,120		
Total Deductions		195,840	
Total Amount of Debt Applicable to Debt Limit			789,308
Legal Debt Margin			$ 1,277,147

(A) *The Water Revenue Bonds and Sewer Revenue Bonds are payable only from the income and revenues derived from the operations of the water system and sewer system, respectively. These bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or provision.*

Note: *State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. However, it may be reduced in any year by the amount of any surplus money in the debt service fund. The statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. The legal debt margin as of December 31, 2010 was $590,416 for school purposes and $686,731 for general purposes.*

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 11

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2011

(Thousands of Dollars)

Name of Government Unit	Net Debt Outstanding	Percentage Applicable to City of Milwaukee (C)	City of Milwaukee's Share of Debt
Debt Repaid with property taxes			
Direct Debt:			
City of Milwaukee (A)	$ 789,308	100%	$ 789,308
Overlapping Debt:			
Milwaukee Area Technical College District	106,445	37.00	39,385
County of Milwaukee	816,347	45.75	373,479
Milwaukee Metropolitan Sewerage Area (B)	970,279	46.92	455,255
Total Direct and Overlapping Debt			**$ 1,657,427**

Sources: *Estimated Actual (Equalized) Values used to estimate applicable percentages provided by the State Supervisor of Assessments. Debt outstanding data provided by each governmental unit.*

Note: *Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Milwaukee. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.*

(A) *Excludes $45,326 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction. Net Debt Outstanding computation shown Table 11.*

(B) *Includes $661,199 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.*

(C) *The percentage of overlapping debt applicable is estimated using estimated actual (equalized) property values. Applicable percentages were estimated by determining the portion of the City's equalized value.*

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 12

PLEDGED-REVENUE COVERAGE

LAST TEN YEARS

(Thousands of Dollars)

Water Revenue Bonds

Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Total Debt Service	Coverage
2002	$ 74,245	$ 37,948	$ 36,297	$ 763	$ 414	$ 1,177	30.84
2003	74,161	42,072	32,089	782	394	1,176	27.29
2004	71,546	47,884	23,662	803	373	1,176	20.12
2005	72,661	51,953	20,708	824	352	1,176	17.61
2006	71,149	51,365	19,784	846	330	1,176	16.82
2007	74,211	55,514	18,697	868	307	1,175	15.91
2008	74,207	58,960	15,247	891	284	1,175	12.98
2009	73,157	63,019	10,138	915	260	1,175	8.63
2010	73,488	66,765	6,723	915	260	1,175	5.72
2011	84,406	65,213	19,193	964	211	1,175	16.33

Sewer Revenue Bonds

Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Total Debt Service	Coverage
2002	$ 28,307	$ 15,283	$ 13,024	$ -	$ 1,357	$ 1,357	9.60
2003	32,792	14,722	18,070	1,000	1,340	2,340	7.72
2004	31,279	13,557	17,722	1,035	2,827	3,862	4.59
2005	31,390	15,022	16,368	2,390	2,762	5,152	3.18
2006	34,630	14,834	19,796	2,480	2,667	5,147	3.85
2007	38,170	17,747	20,423	2,570	2,575	5,145	3.97
2008	41,033	16,334	24,699	2,650	2,487	5,137	4.81
2009	48,231	16,438	31,793	2,740	2,386	5,126	6.20
2010	52,063	16,696	35,367	2,840	2,274	5,114	6.92
2011	54,667	14,691	39,976	2,940	3,260	6,200	6.44

Note: Water Revenue Bonds issued in 1998. Sewer Revenue bonds issued in 2001, 2003 and 2011. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues include nonoperating interest income. Operating expenses do not include interest, depreciation, or amortization expenses, but does include the transfer for Payment in Lieu of Taxes.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 13

