Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2012

Martin Matson
Comptroller

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for the Year Ended December 31, 2012

Office of the Comptroller

Martin Matson
Comptroller

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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Martin Matson
Comptroller

John M. Egan, CPA
Deputy Comptroller

Glenn Steinbrecher, CPA
Special Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Office of the Comptroller

July 30, 2013

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, 2012. 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, 2012, 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, 2012, 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 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 for fiscal year 2012: Century City Redevelopment Corporation, City of Milwaukee Redevelopment Authority and the 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 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 28th. The Common Council must complete its review and adopt the budget on or before November 14th. 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 2012 U.S. Census estimated population of 598,916. 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 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.

Milwaukee is the economic hub of the southeast region and entire state of Wisconsin, the "Fresh Coast City" that is rising fast in national stature and prominence. It is a premiere center for advanced manufacturing, fresh water research and development, clean and green technology, health care, biomedical technology and financial services. These core industries spur productivity, innovation, heightened rates of business formation and growth, a strong and growing entrepreneurial climate, and a boost in Milwaukee's national and global competitiveness. Milwaukee's dynamic and accessible markets attract people, business and investment in large and increasing numbers, and, its transportation system is a gateway for tourism, conventions, commerce, business growth and economic development.

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 Wisconsin Center, Miller Park, the Calatrava, an internationally renowned addition the Milwaukee Art Museum and Pier Wisconsin, as well as 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 over 1.9 metric tons of cargo in 2012 compared to 2.8 metric tons in 2011 (this decrease is due the mild winter and 500,000 tons of less salt (largest commodity). 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) #77. In addition, the City manages various Development Fund Projects to promote urban renewal throughout the City.

Some of the City's noteworthy revitalization efforts include the following: Northwestern Mutual will build a new 33 stories office building in downtown Milwaukee at a cost of over $350 million. Construction began in July 2012 on the Potawatomi Bingo Casino's $150 million, 20-story hotel project located in the Menomonee Valley. The Reed Street Yards vacant lot will be transformed to a water industry hub beginning in the spring of 2013. The Common Council in prior years 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. The North End project's construction for Phase II which began in February 2012 will be completed in 2013. The private developer will construct two five-story buildings containing 155 residential units and 2,280 square feet of retail space, and will also make several public infrastructure improvements. The total cost of Phase II Is estimated at $36 million. Phases III through V will involve adding another 300 to 400 apartments and retail space. In February 2013, Natural Resources Technology announced it would bring its headquarters and 50 employees to a building near the Reed Street Yards. Additionally, the Milwaukee School of Engineering construction of sport facilities, a 780-car parking garage, and a park began in 2012 and are expected to be completed by the summer of 2013.

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 ethnic 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

For the year 2012, the City's unemployment rate averaged approximately 10.1%; compared to the State of Wisconsin average of 6.9% and the United States average of 8.1% (from U.S. Department of Labor, Bureau of Labor Statistics). Milwaukee's rate decreased slightly from the 10.6% during 2011.

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 2013 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. 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 2012 property tax rate for 2013 purposes is $10.25 compared to $9.25 per $1,000 of assessed value. The 2013 budgetary City property tax levy of approximately $250.4 million represents a slight increase compared to the $248.0 million in 2012. The estimated assessed value used for 2013 budget purposes decreased approximately 9% from the value used for the 2012 budget purposes. This property tax levy will provide $96.9 million in revenue for the general city purposes budget in 2013 compared to $115.2 million for 2012 general city purposes. The actual 2012 property tax revenue reported in the General Fund was $167.9 million compared to 166.8 million in 2011. Property taxes revenue funding as a portion of total General Fund budgetary expenditures for 2012 was 28.2% compared to 2011 of 27.2% as depicted in Exhibit E-1.

Property tax increases have been limited by state legislation and state aids have continued to decrease. The 2013 budget estimates intergovernmental revenues of $259.6 million, of which three specific state aids comprise 97% of this amount. It is anticipated the overall decrease in state aids from 2012 will be $0.2 million. The largest amount of state aids comes in the form of State Shared Revenue. It is expected to be $218.7 million in 2013; an increase of $0.2 million from the 2012 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 $24.9 million in 2013 which is $0.6 million below the 2012 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 2013 is $8.5 million which is $0.2 million more than 2012's estimate. Due to these declining State aids in recent years, 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 $179.80 per year from $171.52 per year in 2012. In addition, the additional garbage cart per household is increased from $40 to $52. These 2013 fee increases are expected to generate $35.9 million a $2 million growth from 2012.

The City has initiated a four year plan to apply a "3 R" strategy to annual budgets, (resizing, restructuring and reinvesting) in order to achieve structural balance. Successful innovation cannot rely on across-the-board budget cutting. City government needs to choose its priorities carefully and implement them in a manner that increases productivity. The 2013 budget marks the beginning of an essential transition that will affect service delivery and finances over the next

four years. This transition is intended to restore the city budget to ongoing structural balance by the end of 2016. Recent initiatives to manage debt, develop a strong employer's pension reserve, increase cost recovery for various services, and restructure employee health care benefits will help enable this transition to occur without disrupting essential service levels.

The City remains in good financial condition, as is depicted in Note 9 of the Notes to the Financial Statements. 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 2012, this reserve was increased by $26 million to a year-end balance of $74.7 million compared to $48.7 million for 2011. The 2013 budget includes a withdrawal of $14.9 million, leaving that portion of the Reserve for Tax Stabilization available for future years at $59.8 million. This is an increase of $24.9 million to the $34.9 million at year-end 2011.

MAJOR CAPITAL PROJECTS

The 2013 capital budget includes funds for various infrastructure and building projects. For 2013, the City capital improvements budget, not including enterprise funds and grants and aid funding, totals $104.2 million, a decrease of 8.1% or $9.2 million from the 2012 budget of $113.4 million. Funding of $17.6 million for various tax incremental district's and development projects comprises 17% of the total capital budget for 2013. The Department of Public Works budget for bridges ($9.9 million), street/paving construction ($20.3 million), sewer, bridge, street/paving ($14.1 million), public safety communications and phone system ($0.5 million), various building, equipment and forestry projects ($15.2 million) total $60 million or approximately 57% of the total 2013 capital budget. Police projects ($7.4 million), Fire projects ($3.4 million) and Library projects ($3.7 million) in the aggregate total $14.5 million or 13% of the total capital budget.

The annual plan for capital projects budget includes a separate listing of large-scale projects for the ensuing year. These major projects identify all funding sources including city capital budgets and grantor share funds whose components total at least $2 million. The major projects planned for 2013 total $49.6 million. These projects include three bridge projects of $7.8 million, three connecting highway projects of $12.8 million, one major street project of $4.1 million, and, three state trunk highways of $24.9 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 0.221% in 2012 as compared to 0.213% in 2011. 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 2012, the average daily investable balance was $231.5 million as compared to $213.5 million in 2011, an 8.4% increase. The investable balance generates interest earnings for the City, which is used to offset the property tax levy. The City started a long-term pooled cash investment program in 2012. In accordance with State Statue 66.0603, $75 million was invested and earned an annualized net investment rate of return of 1.0875%.

The City's approach to investing available fund balances 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 private investment management, where it is feasible and cost effective, to invest available fund balances. This establishes an enhanced performance allocation of pooled cash, allowing private fund managers to provide a 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 Common council has authorized the Public Debt Commission to issue commercial paper for cash flow management. Pursuant to that authority, the City will issue short-term commercial paper to provide additional funds on a temporary basis.

During 2012, 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 $220 million, compared to $245 million in 2011. The financing was accomplished through two separate offerings -- $100 million General Obligation Cash Flow Promissory Notes in May 2012 for City purposes and $120 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.

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 $313,000 of loans were obtained during 2012 compared to $3 million in 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 2012, approximately $61 million of commercial paper to finance various public improvement projects and fiscal requirements of the City were issued. Extendable Municipal Commercial Paper Notes, which are not considered general obligation debt of the City, were issued for a total of $243 million.

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

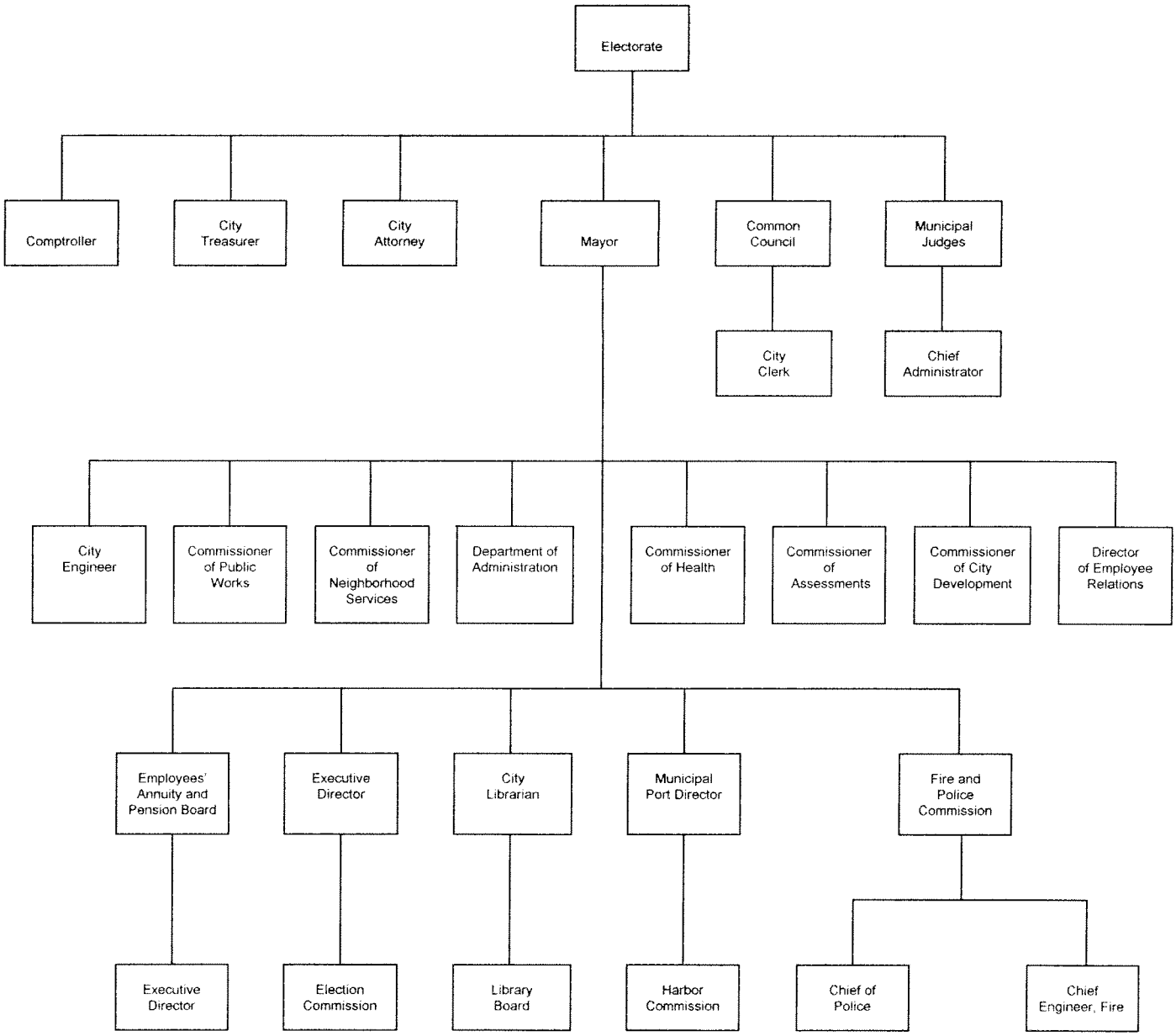
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment, and effort of each member of its General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, 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, 2012



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2012

ELECTED

Mayor	Thomas M. Barrett
Comptroller	Martin Matson
City Treasurer	Spencer Coggs
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	Jose G. Perez
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:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Authority of the City of Milwaukee, 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the 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

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remaining fund information of the City of Milwaukee, Wisconsin as of December 31, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1w to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity Omnibus*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Supplementary and Other Information

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2013

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, 2012. 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 the 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 2012 by $963 million (net position); $252 million in governmental activities and $711 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of $646 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 position increased 3% compared to the previous year of $929 million.

- The vast majority of the City's net position are capital assets, most of which do not generate revenues by their use or sale. Total net position comprise the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation – $1,310 million.
  - Restricted net position, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – $211 million.
  - Unrestricted net deficit – $(558) million.

- The City's total 2012 year-end other post-employment benefits (OPEB) obligation is $254 million; an increase of 19% from the 2011 obligation of $213 million. The obligation is based on an actuarial valuation as of January 1, 2012, which indicates the 2012 actuarial accrued liability for benefits was $947 million over a 30-year amortization period.

- Total liabilities of the City increased by $27 million to $1,993 million. The long-term portion of total liabilities ($1,447 million) consists of $254 million for OPEB, $1,120 million for outstanding debt and $73 million for compensated absences, claims, and judgments.

- City governmental expenses exceeded combined program revenues by $651 million. General revenues and transfers of $666 million resulted in a $15 million increase of net position for the year. Business-type activities produced an increase of net position of 2% over 2011, generating a net change of $20 million in 2012.

- For governmental activities, program revenue supported 24% of the total expenses for 2012. Property taxes and other taxes financed 32% of the primary government's governmental activities' expenses, state aids for the General Fund funded 30%, and miscellaneous revenues and transfers supported 14% of the expenses. Total revenues and transfers were greater than expenses by 1% in 2012.

- For business-type activities, program revenue supported 135% of the expenses for 2012; and, in total exceeded the expenses by $64 million. Miscellaneous revenue and transfers reduced this excess by $44 million to result in a $20 million increase for the year.

- The City's total governmental funds reported total ending fund balances of $339 million this year. Compared to the prior year ending fund balance of $301 million, an increase of $38 million resulted by year end 2012; a 13% increase.

- The General Fund balance at year-end 2012 totaled $106 million – a $34 million increase compared to 2011 (47%). This ending Fund Balance is about 14% of combined General Fund expenditures and transfers disbursed for the year.

- The operating expenditures of the General Fund were $22 million less than budgeted. This favorable variance is a result of savings from general government departments of $19 million, and a combined savings of $3 million in other classifications. The change to self-insured health care for City employees, that included a higher cost to employees with a combination of deductible and coinsurance components, has resulted in budgetary savings of $7.6 million. In addition, departmental salary accounts realized a positive budget variance of $2.8 million with a corresponding additional savings for the employer's share of the employee retirement appropriations of $1.9 million. Unrealized contingencies' budget

variance for 2012 resulted in an additional savings in the General Fund of $2.9 million. These most significant items, that total $15.2 million, account for 69% of the total positive budget variance for the year 2012.

- Outstanding General Obligation bonds and notes payable decreased by $86 million during the current fiscal year from $915 million to $829 million. This decrease results from early retirement of General Obligation debt of $409 million and issuance of $323 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. In addition, revenue bonds of $66 million, extendable municipal commercial paper of $93 million and state loans of $77 million were outstanding at year end for a total of $1,065 million.

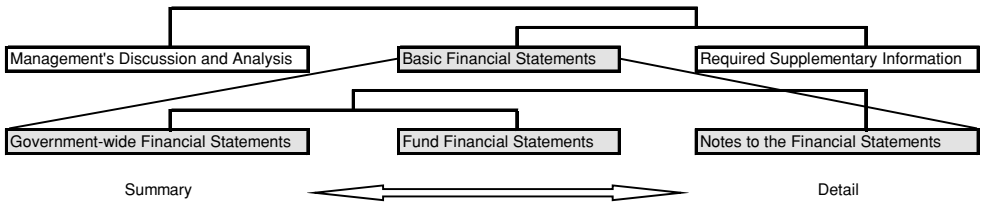
- The City issued General Obligation Cash-flow Promissory Notes for $100 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund.

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 position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net position * Statement of revenues, expenses, and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
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 position 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 position and how they have changed. Net position—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 position 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 three other entities in its report: Redevelopment Authority of the City of Milwaukee, Neighborhood Improvement Development Corporation, and 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 Position 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 Position and Changes in Fiduciary Net Position 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 position may be observed and used to discuss the changing financial position of the City as a whole. The net position and net expenses of governmental and business-type activities of the City are presented separately below. Table 1 focuses on the net position and Table 2 focuses on the changes in net position.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Current and other assets	$ 917,918	$ 944,889	$ 123,281	$ 122,949	$ 1,041,199	$ 1,067,838
Capital assets	990,822	1,002,919	862,923	885,951	1,853,745	1,888,870
Total assets	1,908,740	1,947,808	986,204	1,008,900	2,894,944	2,956,708
Long-term obligations	1,144,531	1,176,287	251,894	270,528	1,396,425	1,446,815
Other liabilities	527,156	519,814	42,456	26,726	569,612	546,540
Total liabilities	1,671,687	1,696,101	294,350	297,254	1,966,037	1,993,355
Net position:						
Net investment in capital assets	645,761	686,492	618,625	623,909	1,264,386	1,310,401
Restricted	206,053	211,440	15,034	-	221,087	211,440
Unrestricted	(614,761)	(646,225)	58,195	87,737	(556,566)	(558,488)
Total net position	$ 237,053	$ 251,707	$ 691,854	$ 711,646	$ 928,907	$ 963,353

Net position of the City's governmental activities increased 6% to $252 million for 2012. The portion of net position restricted as to use totaled $211 million. Net position invested in capital facilities (buildings, roads, bridges, etc.) totaled $686 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 position deficit of $646 million at the end of 2012 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 position of business-type activities increased 3% to $712 million in 2012. The City generally can only use net position to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 3% and for business-type activities increased 7% from 2011 due primarily to the issuance and retirement of long-term debt and the recording of OPEB.

Total assets including capital assets increased $62 million or 2% from 2011. 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 2012, 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 (45%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (48%) includes local sewer mains and connections.

Changes in net position. Total annual City revenues less expenses yield the change in net position. The City's program and general revenues totaled $835 million for governmental activities. Forty-four 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 10% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with $329 million (38%) related to public safety (fire and police, neighborhood services). General government expenditures total $219 million (25%) while public works expenditures total $159 million (18%). Program specific revenues (charges for services) 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 revenues and transfers exceeded expenditures by $15 million (2%). For business-type activities revenues exceeded its expenditures and transfers by $20 million (11%). However, prior to the transfer of $45 million from business type funds to governmental funds, business type funds showed a $64 million excess of revenues over expenses while governmental activities showed a $30 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 Position
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Revenues:						
Program revenues:						
Charges for services	$ 103,493	$ 108,190	$ 233,126	$ 240,096	$ 336,619	$ 348,286
Operating grants and contributions	102,698	100,060	-	-	102,698	100,060
Capital grants and contributions	2,724	6,002	4,393	5,133	7,117	11,135
General revenues:						
Property taxes and other taxes	276,168	279,588	-	-	276,168	279,588
State aids for General Fund	273,240	260,141	-	-	273,240	260,141
Miscellaneous	64,214	81,153	3,932	750	68,146	81,903
Total revenues	822,537	835,134	241,451	245,979	1,063,988	1,081,113
Expenses						
General government	245,191	219,277	-	-	245,191	219,277
Public safety	326,879	328,677	-	-	326,879	328,677
Public Works	166,787	158,527	-	-	166,787	158,527
Health	21,137	22,020	-	-	21,137	22,020
Culture and recreation	19,864	20,512	-	-	19,864	20,512
Conservation and development	67,171	57,349	-	-	67,171	57,349
Capital contribution to Milwaukee Public Schools	4,386	4,853	-	-	4,386	4,853
Contributions	23,382	22,803	-	-	23,382	22,803
Interest on long-term debt	28,047	31,105	-	-	28,047	31,105
Water	-	-	69,196	66,571	69,196	66,571
Sewer Maintenance	-	-	40,813	41,128	40,813	41,128
Parking	-	-	25,267	26,101	25,267	26,101
Port of Milwaukee	-	-	3,631	3,940	3,631	3,940
Metropolitan Sewerage District User Charges.	-	-	43,149	43,804	43,149	43,804
Total expenses	902,844	865,123	182,056	181,544	1,084,900	1,046,667
Increase in net position before transfers	(80,307)	(29,989)	59,395	64,435	(20,912)	34,446
Transfers	44,346	44,643	(44,346)	(44,643)	-	-
Increase in net position	(35,961)	14,654	15,049	19,792	(20,912)	34,446
Net position – Beginning	273,014	237,053	676,805	691,854	949,819	928,907
Net position – Ending	$ 237,053	$ 251,707	$ 691,854	$ 711,646	$ 928,907	$ 963,353

Governmental Activities

Revenues for the City's governmental activities totaled $835 million, while total expenses totaled $865 million for 2012. The total 2012 governmental activity expenditures decreased by 4% over 2011. Total revenues, excluding transfers, supported 97% of total expenses; 102% with transfers. Comparable data for 2011 indicates 91% of all revenues, excluding transfers supported the 2011 expenses and, 96% including transfers.

Property taxes represent 33% of the total revenues for 2012 and 2011. The total actual revenue increased 1% over the previous year. The City of Milwaukee's share of the Tax Rate increased thirteen cents (from $9.12 in 2011 to $9.25 in 2012 (per $1,000 of Assessed Value), due in part to a decrease in assessed property value. State aids for the General Fund of $260 million decreased by $13 million or 5% in 2012. The combined property taxes and State aids comprised approximately 65% of the total revenues for governmental funds in 2012 compared to 67% in 2011. Charges for services equaled 13% of the total revenues in 2012, the same as 2011. Operating grants, capital grants, and contributions increased $0.6 million, to a total $106 million or 13% of total revenues in 2012 compared to only 13% in 2011. During 2011, non-cash capital grants were recorded to represent the State contribution of completed major street projects on behalf of the City of $3 million compared to $6 million in 2012.

In 2012, governmental-activity-type expenses decreased by $38 million (4%) to $865 million. The major contributing factor to this decrease was the change in health care options to City employees. Effective January 1, 2012, employees' health insurance is self-insured and included a higher cost to employees with a combination of deductible and coinsurance components. The options of health maintenance organizations (HMO) were eliminated and the City has only one health care provider with two health plan options. These changes in health care expenditures has resulted in $38 million decrease in expenditures from 2011.