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

		County of Milwaukee				
Year	**Population (A)**	**Personal Income** *(Thousands of Dollars* **(B)**	**Per Capita Income (C)**	**Median Age (D)**	**School Enrollment (E)**	**Unemployment Rate (F)**
2002	595,958	29,331,494	31,209	30.6	103,464	8.9
2003	595,245	29,889,120	31,813	30.6	103,769	7.9
2004	593,920	30,600,767	32,661	30.6	102,309	6.8
2005	592,765	31,393,023	33,664	30.6	100,262	6.5
2006	590,370	33,341,608	35,841	30.6	97,509	6.5
2007	590,190	34,198,399	36,715	30.6	87,360	6.5
2008	590,870	35,275,533	37,738	30.6	85,369	7.9
2009	584,000	34,914,228	37,038	30.6	82,444	11.0
2010	594,833	35,893,702	37,838	30.3	81,372	11.5
2011	595,525	Not available	Not available	30.3	80,098	10.8

(A) *The December 31, 2002 through 2011 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2010 and 2011 is from the Wisconsin Department of Administration estimates. (The population data differs from the Census Bureau.)*

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

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

(D) *Median age of the population is determined only during a census. These figures represent the data collected by the 2000 and 2010 Regular Census.*

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

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

See accompanying independent auditors' report.

CITY OF MILWAUKEE
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 14

	2011 Estimates (1)			2001		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Aurora Health Care	22,000	1	5.24%	11,365	1	2.60%
U.S. Government (Excludes Zablocki V.A. Medical Center)	10,800	2	2.57%	8,875	3	2.03%
Milwaukee Public Schools	9,142	3	2.18%	11,329	2	2.59%
Wheaton Franciscan Healthcare	8,356	4	1.99%			
Wal-Mart Stores	7,360	7	1.75%			
City of Milwaukee	6,400	10	1.53%	7,150	4	1.64%
Roundy's Supermarkets	6,800	8	1.62%			
Kohl's Corp.	7,700	6	1.84%			
Froedtert Memorial Lutheran Hospital and Community Health	8,000	5	1.91%			
Quad Graphics	6,700	9	1.60%			
Milwaukee County				5,577	7	1.28%
Covenant Health Care				5,716	5	1.31%
M&I Marshall & Ilsley				5,579	6	1.28%
Northwestern Mutual Life				4,039	9	0.92%
University of Wisconsin-Milwaukee				4,178	8	0.96%
Medical College of Wisconsin				3,760	10	0.86%
	93,258		22.23%	67,568		15.47%

(1) Reflects full-time equivalent employees.

Note: Data includes all of Milwaukee County.

Source: The 2012 Business Journal Book of Lists. City from internal records.

The 2002 data was from the Department of Administration January 2003 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".
Total employment data (2002 = 436,867) (2011 = 419,601) from the State of Wisconsin Workforce Development.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 15

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAMS - ADOPTED BUDGET POSITIONS

LAST TEN YEARS

	Adopted budgeted positions for the year										
Functions/Programs	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
General Government	748	747	727	685	678	673	692	696	694	720	700
Temporary - Election Commission	1,338	103	65	103	63	103	29	104	11	98	8
Public Safety											
Fire											
Fire Fighting Force	1,077	1,075	1,079	1,039	1,033	1,007	1,077	1,001	985	949	951
Civilians	66	66	67	64	74	75	75	75	79	77	76
Police											
Law Enforcement	2,135	2,130	2,134	2,149	2,155	2,159	2,156	2,156	2,144	2,042	2,034
Civilian	546	582	576	563	564	567	613	606	616	614	619
School Crossing Guards	241	241	241	241	241	241	241	241	241	251	251
Neighborhood Services	280	288	216	223	227	224	228	229	229	240	247
Public Works											
Administrative Services	73	71	69	64	65	65	64	63	63	66	64
Infrastructure Services	786	783	783	728	711	703	698	696	707	807	804
Operations	1,824	1,814	1,755	1,619	1,606	1,588	1,577	1,530	1,557	1,398	1,381
Sanitation emergency	500	500	500	250	-	-	-	-	-	-	-
Winter relief	262	262	237	159	74	66	66	66	66	66	66
Health	368	377	367	359	345	326	337	312	306	274	272
Culture and recreation	447	449	445	409	409	402	398	396	377	368	378
Conservation and development	287	271	325	252	238	236	232	220	193	176	179
Youth initiative positions	-	-	-	-	-	25	25	25	25	25	25
Water	400	388	382	363	363	355	346	346	348	404	382
Sewer Maintenance	191	193	209	198	198	199	189	179	172	164	164
Parking	125	128	128	128	128	129	128	129	129	130	131
Port of Milwaukee	35	35	34	33	29	30	31	35	35	37	35
Subtotal	11,729	10,503	10,339	9,629	9,201	9,173	9,202	9,105	8,977	8,906	8,767
Less: General Government Temporary - Election Commission	(1,338)	(103)	(65)	(103)	(63)	(103)	(29)	(104)	(11)	(98)	(8)
Total Budgeted Positions	**10,391**	**10,400**	**10,274**	**9,526**	**9,138**	**9,070**	**9,173**	**9,001**	**8,966**	**8,808**	**8,759**