Chart 1
2012 Expenses and Program Revenues - Governmental Activities

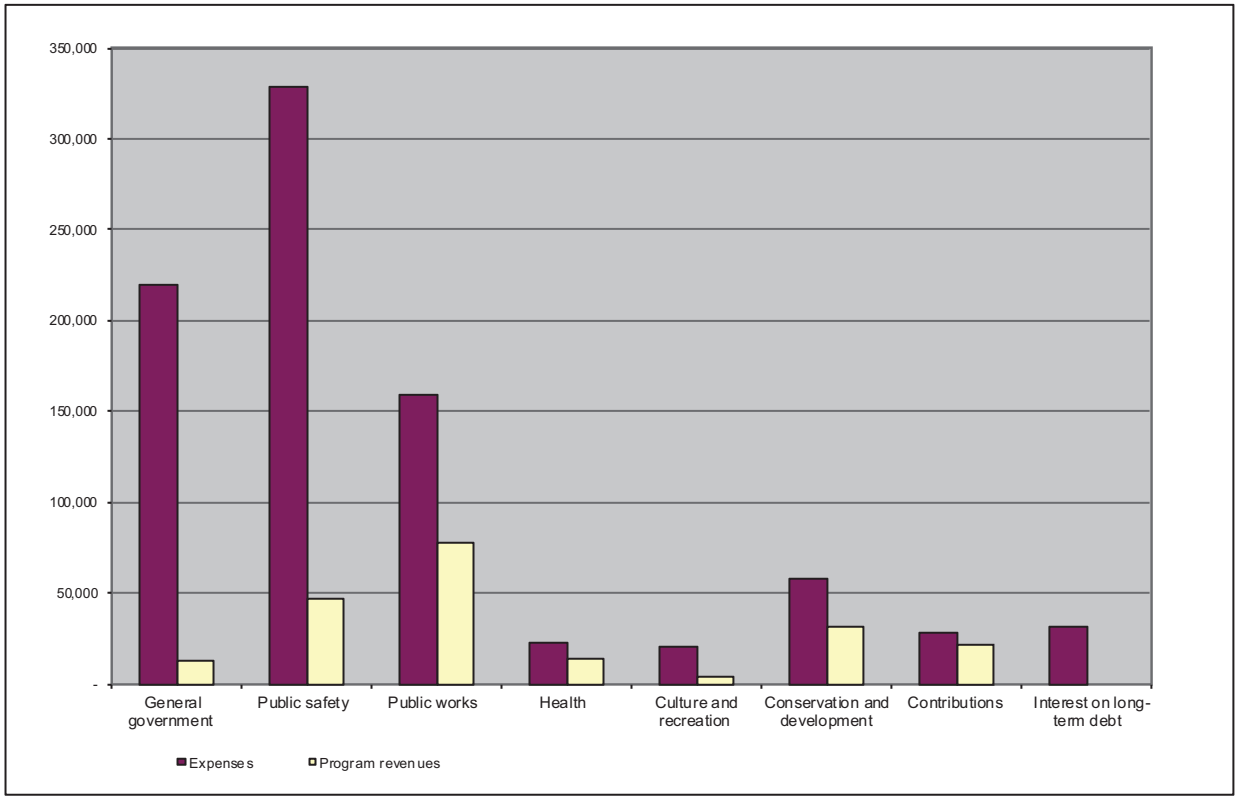


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee 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	
	2011	2012	2011	2012
General government	$ 245,191	$ 219,277	$ 230,868	$ 206,083
Public safety	326,879	328,677	283,542	282,005
Public works	166,787	158,527	85,687	74,787
Health	21,137	22,020	8,583	8,612
Culture and recreation	19,864	20,512	16,067	16,620
Conservation and development	67,171	57,349	37,388	25,829
Contributions	27,768	27,656	3,747	5,830
Interest on long-term debt	28,047	31,105	28,047	31,105
Total Governmental Activities	$ 902,844	$ 865,123	$ 693,929	$ 650,871

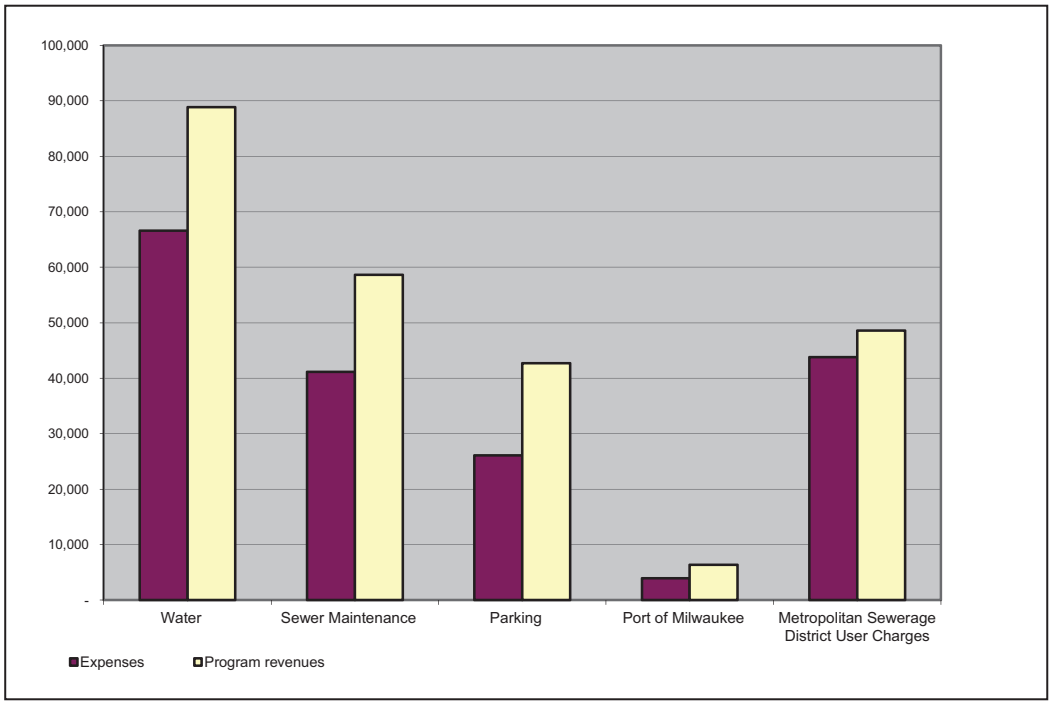
The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities decreased in 2012 to $651 million from $694 million in 2011 or 6% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total costs 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 $65 million and operating income of $23 million. The Sewer Maintenance produced a net operating income of $33 million after incurring expenses of $22 million.

Business-type revenues on Table 2 increased by $4 million in 2012 compared to 2011, or 2%. Total expenses and transfers of all enterprise funds of the City remained at $226 million in 2012. Overall, 2012 year-end Total Net Position increased by $20 million to $712 million, or 3%.

Chart 2
2012 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 2012, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of $339 million, an increase of $38 million or 13% over 2011. The General Fund, the General Obligation Debt Service Fund, the Public Debt Amortization Fund and Non-major governmental funds increased their fund balances by $42 million. Capital Projects Funds produced a negative change from operations of $4 million. The Capital Projects Fund balance decreased to a negative $5 million. 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 $68 million in 2012 compared to $101 million in 2011. The General Obligation Debt Service Fund incurred a positive net change in fund balance of $7 million due to a combination of revenues and other financing sources greater than debt service expenditures and other financing uses, with the major emphasis on the net overall increase in the refinancing of debt during the year compared to the prior year.

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

Chart 3
2012 City Spending by Function - Governmental Funds

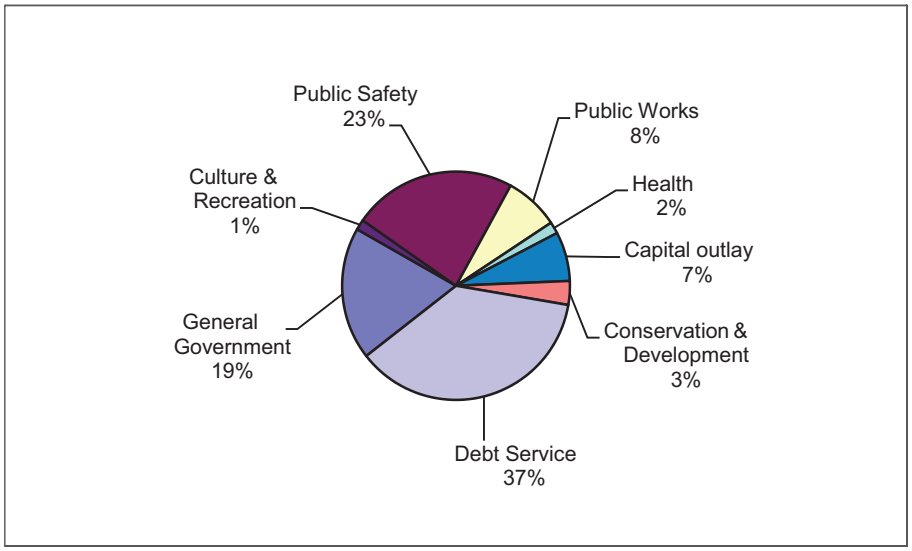
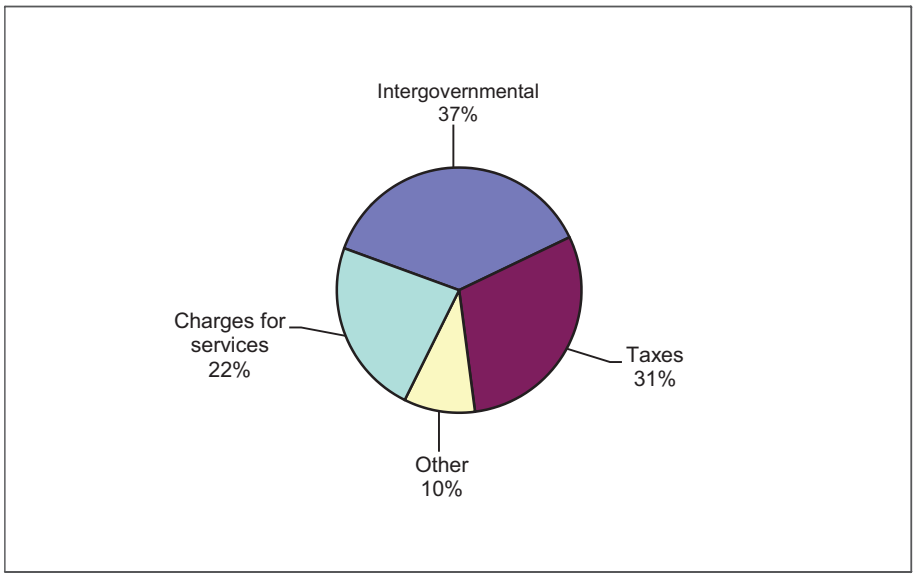


Chart 4
2012 Revenues by Source - Governmental Funds



Revenues for governmental functions overall totaled $827 million in the fiscal year ended December 31, 2012 (-8%). Expenditures for governmental funds totaled $1,250 million (+5%). Expenditures exceeded revenues by $423 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of $38 million for the year compared to an increase of $36 million in 2011. 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 $34 million or 47%. Revenues and other financing sources totaled approximately $755 million and expenditures and other financing uses totaled approximately $721 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by $0.7 million over 2011), expenditures decreased by 3% over 2011, with expenditures exceeding revenues by 2%. 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 $48 million. This excludes the budgeted use of funds from the fund balance. Nearly $14 million was budgeted from the fund balance to fund the 2012 General Fund budget. This was a decrease of $1 million from 2011.

Total General Fund revenues for 2012 totaled $604 million. The largest revenue category is intergovernmental at $260 million with 43% of the total revenue. The second largest revenue source is Property Taxes with $168 million or 28%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 18% or $108 million. These three categories combined comprise 89% of the total revenues for 2012. The largest percentage increase in revenues compared to 2011 was the Miscellaneous category with a 75% increase. This significant increase of $10 million was due to an increase in the Vehicle Registration Fees of over $3 million compared to the previous year when only six months of revenue was recorded in the General Fund; other one time miscellaneous revenue included nearly $4 million from the Early Retiree Reinsurance Program (part of the Affordable Care Act); over $1 million received from City Hall Square Tax Incremental District as final payment on a loan; over $1 million received from health care rebate and insurance recovery.

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:	**2011**	**2012**	**% Change**
Property taxes	$ 166,841	$ 167,927	0.7%
Other taxes	4,371	3,363	-23.1%
Licenses and permits	13,289	14,410	8.4%
Intergovernmental	273,240	260,141	-4.8%
Charges for services	103,493	108,190	4.5%
Fines and forfeits	5,076	5,042	-0.7%
Contributions received	24,021	21,826	-9.1%
Other	13,387	23,483	75.4%
Total Revenues	603,718	604,382	0.1%
Other Financing Sources			
Debt proceeds	100,000	102,000	2.0%
Transfers in	47,376	48,282	1.9%
Total Revenues and Other Financing Sources	751,094	754,664	0.5%
Excess of Revenues over Expenditures	(32,939)	(14,359)	56.4%
Net Change in Fund Balance	$ 12,360	$ 33,804	173.5%

Expenditures and Other Financing Uses

Expenditures:	**2011**	**2012**	% Change
General government	$ 252,677	$ 230,532	-8.8%
Public safety	258,994	265,900	2.7%
Public works	96,557	93,421	-3.2%
Health	8,872	8,656	-2.4%
Culture and recreation	15,566	15,912	2.2%
Conservation and development	3,991	4,320	8.2%
	-	-	
Total Expenditures	636,657	618,741	-2.8%
Other Financing Uses			
Transfers out	102,077	102,119	0.0%
Total Expenditures and other Financing Uses	$ 738,734	$ 720,860	-2.4%

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 2012, $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 by $8 million to $134 million or 6%. Total revenues of the General Obligation Debt Service decreased from $185 million in 2011 to $107 million in 2012 primarily due to the repayment on 2012 debt maturities from the Milwaukee Public Schools for debt issued on their behalf. Revenues combined with *Other Financing Sources* totaled $566 million; expenditures combined with *Other Financing Uses* totaled $558 million; resulting in a *net increase in Fund Balance* for year end 2012 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, 2012 showed a fund balance deficit of $5 million (a decrease in the fund balance of $4 million compared to a fund balance deficit of $117,000 in 2011). In 2012, total debt proceeds amounted to $68 million as compared to $101 million in 2011, a 33% decrease. Total revenues remained constant at $16 million during 2012 and 2011; expenditures decreased from $97 million to $87 million or 10%. The issuance of bonds and notes during 2012 for capital purposes combined with revenues and transfers were insufficient to cover the current year's expenditures and, as a result, increased the year-end deficit in the fund balance by $5 million.

Proprietary Funds

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

At the end of the fiscal year, the total unrestricted net position for all enterprise funds were $70 million. This was an increase from $58 million at December 31, 2011 or 21%. This net increase consists of $8 million in Water Works, and $4 million increase in the Sewer Maintenance fund.

In 2012, operating revenues of the enterprise funds totaled $240 million (3% increase); total operating expenses remained constant at $160 million compared to 2011. The Water Works is the largest enterprise activity for the City, comprising approximately 37% of the total operating revenues. The Sewer Maintenance Fund comprises 23% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2012, Water Works operating revenues increased 4% while Sewer Maintenance operating revenues increased 6%; all other enterprise funds combined remained constant compared to 2011. Water Works non-operating revenues for 2012 are mainly composed of interest income and other miscellaneous revenues.

The Water Works incurred total expenses of $65 million for 2012 compared to $68 million for 2011. Excluding depreciation expense, operating expenses decreased over the previous year by $3 million or 6%. The non-operating expenses (interest expense) of the Water Works increased by $108,000 due to the scheduled principal maturing on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased 3% over 2011.

General Fund Budgetary Highlights

For the fiscal year ended December 31, 2012, the General Fund actual revenues exceeded budgeted revenues by $7.7 million. Revenue categories for property taxes, other taxes, and fines/forfeitures had an unfavorable variance compared to budget of $11.5 million; however, all other categories of licenses/permits, intergovernmental, charges for services and other exceed the final budgeted amounts by $19.2 million. Actual 2012 General Fund revenues increased from that of the prior year by $2.9 million. Intergovernmental revenues decreased $13 million to $260 million compared to $273 million in 2011. This category includes financing from the State for shared taxes, local street aids, and payment for municipal services. This decrease from 2011 was offset by positive excess earnings in various other categories. Miscellaneous revenues included a number of one-time revenues that results in the overall favorable variance of $9 million for the year; such as an increase in $3.2 million for vehicle registration fees compared to six months of fees in 2011. In addition, the City received $3.9 million from the Early Retiree Reinsurance Program as part of the Affordable Care Act to offset Health insurance costs for 2012. Interest on investments (part of Other Revenue category), totaled $809,000 compared to $303,000 for 2011. The average interest earnings rate was 0.221% compared to 0.213% in 2011 with a increase in the average investable balance of $213.5 million in 2011 to $231.5 million in 2012.

The operating expenditures of the General Fund were $22 million less than budgeted. This favorable variance is a result of savings from general government departments of $19 million, and a combined savings of $3 million in other classifications. The change in the new health care options for City employees, that included 100% of deductible amounts before plan begins to pay, has resulted in budgetary savings of $7.6 million. In addition, departmental salary accounts realized a savings of $2.8 million with a corresponding related additional savings for the employer's share of the employee retirement appropriations of

$1.9 million. Unrealized contingencies' budget variance for 2012 resulted in an additional savings in the General Fund of $2.9 million. These most significant items that total $15.2 million, account for 69% of the total savings for the year 2012.

During 2012, the Common Council adopted two resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional $0.5 million in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2011 less the encumbrances carried over to 2013. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2011 by the Common Council less those appropriations authorized for carryover to 2013. 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 2012 General Fund expenditure budget of $621 million and the final budget of $618 million. This is a 1% decrease over the final 2011 budget of $624 million. The original General Fund revenue budget totaled $574 million with the final budget remaining approximately same. This is a 1% decrease over the final 2011 revenue budget of $580 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 $72 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 $14 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2012 total $1,889 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 $35 million or 2%. Governmental activities' capital assets increased $12 million or a 1% increase from 2011. Business-type activities' capital assets increased $23 million or 3% at the end of 2012. A schedule comparing the assets by type for 2011 and 2012 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 $19 million and deletions were $7 million for 2012 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 a net increase of $22 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 27% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of $1.7 million; Sewer Maintenance net assets increased $22 million.

Debt issued to finance tax incremental districts (TID) totals $187 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 position by an equal amount. In addition, debt issued for school purposes at year end was $106 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 position by an equal amount.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Capital assets not being depreciated:						
Land	$ 164,620	$ 164,628	$ 18,874	$ 19,049	$ 183,494	$ 183,677
Construction in progress	36,272	41,898	6,991	13,229	43,263	55,127
Intangible right of ways	1,342	1,342	-	-	1,342	1,342
Capital assets being depreciated:						
Buildings	282,465	285,421	93,663	94,018	376,128	379,439
Infrastructure	1,467,560	1,503,036	893,752	925,263	2,361,312	2,428,299
Improvements other than buildings	11,891	11,891	7,998	8,025	19,889	19,916
Machinery and equipment	178,690	185,968	228,058	231,357	406,748	417,325
Intangible software	1,971	2,605	-	-	1,971	2,605
Nonutility property	-	-	5,422	3,654	5,422	3,654
Accumulated depreciation	(1,153,989)	(1,193,870)	(391,835)	(408,644)	(1,545,824)	(1,602,514)
Total	$ 990,822	$1,002,919	$ 862,923	$ 885,951	$ 1,853,745	$ 1,888,870

Debt

At year-end, the City had $829 million in general obligation bonds and notes, $77 million in State loans, $66 million in revenue bonds, and $93 million in extendable municipal commercial paper outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled $323 million, of which $2 million related to Port and Parking Enterprises.

The City continues to maintain high investment grade ratings from the two major rating agencies. A rating of AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's May 2012 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was $1,272 at the end of 2011 and $1,207 at the end of 2012; a 5% decrease from the prior year. As of December 31, 2012, 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 50% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2012, notes were issued in the amount of approximately $31.6 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

Table 6
Outstanding Debt
General Obligation, Revenue Bonds and Extendable Municipal Commercial Paper
(Thousand of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
General obligation bonds and notes (backed by the City)	$ 825,574	$ 785,867	$ 89,956	$ 43,318	$ 915,530	$ 829,185
Extendable Municipal Commercial Paper	-	20,536	-	72,464	-	93,000
State loans	-	-	80,513	77,083	80,513	77,083
Revenue bonds (backed by specific fee revenues)	-	-	69,618	65,579	69,618	65,579
Total	$ 825,574	$ 806,403	$ 240,087	$ 258,444	$ 1,065,661	$ 1,064,847

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the City of Milwaukee for 2012 is 10.1%, compared to 10.9% for 2011. The City of Milwaukee per capita income for the most recent fiscal year available (2011) was $38,881, compared to $37,950 for 2010. Table 13 contains demographic and economic statistics for the last ten calendar years.

The 2013 adopted City Budget is about $1.5 billion with a General Fund budget of $708 million. The General Fund budget increased nearly 4% over the 2012 budget of $678 million. In 2013, the City should expend $119 million for health insurance and related costs compared to $116 million budgeted for 2012, an increase of 3%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 80 FTE with the City Development, Health, Library, Police and Public Works decreasing 97 FTE in the aggregate and Neighborhood Services increasing 22 FTE and all other departments net decreasing in the aggregate of 5 FTE. The City will maintain mandatory furlough days of three for 2013.

Total property taxes levied for all funds of the City in 2012 for 2013 purposes increased $1.00 per thousand dollars of assessed valuation to a rate of $10.25 (11.1%). The 2011 for 2012 rate increased $0.13 (from $9.12 to $9.25 or 1.4%).

The total City property tax levy increased to $250 million from 2011 of $248 million. While the rate for 2012 increased, the assessed valuation decreased 9.3%; thus providing roughly the same amount in total property tax revenue in all funds. The property tax levy will provide $96.9 million for general City purposes in 2013. This represents a decrease of $18.4 million from 2012 or 16%. Property Tax Levy for Employee Retirement Purposes will increase $21.7 million for 2013. The 2013 General City Purpose budget includes $112 million in estimated revenue for City charges for services rendered, an increase of $8 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate $34 million for 2013. This fee represents 30% of the total charges for services in the 2013 budget. The Street Sweeping-Leaf Collection Fee is expected to generate $14 million for 2013, a $2 million increase over 2012. This Fee comprises 13% of the total charges for services for 2013 compared to 12% in 2012.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total $259.6 million; an increase of $0.1 million from 2012.

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, 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 POSITION
December 31, 2012
(Thousands of Dollars)

Exhibit 1

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 337,934	$ 54,376	$ 392,310	$ 25,845
Investments	28,860	-	28,860	6,069
Receivables (net):				
Taxes	251,291	44	251,335	-
Accounts	30,109	46,640	76,749	442
Unbilled accounts	313	17,455	17,768	-
Special assessments	7,915	-	7,915	-
Notes and loans	106,112	-	106,112	39,306
Accrued interest	445	23	468	1,331
Due from component units	19,835	-	19,835	-
Due from primary government	-	-	-	109
Due from other governmental agencies	150,679	588	151,267	773
Inventory of materials and supplies	8,094	2,951	11,045	-
Inventory of property for resale	26	-	26	6,921
Prepaid items	813	557	1,370	109
Deferred charges	2,463	302	2,765	966
Other assets	-	13	13	-
Total Noncapital Assets	944,889	122,949	1,067,838	81,871
Capital assets:				
Capital assets not being depreciated:				
Land	164,628	19,049	183,677	14,717
Construction in progress	41,898	13,229	55,127	2,039
Intangible right of ways	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings	285,421	94,018	379,439	103,077
Infrastructure	1,503,036	925,263	2,428,299	379
Improvements other than buildings	11,891	8,025	19,916	843
Machinery and equipment	185,968	231,357	417,325	159
Intangible software	2,605	-	2,605	565
Nonutility property	-	3,654	3,654	-
Accumulated depreciation	(1,193,870)	(408,644)	(1,602,514)	(15,946)
Total Capital Assets	1,002,919	885,951	1,888,870	105,833
Total Assets	1,947,808	1,008,900	2,956,708	187,704

CITY OF MILWAUKEE
STATEMENT OF NET POSITION
December 31, 2012
(Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable	$ 46,284	$ 18,001	$ 64,285	$ 6,730
Accrued expenses	32,641	2,424	35,065	2,150
Accrued interest payable	9,988	1,103	11,091	-
Internal balances	(4,581)	4,581	-	-
Due to component units	109	-	109	-
Due to other governmental agencies	505	-	505	3,004
Deferred revenue	314,868	617	315,485	1,136
Revenue anticipation notes payable	120,000	-	120,000	-
Other liabilities	-	-	-	3,979
Due to primary government:				
Due within one year	-	-	-	40
Due in more than one year	-	-	-	19,795
Long-term obligations:				
Due within one year	136,289	87,178	223,467	390
Due in more than one year	1,039,998	183,350	1,223,348	94,863
Total Liabilities	1,696,101	297,254	1,993,355	132,087
NET POSITION				
Net investment in capital assets	686,492	623,909	1,310,401	30,919
Restricted for:				
Debt service	201,666	-	201,666	-
Other purposes	9,774	-	9,774	9,151
Unrestricted	(646,225)	87,737	(558,488)	15,547
Total Net Position	**$ 251,707**	**$ 711,646**	**$ 963,353**	**$ 55,617**