Source: Budget Office. Firefighters and Law Enforcement from Departmental reports.

Note: Beginning in 2004 Fire auxiliary positions were unfunded and therefore excluded. After 2001 temporary poll workers are no longer considered City employees.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 16

OPERATING INDICATORS BY FUNCTIONS/PROGRAMS

LAST TEN YEARS

	Fiscal Year										
Functions/Programs	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
General government											
Investment portfolio return	4.12%	1.70%	1.20%	1.50%	3.00%	4.78%	5.09%	2.74%	0.75%	0.32%	0.21%
Courtroom cases		114,978	131,117	137,432	116,388	114,949	110,130	102,721	112,765	119,779	121,234
Public safety											
Police											
Dispatched assignments					292,927	297,286	286,535	266,577	254,044	246,365	238,657
Traffic citations	132,732	141,464	146,210	108,346	98,044	93,369	95,327	120,618	114,447	104,001	103,311
Homicide clearance rates	83.46%	78.70%	79.44%	80.68%	71.31%	71.84%	83.80%	92.96%	83.00%	75.00%	72%
Fire											
Number of medical emergency assists					51,091	51,862	52,735	53,898	53,047	53,629	56,085
Number of fires extinguished					2,662	2,527	2,438	2,073	1,930	2,201	2,643
Civilian fire deaths					12	16	14	6	7	3	10
Building Inspection											
Complaints reported	33,985	30,096	31,479	31,284	34,078	34,431	33,576	34,161	35,940	37,146	35,910
Orders issued	42,144	41,762	44,042	44,564	55,443	54,976	52,729	51,760	66,559	67,043	71,356
Public Works											
Major streets paving (miles)	11.31	4.63	6.72	3.32	5.94	7.81	4.01	13.01	5.40	11.28	1.05
Asphalt patching/pot holes (tons)	10,360	10,500	10,459	10,236	10,014	10,344	10,560	14,900	10,700	10,500	18,952
Refuse tonnage	323,577	314,795	322,613	335,033	317,122	312,451	292,775	310,517	298,780	274,651	262,265
Recycling tonnage	28,544	27,270	26,101	25,802	25,483	25,300	23,716	22,937	21,862	21,389	22,837
Health											
Food inspections	4,920	4,622	4,420	4,113	4,889	5,153	4,972	4,721	5,005	5,208	4,615
Immunizations	26,912	23,490	18,941	15,302	22,794	27,444	26,700	30,449	46,838	27,994	21,953
Culture and Recreation											
Library hours of operation	36,229	36,229	35,842	36,552	33,339	33,218	34,302	34,372	32,608	25,996	27,844
Collections size	3,017,395	3,022,382	3,062,142	3,104,911	3,030,281	3,018,232	2,828,429	2,848,244	2,756,141	2,577,805	2,587,412
Public computers	454	454	474	488	481	495	490	505	505	480	725
Conservation and Development											
Jobs created	545	514	1,193	2,037	2,466	3,494	2,354	1,073	366	498	534
Jobs retained	2,203	1,925	1,321	14,108	2,775	9,182	2,092	2,103	888	1,644	1,382
New housing units					1,538	982	1,037	196	527	810	503
Water											
Millions gallons sold	40,813	39,970	36,473	37,237	38,439	35,486	35,049	34,085	33,341	32,500	32,246
Population served	831,850	831,979	830,719	833,112	852,857	849,981	858,920	857,816	867,599	861,000	861,249
Sewer Maintenance											
Sewer service backups	46	58	59	32	43	40	42	47	28	33	24
Street flooding complaints	4,428	2,728	2,500	1,724	4,143	4,810	3,366	7,238	3,690	2,770	3,293
Parking											
Citations issued	1,217,168	1,075,501	1,002,923	1,113,620	929,714	932,346	906,423	880,859	885,802	874,690	823,999
Vehicle tows	31,646	31,541	29,728	29,333	26,799	31,659	36,273	34,898	31,516	28,295	25,762
Port											
Metric tonnage total	2,927,447	2,724,231	2,654,876	2,923,364	3,424,827	3,481,541	3,568,929	2,931,125	2,910,515	2,324,566	2,808,801