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, 2012

(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	$ 219,277	$ 10,428	$ 2,766	$ -
Public safety	328,677	20,785	25,887	-
Public works	158,527	74,168	3,570	6,002
Health	22,020	1,101	12,307	-
Culture and recreation	20,512	1,239	2,653	-
Conservation and development	57,349	469	31,051	-
Capital contribution to Milwaukee Public Schools	4,853	-	-	-
Contributions	22,803	-	21,826	-
Interest on long-term debt	31,105	-	-	-
Total Governmental Activities	865,123	108,190	100,060	6,002
Business-type Activities:				
Water	66,571	88,122	-	745
Sewer Maintenance	41,128	54,956	-	3,674
Parking	26,101	42,730	-	-
Port of Milwaukee	3,940	5,672	-	714
Metropolitan Sewerage District User Charges	43,804	48,616	-	-
Total Business-type Activities	181,544	240,096	-	5,133
Total Primary Government	$ 1,046,667	$ 348,286	$ 100,060	$ 11,135
Component units:				
Redevelopment Authority	$ 19,874	$ 7,348	$ 11,520	$ 2,039
Neighborhood Improvement Development Corporation	1,707	173	1,145	91
Century City Redevelopment Corporation	7,139	392	-	-
Total Component Units	$ 28,720	$ 7,913	$ 12,665	$ 2,130

General revenues:

Property taxes and other taxes .....

State aids for General Fund .....

Miscellaneous .....

Transfers .....

Total General Revenues and Transfers .....

Change in Net Position .....

Net Position - Beginning, as restated (note 1w) .....

Net Position - 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
$ (206,083)		$ (206,083)	
(282,005)		(282,005)	
(74,787)		(74,787)	
(8,612)		(8,612)	
(16,620)		(16,620)	
(25,829)		(25,829)	
(4,853)		(4,853)	
(977)		(977)	
(31,105)		(31,105)	
(650,871)		(650,871)	
-	$ 22,296	22,296	
-	17,502	17,502	
-	16,629	16,629	
-	2,446	2,446	
-	4,812	4,812	
-	63,685	63,685	
(650,871)	63,685	(587,186)	
			$ 1,033
			(298)
			(6,747)
			(6,012)
279,588	-	279,588	-
260,141	-	260,141	-
81,153	750	81,903	305
44,643	(44,643)	-	-
665,525	(43,893)	621,632	305
14,654	19,792	34,446	(5,707)
237,053	691,854	928,907	61,324
$ 251,707	**$ 711,646**	**$ 963,353**	**$ 55,617**

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FUND FINANCIAL STATEMENTS

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	$ 122,890
Investments	120
Receivables (net):	
Taxes	166,504
Accounts	28,382
Unbilled accounts	313
Special assessments	-
Notes and loans	10
Accrued interest	270
Due from other funds	33,637
Due from component units	25
Due from other governmental agencies	251
Advances to other funds	7,223
Inventory of materials and supplies	8,094
Inventory of property for resale	26
Prepaid items	248
Total Assets	**$ 367,993**
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 29,720
Accrued expenses	31,761
Due to other funds	7,533
Due to component units	
Due to other governmental agencies	-
Deferred revenue	193,189
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	262,203
Fund Balances:	
Nonspendable	15,721
Restricted	-
Committed	1,835
Assigned	35,915
Unassigned	52,319
Total Fund Balances	105,790
Total Liabilities and Fund Balances	**$ 367,993**

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
$ 176,318	$ 13,589	$ 20,852	$ 4,285	$ 337,934
-	28,740	-	-	28,860
53,597	-	2,838	28,352	251,291
-	-	1,710	17	30,109
-	-	-	-	313
-	-	7,915	-	7,915
67,863	25,477	-	12,762	106,112
10	165	-	-	445
-	-	-	-	33,637
19,770	-	-	40	19,835
120,000	-	13,175	17,253	150,679
-	-	-	-	7,223
-	-	-	-	8,094
-	-	-	-	26
1	-	564	-	813
$ 437,559	**$ 67,971**	**$ 47,054**	**$ 62,709**	**$ 983,286**
$ 58	$ -	$ 8,003	$ 8,503	$ 46,284
-	-	353	527	32,641
3,858	-	10,057	7,608	29,056
-	-	-	109	109
-	-	-	505	505
179,947	-	26,019	9,580	408,735
120,000	-	-	-	120,000
-	-	7,223	-	7,223
303,863	-	51,655	26,832	644,553
1	-	564	-	16,286
-	-	-	9,774	9,774
133,695	67,971	-	26,103	229,604
-	-	-	-	35,915
-	-	(5,165)	-	47,154
133,696	67,971	(4,601)	35,877	338,733
$ 437,559	**$ 67,971**	**$ 47,054**	**$ 62,709**	**$ 983,286**

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CITY OF MILWAUKEE

Exhibit A-2

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

DECEMBER 31, 2012

(Thousands of Dollars)

Fund balances - total governmental funds (Exhibit A-1)		$ 338,733
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	$ 164,628	
Buildings, net of $90,849 accumulated depreciation	194,572	
Infrastructure, net of $978,760 accumulated depreciation	524,276	
Improvements other than buildings, net of $8,587 accumulated depreciation	3,304	
Machinery and equipment, net of $114,914 accumulated depreciation	71,054	
Intangible assets net of $760 accumulated depreciation	3,187	
Construction in progress	41,898	
		1,002,919
Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the government-wide statements.		2,463
Some revenues are deferred in the funds because they are not available to pay current period's expenditures.		
Taxes to be collected after year-end	16,125	
Other revenues to be collected after year-end	3,030	
Special assessments to be collected after year-end	6,849	
Notes and loans receivable to repay long-term bonds and notes	67,863	
		93,867
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.		
Accrued interest payable	(9,988)	
Bonds and notes payable	(806,403)	
Deferred amount on refunding	449	
Unamortized premiums	(51,972)	
Compensated absences	(48,405)	
Net other postemployment benefits obligation	(246,172)	
Claims and judgments	(23,784)	
		(1,186,275)
Total net position of governmental activities (Exhibit 1)		**$ 251,707**

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, 2012
(Thousands of Dollars)

	General
Revenues:	
Property taxes	$ 167,927
Other taxes	3,363
Special assessments	-
Licenses and permits	14,410
Intergovernmental	260,141
Charges for services	108,190
Fines and forfeits	5,042
Contributions received	21,826
Other	23,483
Total Revenues	604,382
Expenditures:	
Current:	
General government	230,532
Public safety	265,900
Public works	93,421
Health	8,656
Culture and recreation	15,912
Conservation and development	4,320
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	618,741
Excess (Deficiency) of Revenues over Expenditures	(14,359)
Other Financing Sources (Uses):	
General obligation bonds and notes issued	102,000
Proceeds from debt refundings	-
Payment to escrow agent on advance refundings	-
Payment current refundings	-
Loans receivable activities	-
Issuance premium	-
Transfers in	48,282
Transfers out	(102,119)
Total Other Financing Sources and Uses	48,163
Net Change in Fund Balances	33,804
Fund Balances - Beginning	71,986
Fund Balances - Ending	**$ 105,790**

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
$ 68,737	$ -	$ 4,480	$ 2,894	$ 244,038
27,716	3,093	-	-	34,172
-	-	2,344	-	2,344
-	-	-	-	14,410
968	-	5,146	79,861	346,116
7,711	-	-	-	115,901
-	-	-	-	5,042
-	-	-	-	21,826
1,898	3,140	3,791	11,263	43,575
107,030	6,233	15,761	94,018	827,424
651	-	-	4,753	235,936
-	-	-	25,887	291,787
-	-	-	3,570	96,991
-	-	-	12,307	20,963
-	-	-	2,653	18,565
-	-	-	38,046	42,366
-	-	87,429	-	87,429
417,107	-	-	-	417,107
37,992	-	-	-	37,992
933	-	-	-	933
456,683	-	87,429	87,216	1,250,069
(349,653)	6,233	(71,668)	6,802	(422,645)
99,270	-	68,224	31,590	301,084
189,590	-	-	-	189,590
(63,884)	-	-	-	(63,884)
(34,134)	-	-	-	(34,134)
-	-	-	2,317	2,317
21,038	-	-	-	21,038
148,773	1,521	-	-	198,576
(3,526)	(7,047)	(1,040)	(40,201)	(153,933)
357,127	(5,526)	67,184	(6,294)	460,654
7,474	707	(4,484)	508	38,009
126,222	67,264	(117)	35,369	300,724
$ 133,696	**$ 67,971**	**$ (4,601)**	**$ 35,877**	**$ 338,733**

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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, 2012

(Thousands of Dollars)

Net change in fund balances - total governmental funds (Exhibit A-3)		38,009
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 ($62,939) exceeded depreciation expense ($50,412) in the current period less loss on disposals ($430)		12,097
Notes and loans receivable to repay long-term bonds and notes		(4,853)
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	$ 1,378	
Other revenues deferred at year end	(1,598)	
Special assessments deferred revenue beginning of the year $6,808 less deferred at end of the year $6,849	41	
		(179)
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(490,674)	
Issuance premiums	(19,998)	
Issuance costs	303	
Repayments:		
Principal retirement	509,845	
Amortization:		
Premiums	11,110	
Issuance costs	(490)	
Deferred amount on refunding	(1,507)	
		8,589
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	(824)	
Net other postemployment benefits obligation	(39,803)	
Claims and judgments	95	
Accrued interest on bonds and notes	1,523	
		(39,009)
Changes in net position of governmental activities (Exhibit 2)		**$ 14,654**

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

CITY OF MILWAUKEE
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2012
(Thousands of Dollars)

Exhibit B-1

ASSETS	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Current Assets:				
Cash and cash equivalents	$ 5,121	$ 16,054	$ 17,200	$ 38,375
Restricted cash and cash equivalents	705	7,711	-	8,416
Receivables (net):				
Accounts	17,317	15,631	13,692	46,640
Taxes	-	-	44	44
Unbilled accounts	11,957	2,405	3,093	17,455
Accrued interest	1	22	-	23
Due from other funds	11,391	884	1,001	13,276
Due from other governmental agencies	-	287	301	588
Advances to other fund	245	-	-	245
Inventory of materials and supplies	2,608	343	-	2,951
Prepaid items	556	1	-	557
Deferred charges	-	302	-	302
Other assets	13	-	-	13
Total Current Assets	49,914	43,640	35,331	128,885
Noncurrent assets:				
Restricted cash and cash equivalents	-	7,585	-	7,585
Capital assets:				
Capital assets not being depreciated:				
Land	2,018	-	17,031	19,049
Construction in progress	9,416	181	3,632	13,229
Capital assets being depreciated:				
Buildings	27,268	-	66,750	94,018
Infrastructure	359,862	547,875	17,526	925,263
Improvements other than buildings	-	-	8,025	8,025
Machinery and equipment	214,764	4,643	11,950	231,357
Nonutility property	3,654	-	-	3,654
Accumulated depreciation	(213,147)	(128,836)	(66,661)	(408,644)
Net Capital Assets	403,835	423,863	58,253	885,951
Total Noncurrent Assets	403,835	431,448	58,253	893,536
Total Assets	453,749	475,088	93,584	1,022,421

CITY OF MILWAUKEE
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2012

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 4,646	$ 2,633	$ 10,722	$ 18,001
Accrued expenses	1,253	516	655	2,424
Accrued interest payable	218	14	192	424
Compensated absences	1,135	-	-	1,135
Advances from other funds	-	-	245	245
Due to other funds	14,890	-	2,967	17,857
Deferred revenue	-	189	428	617
Extendable Municipal Commercial Paper	4,000	67,000	1,464	72,464
General obligation debt payable - current	2,936	697	1,899	5,532
Revenue bonds payable - current	1,015	-	-	1,015
Total Current Liabilities	30,093	71,049	18,572	119,714
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable	-	7,032	-	7,032
Accrued interest payable	-	679	-	679
Total Current Liabilities Payable from Restricted Assets	-	7,711	-	7,711
Noncurrent Liabilities:				
General obligation debt payable	15,946	9,388	12,634	37,968
Revenue bonds & State loans payable	5,494	132,537	-	138,031
Other post employment benefits obligation	4,234	1,646	1,471	7,351
Total Noncurrent Liabilities	25,674	143,571	14,105	183,350
Total Liabilities	55,767	222,331	32,677	310,775
NET POSITION:				
Net investment in capital assets	374,444	207,209	42,256	623,909
Restricted for Debt Service	-	-	-	-
Unrestricted	23,538	45,548	18,651	87,737
Total Net Position	**$ 397,982**	**$ 252,757**	**$ 60,907**	**$ 711,646**

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 NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Thousands of Dollars)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales	$ 73,076	$ -	$ -	$ 73,076
Statutory sewer user fee	-	-	47,163	47,163
Sewer maintenance fee	-	54,956	-	54,956
Rent	-	-	12,196	12,196
Fire protection service	7,159	-	-	7,159
Parking meters	-	-	4,972	4,972
Parking permits	-	-	3,880	3,880
Vehicle towing	-	-	5,196	5,196
Parking forfeitures	-	-	22,158	22,158
Other	7,887	-	1,453	9,340
Total Operating Revenues	88,122	54,956	97,018	240,096
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges	-	-	39,167	39,167
Employee services	-	7,148	8,419	15,567
Administrative and general	6,087	-	-	6,087
Depreciation	14,110	6,266	3,276	23,652
Transmission and distribution	20,710	-	-	20,710
Services, supplies, and materials	-	8,292	22,286	30,578
Water treatment	13,200	-	-	13,200
Water pumping	7,889	-	-	7,889
Billing and collection	2,770	-	-	2,770
Total Operating Expenses	64,766	21,706	73,148	159,620
Operating Income	23,356	33,250	23,870	80,476
Nonoperating Revenues (Expenses):				
Investment income (loss)	13	(816)	-	(803)
Grant revenue	-	3,533	47	3,580
Interest expense	(1,175)	(4,575)	(697)	(6,447)
Other	(630)	(14,031)	737	(13,924)
Total Nonoperating Revenues (Expenses)	(1,792)	(15,889)	87	(17,594)
Income before Contributions and Transfers	21,564	17,361	23,957	62,882
Capital contributions	745	141	667	1,553
Transfers in	-	-	612	612
Transfers out	(11,891)	(8,253)	(25,111)	(45,255)
Change in Net Position	10,418	9,249	125	19,792
Total Net Position - Beginning	387,564	243,508	60,782	691,854
Total Net Position - Ending	**$ 397,982**	**$ 252,757**	**$ 60,907**	**$ 711,646**

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, 2012
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 83,091	$ 54,558	$ 97,529	$ 235,178
Receipts from interfund services provided	5,196	-	-	5,196
Payments to suppliers	(24,712)	(10,615)	(61,900)	(97,227)
Payments to employees	(21,448)	(7,050)	(8,286)	(36,784)
Payments from other funds	-	-	(5,195)	(5,195)
Payments to other funds	(11,179)	-	(120)	(11,299)
Net Cash Provided by Operating Activities	30,948	36,893	22,028	89,869
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	-	4,055	47	4,102
Other nonoperating expenses	(630)	(14,647)	-	(15,277)
Transfers to other funds	(11,891)	(8,253)	(24,499)	(44,643)
Net Cash (Used) Provided by Noncapital Financing Activities	(12,521)	(18,845)	(24,452)	(55,818)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	4,000	67,313	3,784	75,097
Acquisition of property, plant, and equipment	(15,077)	(28,217)	(2,499)	(45,793)
Retirement of bonds, notes, and revenue bonds	(4,315)	(49,470)	(2,955)	(56,740)
Interest paid	(1,275)	(4,826)	(732)	(6,833)
Other	-	-	1,817	1,817
Net Cash Used for Capital and Related Financing Activities	(16,667)	(15,200)	(585)	(32,452)
CASH FLOWS FROM INVESTING ACTIVITY:				
Investment income (loss)	13	(717)	-	(704)
Net Increase (Decrease) in Cash and Cash Equivalents	1,773	2,131	(3,009)	895
Cash and Cash Equivalents - Beginning	4,053	29,219	20,209	53,481
Cash and Cash Equivalents - Ending	**$ 5,826**	**$ 31,350**	**$ 17,200**	**$ 54,376**

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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	$ 5,121	$ 16,054	$ 17,200	$ 38,375
Restricted Cash	705	15,296	-	16,001
	$ 5,826	$ 31,350	$ 17,200	$ 54,376
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 23,356	$ 33,250	$ 23,870	$ 80,476
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	14,110	6,266	3,276	23,652
Changes in assets and liabilities:				
Receivables	(223)	(182)	592	187
Due from other funds	(6,902)	(216)	(366)	(7,484)
Inventories	(36)	5	-	(31)
Prepaid items	(433)	(1)	-	(434)
Other assets	197	-	-	197
Accounts payable	343	(2,327)	(447)	(2,431)
Accrued liabilities	57	(87)	(1)	(31)
Net other postemployment benefits obligation	479	185	134	798
Due to other funds	-	-	(4,950)	(4,950)
Deferred revenue	-	-	(80)	(80)
Net Cash Provided by Operating Activities	$ 30,948	$ 36,893	$ 22,028	$ 89,869

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of $744,749.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing $126,673 with a net value of $0, and received donated assets in the amount of $140,492.

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

CITY OF MILWAUKEE

Exhibit C-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012
(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	$ 775	$ 2,472	$ 254,021
Investments	-	1,866	-
Total Assets	775	4,338	**$ 254,021**
LIABILITIES			
Liabilities:			
Accounts payable	$ 104	$ 315	$ 1,467
Due to other governmental agencies	-	-	252,554
Total Liabilities	104	315	**$ 254,021**
Net Position			
Employees' pension benefits and other purposes	**$ 671**	**$ 4,023**	

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 POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Thousands of Dollars)

	Pension and Other Employee Benefit Trusts	Private-Purpose Trusts
Additions		
Contributions:		
Plan members	$ 2,747	$ -
Private donations	-	1,783
Total Contributions	2,747	1,783
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	19
Total Additions	2,747	1,802
Deductions		
Benefits	2,455	-
Fees remitted from Trust	-	1,720
Other	-	229
Total Deductions	2,455	1,949
Change in Net Position	292	(147)
Net Position - Beginning	379	4,170
Net Position - Ending	**$ 671**	**$ 4,023**

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

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2012
(Thousands of Dollars)

Exhibit D-1

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 6,749	$ 1,263	$ 2,343	$ 10,355
Restricted cash and cash equivalents	13,278	2,212	-	15,490
Investments	5,769	300	-	6,069
Receivables (net):				
Accounts	350	87	5	442
Notes and loans	38,936	370	-	39,306
Accrued interest	1,194	137	-	1,331
Due from primary government	109	-	-	109
Due from other governmental agencies	773	-	-	773
Inventory of property for resale	4,834	2,087	-	6,921
Prepaid items	87	-	22	109
Deferred charges	706	-	260	966
Other assets	-	-	-	-
Total Noncapital Assets	72,785	6,456	2,630	81,871
Capital assets:				
Capital assets not being depreciated:				
Land and land improvements	13,608	-	1,109	14,717
Construction in progress	2,039	-	-	2,039
Capital assets being depreciated:				
Buildings	92,989	-	10,088	103,077
Infrastructure	379	-	-	379
Improvements other than buildings	843	-	-	843
Machinery and equipment	6	-	153	159
Intangible assets	565	-	-	565
Accumulated depreciation	(15,521)	-	(425)	(15,946)
Total Capital Assets, Net of Depreciation	94,908	-	10,925	105,833
Total Assets	167,693	6,456	13,555	187,704

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2012
(Thousands of Dollars)

Exhibit D-1 (Continued)

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 4,454	$ 123	$ 2,153	$ 6,730
Accrued expenses	2,126	7	17	2,150
Due to other governmental agencies	2,771	-	233	3,004
Deferred revenue	772	364	-	1,136
Other liabilities	2,446	1,533	-	3,979
Total Current Liabilities	12,569	2,027	2,403	16,999
Due to primary government:				
Due within one year	-	40	-	40
Due in more than one year	19,795	-	-	19,795
Total Due to Primary Government	19,795	40	-	19,835
Long-term obligations:				
Due within one year	390	-	-	390
Due in more than one year	74,513	1,500	18,850	94,863
Total Noncurrent Liabilities	74,903	1,500	18,850	95,253
Total Liabilities	107,267	3,567	21,253	132,087
NET POSITION:				
Net investment in capital assets	31,355	-	(436)	30,919
Restricted	8,333	818	-	9,151
Unrestricted	20,738	2,071	(7,262)	15,547
Total Net Position	**$ 60,426**	**$ 2,889**	**$ (7,698)**	**$ 55,617**

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, 2012
(Thousands of Dollars)

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Redevelopment Authority				
Prevention and elimination of blight	$ 19,874	$ 7,348	$ 11,520	$ 2,039
Neighborhood Improvement Development Corp.				
Housing improvements	1,707	173	1,145	91
Century City Redevelopment Corporation				
Rental income	7,139	392	-	-
Total Component Units	$ 28,720	$ 7,913	$ 12,665	$ 2,130

General revenues:
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning, as restated (note 1w)

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
$ 1,033	$ -	$ -	$ 1,033
-	(298)	-	(298)
-	-	(6,747)	(6,747)
1,033	(298)	(6,747)	(6,012)
246	46	13	305
246	46	13	305
1,279	(252)	(6,734)	(5,707)
59,147	3,141	(964)	61,324
$ 60,426	**$ 2,889**	**$ (7,698)**	**$ 55,617**

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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:

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.

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: RACM, 809 North Broadway, 3rd 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 Housing Authority of the City of Milwaukee (HACM), Milwaukee Economic Development Corporation (MEDC), 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 do not meet the criteria established by 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

Housing Authority of the City of Milwaukee

The Housing Authority of the City of Milwaukee (HACM) is responsible for the construction and management of safe, affordable, and quality housing with services that enhance residents' self-sufficiency.

The Housing Authority is governed by a seven member Board of Commissioners who are appointed by the Mayor and confirmed by the Common Council. The City is not legally obligated for any of HACM obligations or debt.

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 position 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 2012 that will be collected in 2013 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.

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.

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 Position/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, 2012 is approximately $2,405,000.

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 $26,124,120 as of December 31, 2012.

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

The fund balances of the governmental funds are 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 Position

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

Net Investment in Capital Assets – 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 "Net investment in capital assets."

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 position.

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

During 2012, the City implemented GASB 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 implementation of this standard resulted in the Housing Authority of the City of Milwaukee (HACM) and Milwaukee Economic Development Corporation (MEDC) to no longer be presented as component units of the City. With this removal, figures relating to component units have been restated, including a reduction of beginning net position from $353,412,000 to $61,324,000.

During 2012, The City implemented the provisions of GASB Statement No. 63*, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement introduced and defined deferred outflows and deferred inflows as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement also amended the net asset reporting requirements in GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City renamed its basic financial statements from the net asset measure to the net position measure however there was no other impact as a result of the implementation.