Sources: Various city departments

Ten years of data was not available for all operating indicators, but will be accumulated as it becomes available.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 17

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAMS

LAST TEN YEARS

Functions/Programs	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Police										
Stations	7	7	7	7	7	7	8	8	8	8
Lock-up facilities	7	7	7	7	7	7	7	7	7	7
Patrol vehicles	495	498	503	482	485	478	521	533	536	556
Patrol motorcycles	57	57	59	59	57	57	57	57	57	55
Fire Stations	36	36	36	36	36	36	36	36	36	36
Public Works										
Streets - paved	1,418	1,418	1,418	1,418	1,418	1,418	1,418	1,418	1,272	1,272
Streets - unpaved	14	14	14	15	15	15	15	15	15	15
Alleys	416	416	416	415	415	415	415	415	415	414
Street lights	66,861	67,065	67,294	67,427	67,742	67,447	67,709	67,798	67,949	68,073
Alley lights	8,787	8,792	8,803	8,803	8,917	8,790	8,925	8,931	8,616	8,810
Garbage/snow trucks	198	195	199	188	173	172	187	188	182	181
Health										
Health centers	5	5	5	5	5	3	3	3	3	3
Culture and Recreation										
Playgrounds, playfields, tot lots, recreation centers	277	277	277	277	277	277	277	276	276	276
Libraries	13	13	13	13	13	13	13	13	13	13
Water										
Miles of mains	1,954	1,956	1,960	1,961	1,964	1,966	1,967	1,955	1,956	1,960
Hydrants	19,730	19,734	19,758	19,754	19,780	19,632	19,824	19,811	19,847	19,867
Million gallons pumped	46,253	46,102	44,309	44,560	41,862	41,873	40,848	39,617	37,443	36,992
Million gallons consumed	39,915	39,435	37,289	38,401	35,486	35,050	34,085	33,341	32,452	32,246
Miles of Sewers										
Storm	955	956	955	956	956	958	959	960	961	962
Sanitary	935	934	935	935	935	938	939	940	941	941
Combined	547	548	547	548	547	547	547	547	547	547
Parking										
Parking lots	52	51	51	48	46	45	45	45	45	45
Parking structures	4	4	4	4	4	5	5	5	5	5
Port										
Cargo terminals	6	6	6	6	6	6	6	6	6	6
Rental warehouses and buildings	4	4	5	5	5	5	5	5	5	5
Ferry terminal			1	1	1	1	1	1	1	1
Cranes and forklifts	13	11	11	11	10	10	10	10	10	10
Vessel berths	13	13	13	13	13	13	13	13	14	14

Sources: Various city departments

Note: No capital asset indicators are available for the general government function.

See accompanying independent auditors' report.