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.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The objective of this Statement is to provide guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. 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 April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The objective of this statement is to enhance the information disclosed about a governments obligations and risk exposure from extending nonexchange financial guarantees. The City will implement this Statement beginning with the year ending June 15, 2013. The City does not expect the implementation of the Statement to have a significant impact 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, 2012, 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	$ 288,009	$ 288,009	$ -	$ -	$ -	see below
Segregated Deposits and Investments						
Interest Checking	2,958	2,958	-	-	-	not rated
Wisconsin Local Government Investment Pool	89,642	89,642	-	-	-	not rated
Municipal Bonds	14,182	251	5,218	7,534	1,179	see below
U.S. Treasury strips	9,894	-	637	-	9,257	AAA
Treasuries (Fiscal Agent)	11,823	11,823	-	-	-	AAA
Certificates of Deposits	4,662	3,262	1,400	-	-	not rated
	$ 421,170	$ 395,945	$ 7,255	$ 7,534	$ 10,436	
Fiduciary activities:						
Investment type						
Investments in the Pool	$ 243,478	$ 243,478	$ -	$ -	$ -	see below
Other Deposits	13,216	13,216	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government Investment Pool	744	744	-	-	-	not rated
U.S. Treasury strips	1,696	420	1,276	-	-	AAA
	$ 259,134	$ 257,858	$ 1,276	$ -	$ -	

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 Position/Balance Sheet.

As of December 31, 2012, 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	$ 42,615	$ 39,315	$ 3,300	$ -	$ -	not rated
Other Deposits	3,571	3,571	-	-	-	not rated
Deposits and Investments						
Interest Checking	386,850	386,850	-	-	-	not rated
Wisconsin Local Government Investment Pool	14,725	14,725	-	-	-	not rated
Investment Portfolio	75,476	16,465	53,551	1,201	4,259	see below
Certificates of Deposits	8,250	8,250	-	-	-	not rated
	$ 531,487	$ 469,176	$ 56,851	$ 1,201	$ 4,259	

Investment Portfolio

The Standard & Poor's ratings vary from AAA to A for the investments in the portfolio that are rated.

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, 2012, the City's bank balances of $667,000 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 deposits and investments on December 31, 2012:

		Investment Maturities (in Years) *(Thousands of Dollars)*				
	Fair value	**Less than 1**	**1-5**	**6-10**	**10 and greater**	**Credit Rating**
Component Units:						
Bank Demand Deposits	$ 9,834	$ 9,834	$ -	$ -	$ -	not rated
Local Government Investment Pool	1,278	1,278	-	-	-	not rated
U.S. Treasury Money Market Fund	7,739	7,739	-	-	-	Aaa
U.S. Treasury Notes	3,285	2,540	745	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	1,526	560	966	-	-	Aaa
Municipal Bonds	410	70	340	-	-	Aa
Corporate Bonds	2,319	556	1,763	-	-	Aa
Certificates of Deposit	3,950	3,950	-	-	-	Aa
Money Market	1,573	1,573	-	-	-	N/A
	$ 31,914	$ 28,100	$ 3,814	$ -	$ -	

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, 2012 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	**Uninsured and Uncollateralized**
Redevelopment Authority	9,418,356	1,629,166
Neighborhood Improvement Development Corporation	3,882,251	2,558,197
Century City Redevelopment Corporation	2,612,788	2,112,788

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, 2012, the Redevelopment Authority had $15,397,219 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, 2012, 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)		
2007 and prior	$ 855	$ 1,388	$ 2,243
2008	797	1,260	2,057
2009	2,319	3,582	5,901
2010	5,395	8,484	13,879
2011	13,197	20,949	34,146
Total delinquent property taxes receivable	$ 22,563	$ 35,663	58,226
Property taxes receivable on foreclosed property			27,710
Less: Allowance for uncollectible taxes			(23,990)
Net delinquent property taxes receivable, including tax deeded property			$ 61,946

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

Governmental activities	**Balance 01-01-12**	**Additions**	**Deletions**	**Balance 12-31-12**
		(Thousands of Dollars)		
Capital assets not being depreciated:				
Land	$ 164,620	$ 8	$ -	$ 164,628
Construction in progress	36,272	12,008	6,382	41,898
Intangible right of ways	1,342	-	-	1,342
Total capital assets not being depreciated	202,234	12,016	6,382	207,868
Capital assets being depreciated:				
Buildings	282,465	3,317	361	285,421
Infrastructure	1,467,560	40,111	4,635	1,503,036
Improvements other than buildings	11,891	-	-	11,891
Machinery and equipment	178,690	13,243	5,965	185,968
Intangible software	1,971	634	-	2,605
Total capital assets being depreciated	1,942,577	57,305	10,961	1,988,921
Less accumulated depreciation for:				
Buildings	84,314	6,781	246	90,849
Infrastructure	953,676	29,719	4,635	978,760
Improvements other than buildings	8,275	312	-	8,587
Machinery and equipment	107,356	13,208	5,650	114,914
Intangible software	368	392	-	760
Total accumulated depreciation	1,153,989	50,412	10,531	1,193,870
Total capital assets being depreciated, net	788,588	6,893	430	795,051
Government activity capital assets, net	$ 990,822	$ 18,909	$ 6,812	$ 1,002,919

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

General government	$ 582
Public safety	8,798
Public works	40,169
Health	263
Culture and recreation	600
Total	$ 50,412

Business-type activities	Balance 01-01-12	Additions	Deletions	Balance 12-31-12
		(Thousands of Dollars)		
Water Works				
Capital assets not being depreciated:				
Land	$ 2,018	$ -	$ -	$ 2,018
Construction in progress	2,829	17,275	10,688	9,416
Total capital assets not being depreciated	4,847	17,275	10,688	11,434
Capital assets being depreciated:				
Buildings	27,259	223	214	27,268
Infrastructure	357,017	3,094	249	359,862
Machinery and equipment	213,310	7,372	5,918	214,764
Nonutility property	5,422	-	1,768	3,654
Total capital assets being depreciated	603,008	10,689	8,149	605,548
Less accumulated depreciation for:				
Buildings	16,501	861	210	17,152
Infrastructure	86,242	4,800	300	90,742
Machinery and equipment	102,223	8,449	5,781	104,891
Nonutility property	765	171	574	362
Total accumulated depreciation	205,731	14,281	6,865	213,147
Total capital assets being depreciated, net	397,277	(3,592)	1,284	392,401
Water Works capital assets, net	402,124	13,683	11,972	403,835
Sewer Maintenance				
Capital assets not being depreciated:				
Construction in progress	42	181	42	181
Total capital assets not being depreciated	42	181	42	181
Capital assets being depreciated:				
Infrastructure	519,862	28,140	127	547,875
Machinery and equipment	4,563	79	-	4,642
Total capital assets being depreciated	524,425	28,219	127	552,517
Less accumulated depreciation for:				
Infrastructure	119,985	6,201	127	126,059
Machinery and equipment	2,711	65	-	2,776
Total accumulated depreciation	122,696	6,266	127	128,835
Total capital assets being depreciated, net	401,729	21,953	-	423,682
Sewer Maintenance capital assets, net	401,771	22,134	42	423,863

	Balance 01-01-12	Additions	Deletions	Balance 12-31-12
		(Thousands of Dollars)		
Other business-type activities:				
Capital assets not being depreciated:				
Land	16,856	175	-	17,031
Construction in progress	4,120	829	1,317	3,632
Total capital assets not being depreciated	20,976	1,004	1,317	20,663
Capital assets being depreciated:				
Buildings	66,404	346	-	66,750
Infrastructure–port	16,873	653	-	17,526
Improvements other than buildings	7,998	27	-	8,025
Machinery and equipment	10,185	1,788	23	11,950
Total capital assets being depreciated	101,460	2,814	23	104,251
Less accumulated depreciation for:				
Buildings	41,691	2,009	-	43,700
Infrastructure–port	9,644	305	-	9,949
Improvements other than buildings	5,924	306	-	6,230
Machinery and equipment	6,149	656	23	6,782
Total accumulated depreciation	63,408	3,276	23	66,661
Total capital assets being depreciated, net	38,052	(462)	-	37,590
Other business-type activities, net	59,028	542	1,317	58,253
Business-type activity capital assets, net	$ 862,923	$ 36,359	$ 13,331	$ 885,951

	Balance 01-01-12	Additions	Deletions	Balance 12-31-12
		(Thousands of Dollars)		
Component Units				
Capital assets not being depreciated:				
Land	$ 14,730	$ -	$ 13	$ 14,717
Construction in Progress	-	2,039	-	2,039
Total capital assets not being depreciated	14,730	2,039	13	16,756
Capital assets being depreciated:				
Buildings	103,077	-	-	103,077
Infrastructure	379	-	-	379
Improvements other than buildings	843	-	-	843
Machinery and equipment	153	6	-	159
Intangibles	565	-	-	565
Total capital assets being depreciated	105,017	6	-	105,023
Less accumulated depreciation for:				
Buildings	12,753	2,671	-	15,424
Infrastructure	57	77	-	134
Improvements other than buildings	271	31	-	302
Machinery and equipment	-	1	-	1
Intangibles	28	57	-	85
Total accumulated depreciation	13,109	2,837	-	15,946
Total capital assets being depreciated, net	91,908	(2,831)	-	89,077
Component units capital assets, net	$ 106,638	$ (792)	$ 13	$ 105,833

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, 2012 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		(Thousands of Dollars)			
Current property taxes	$ 182,992	$ 92,314	$ 4,888	$ -	$ 280,194
Delinquent property taxes	10,197	-	-	5,928	16,125
Unearned revenue	-	-	14,282	3,652	17,934
Long-term receivables	-	87,633	-	-	87,633
Unbilled special assessments	-	-	6,849	-	6,849
Total	$ 193,189	$ 179,947	$ 26,019	$ 9,580	$ 408,735

6. SHORT-TERM DEBT

During 2012, the City issued and repaid $100,000,000 of General Obligation Cash Flow Promissory Notes, Series 2012 R1 (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 2012.

As of December 31, 2011, the City had outstanding $145,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2012, the City repaid the outstanding balance and issued $120,000,000 short-term RANs for the same purpose. The new notes of $120,000,000 bear an interest rate of 1.5% and will mature on June 26, 2013. 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, 2012 were as follows:

	Balance 01-01-12	Additions	Deductions	Balance 12-31-12	Amounts Due within One Year
		(Thousands of Dollars)			
Governmental activities:					
General obligation bonds and notes					
City	$ 707,383	$ 314,098	$ 341,490	$ 679,991	$ 96,966
Milwaukee Public Schools	118,191	6,040	18,355	105,876	11,782
Deferred amount on refundings	(1,956)	-	(1,507)	(449)	-
Unamortized premiums	43,084	19,998	11,110	51,972	-
Extendable Municipal Commercial Paper					
City	-	71,266	50,730	20,536	20,536
Milwaukee Public Schools	-	99,270	99,270	-	-
Compensated absences	47,581	3,538	2,714	48,405	2,512
Net other postemployment benefits obligation	206,369	73,066	33,263	246,172	-
Claims and judgments	23,879	4,702	4,797	23,784	4,493
Total governmental activities	$ 1,144,531	$ 591,978	$ 560,222	$ 1,176,287	$ 136,289
Business-type activities					
Water Works					
General obligation bonds and notes	$ 22,053	$ -	$ 3,326	$ 18,727	$ 2,936
Deferred amount on refundings	(42)	-	(31)	(11)	-
Unamortized premiums	269	-	103	166	-
Extendable Municipal Commercial Paper	-	4,000	-	4,000	4,000
Revenue bonds	7,498	-	989	6,509	1,015
Compensated absences	1,079	587	531	1,135	1,135
Net other postemployment benefits obligation	3,755	1,775	1,296	4,234	-
Total Water Works	34,612	6,362	6,214	34,760	9,086
Sewer Maintenance					
General obligation bonds and notes	52,762	-	42,677	10,085	697
State Loans	80,513	313	3,743	77,083	3,847
Revenue bonds	62,120	-	3,050	59,070	3,185
Deferred amount on refundings	(1,395)	-	(342)	(1,053)	-
Unamortized premiums	5,346	-	877	4,469	-
Extendable Municipal Commercial Paper	-	67,000	-	67,000	67,000
Net other postemployment benefits obligation	1,461	687	502	1,646	-
Total Sewer Maintenance	200,807	68,000	50,507	218,300	74,729
Other Enterprise Funds					
General obligation bonds and notes	15,141	2,320	2,955	14,506	1,899
Deferred amount on refundings	(59)	-	(27)	(32)	-
Unamortized premiums	92	-	33	59	-
Extendable Municipal Commercial Paper	-	1,464	-	1,464	1,464
Net other postemployment benefits obligation	1,301	629	459	1,471	-
Total Other Enterprise	16,475	4,413	3,420	17,468	3,363
Total business-type activities	$ 251,894	$ 78,775	$ 60,141	$ 270,528	$ 87,178

	Balance 01-01-12	New Issues	Repayments	Balance 12-31-12	Amounts Due within One Year
		(Thousands of Dollars)			
Component Units					
Revenue bonds	$ 78,700	$ -	$ 4,085	$ 74,615	$ 390
Unamortized discounts	(84)	-	(6)	(78)	-
Notes payable	18,850	1,500	-	20,350	-
Advance from other organizations	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Net other postemployment benefits	266	129	29	366	-
Total component units	$ 97,732	$ 1,629	$ 4,108	$ 95,253	$ 390

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, 2012, general obligation bonds totaling $27,796,738 were issued of which $27,351,738 was issued to finance capital improvements and $445,000 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 2012, $177,192,714 has been borrowed and outstanding for forty-four TID's. Total debt service requirements associated with these debt issues amounts to $236,881,753. Active Tax increments received through 2012 total $200,265,844. 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 $105,876,000 of Milwaukee Public School long-term debt outstanding at December 31, 2012 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, 2012, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately $1,033,676,000. 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 2012, 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 $313,455. 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, 2012, installment loans totaling $44,408,262 was issued of which $11,928,262 was issued to finance capital improvements, $890,000 for business-type activities and $31,590,000 to purchase 2011's delinquent taxes.

During 2012, the City continued to issue General Obligation Commercial Paper Promissory Notes totaling $60,949,000 of which $10,949,000 was issued to finance capital improvements and $50,000,000 for general fiscal requirements of the City. 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 01-01-12	Additions	Deletions	Balance 12-31-12
66,000	60,949	126,949	-

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 expired 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, 2012, the City had no outstanding draws on the letter of credit.

E. Extendable Municipal Commercial Paper

During 2012, the City began issuing Extendable Municipal Commercial Paper Promissory Notes which are not general obligations of the City; the notes are limited obligations of the City of Milwaukee payable from proceeds of the sale of notes or refunding notes issued to refinance the notes. The notes do not represent or constitute a debt of the City within the meaning of any constitutional or statutory limitation. During 2012, $243,000,000 of Extendable Municipal Commercial Paper Promissory Notes was issued of which $21,266,000 was issued to finance capital improvements, $72,464,000 for business-type activities, $50,000,000 for general fiscal requirements of the City and $99,270,000 for schools. Following is a summary of the Extendable Municipal Commercial Paper Promissory Notes issued (in thousands), which are in the totals in the long-term obligation table in footnote 7(a) above:

Balance 01-01-12	Additions	Deletions	Balance 12-31-12
-	243,000	150,000	93,000

The principal amount outstanding at any one time may not exceed $200,000,000 with the maturity of each note ranging from 1 to 90 days and may be extended up to 180 days from the original maturity date not to exceed the final maturity date of May 22, 2017. Of the $93,000,000 outstanding on December 31, 2012, $71,000,000 is planned to be financed on a long term basis with revenue bonds, and $22,000,000 with general obligation debt.

F. 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					
2013	$ 108,748	$ 33,526	$ -	$ -	$ 142,274
2014	84,172	29,136	-	-	113,308
2015	72,923	25,448	-	-	98,371
2016	72,066	21,886	-	-	93,952
2017	64,797	18,509	-	-	83,306
2018-2022	217,843	54,564	-	-	272,407
2023-2027	129,763	18,615	-	-	148,378
2028-2032	35,555	705	-	-	36,260
Total	$ 785,867	$ 202,389	$ -	$ -	$ 988,256
Business-type activities					
Water Works					
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	856	395	1,127	45	2,423
2018-2022	4,221	1,340	1,158	15	6,734
2023-2027	3,265	321	-	-	3,586
Total	$ 18,727	$ 4,848	$ 6,509	$ 528	$ 30,612
Sewer Maintenance					
2013	$ 697	$ 479	$ 7,032	$ 4,400	$ 12,608
2014	701	448	7,236	4,191	12,576
2015	703	414	7,427	3,994	12,538
2016	706	380	7,610	3,791	12,487
2017	681	346	7,816	3,565	12,408
2018-2022	4,197	1,184	42,854	13,390	61,625
2023-2027	2,400	180	38,034	6,235	46,849
2028-2032	-	-	18,144	1,215	19,359
Total	$ 10,085	$ 3,431	$ 136,153	$ 40,781	$ 190,450
Other Enterprise					
2013	$ 1,899	$ 671	$ -	$ -	$ 2,570
2014	1,871	582	-	-	2,453
2015	1,733	495	-	-	2,228
2016	1,396	412	-	-	1,808
2017	1,126	344	-	-	1,470
2018-2022	4,494	1,003	-	-	5,497
2023-2027	1,987	176	-	-	2,163
Total	$ 14,506	$ 3,683	$ -	$ -	$ 18,189

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					
2013	$ -	$ 242	$ 390	$ 102	$ 734
2014	-	248	565	102	915
2015	1,500	248	755	101	2,604
2016	-	210	965	100	1,275
2017	-	211	1,190	99	1,500
2018-2022	2,193	1,004	10,045	461	13,703
2023-2027	3,823	835	30,255	330	35,243
2028-2032	4,042	616	30,450	109	35,217
2033-2037	4,273	385	-	-	4,658
2038-2042	4,519	140	-	-	4,659
Total	$ 20,350	$ 4,139	$ 74,615	$ 1,404	$ 100,508

G. 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, 2012, the City's legal debt margin was $1,261,339,000. Of this amount, $559,093,000 was for school purposes and $702,246,000 was for City purposes.

H. Refundings

During May 2012, the City issued General Obligation Promissory Notes, Series 2012 N2 with a par amount of $75,106,738 and interest rates from 3% to 5%, Corporate Purpose Bonds, Series 2012 B3 with a par amount of $4,398,262 and an interest rate of 5% and General Obligation Corporate Purpose Multimodal Bonds, Series 2012 F9 with a par amount of $9,800,000 and an interest rate of 0.45%. A portion of the refundings was to reduce the interest cost, and a portion of the refundings was to provide long-term financing for interim and variable rate debt. From these proceeds, the City paid $63,884,000 to an escrow agent for an advance refunding of $58,605,000 par value notes and bonds. The result of the refundings will reduce interest costs by decreasing future debt service payments by $356,158, and result in a present value economic benefit of $450,309.

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, 2012, $45,880,000 of City bonds and $15,830,000 of Sewerage System Revenue Bonds outstanding is considered defeased, which includes debt defeased during the current year.

I. 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, 2012 is approximately $40,992,000 for the City and $571,901,980 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 ended December 31, 2012, 2011, and 2010, were $20,100,618, $22,878,684, and $17,371,000, 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 and dental 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. 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 2012, the City paid approximately $33,983,000 and $1,536,000, 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	$ 74,706,000
Interest on Net OPEB Obligation	9,580,000
Adjustment to ARC	(8,130,000)
Annual OPEB Cost	76,156,000
Contribution made	35,519,000
Increase in net OPEB Obligation	40,637,000
Net OPEB obligation - beginning of year	212,886,000
Net OPEB obligation - end of year	$ 253,523,000

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
12/31/2010	$ 81,311,000	41.8%	$ 174,360,000
12/31/2011	73,071,000	47.3%	212,886,000
12/31/2012	76,156,000	46.6%	253,523,000

Funded Status and Funding Progress. As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $946,857,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $946,857,000. The covered payroll (annual payroll of active employees covered by the plan) was $409,571,707 and the ratio of the UAAL to the covered payroll was 231 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 2012, approximately $6,983,000 was paid for sick leave from all funds. At December 31, 2012, accumulated sick leave earned but not taken totaled approximately $179,456,000 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 2012, terminal leave payments totaled $1,932,000 to employees retiring during the year. As of December 31, 2012, the City has accrued approximately $31,744,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of $48,405,000 with the remainder accrued vacation leave of $16,661,000.

9. FUND BALANCE

The constraints placed on fund balance for the governmental funds at December 31, 2012 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
			(Thousands of Dollars)			
Nonspendable						
Loans receivable	$ 10	$ -	$ -	$ -	$ -	$ 10
Advances	7,223	-	-	-	-	7,223
Inventory	8,094	-	-	-	-	8,094
Inventory of property for resale	26	-	-	-	-	26
Prepaid items	248	1	-	564	-	813
Investment-Targeted Mortgage	120	-	-	-	-	120
Spendable						
Restricted for:						
Grants	-	-	-	-	3,885	3,885
Economic Development	-	-	-	-	5,889	5,889
Committed to:						
Contributions	1,835	-	-	-	-	1,835
Debt	-	133,695	67,971	-	-	201,666
Delinquent taxes	-	-	-	-	26,103	26,103
Assigned to:						
Conservation and development	348	-	-	-	-	348
General government	13,400	-	-	-	-	13,400
Health	426	-	-	-	-	426
Library	276	-	-	-	-	276
Public safety	3,462	-	-	-	-	3,462
Public works	2,800	-	-	-	-	2,800
2012 budgetary financing	14,900	-	-	-	-	14,900
Environmental remediation	303	-	-	-	-	303
Unassigned	52,319	-	-	(5,165)	-	47,154
Total Fund Balance	$ 105,790	$ 133,696	$ 67,971	$ (4,601)	$ 35,877	$ 338,733

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, 2012, the tax stabilization reserve was $74,700,000. Of this amount, $14,900,000 has been committed to the funding of the 2013 General Fund budget and $59,800,000 is unassigned for 2014 and subsequent years' budgets. This Reserve includes an amount for advances of $7,223,000 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 $4,601,000 as of December 31, 2012, 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 2013.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2012 were as follows:

	Due From					
Due To	General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
			(Thousands of Dollars)			
General Fund		$ -	$ 7,533	$ -	$ -	$ 7,533
General Obligation Debt	-	-	3,858	-	-	3,858
Capital Projects	10,057	-	-	-	-	10,057
Nonmajor Governmental Funds	7,608	-	-	-	-	7,608
Water Works	13,005	-	-	884	1,001	14,890
Sewer Maintenance	-	-	-	-	-	-
Nonmajor Enterprise Funds	2,967	-	-	-	-	2,967
Totals	$ 33,637	$ -	$ 11,391	$ 884	$ 1,001	$ 46,913

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, 2012 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	$ 1,393	Funding for debt payments
	Nonmajor Governmental Funds	10,394	Subsidize uncollected property taxes
	Capital Projects	112	Capital close outs
	Water Works	11,891	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	1,444	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	20,410	Subsidy for operations
	Nonmajor Enterprise Funds	2,638	Excess earnings of Port
	Subtotal General Fund	**48,282**	
General Obligation Debt	General	100,000	Funding for cash flow debt
	General	2,119	Funding for debt payments
	Public Debt Amortization	7,047	Capital Projects
	Capital Projects	519	Capital close outs
	Capital Projects	409	Tax Incremental District closeouts
	Nonmajor Governmental Funds	29,807	Funding for debt payments
	Sewer Maintenance	8,253	Subsidy for operations
	Nonmajor Enterprise Funds	619	Subsidy for operations
	Subtotal Debt Service	**148,773**	
Public Debt Amortization	General Obligation Debt	1,521	Funding for debt payments
	Subtotal Public Debt Amortization	**1,521**	
Nonmajor Enterprise	General Obligation Debt	612	Funding for debt payments
	Subtotal Nonmajor Proprietary	**612**	
	Total Interfund Transfers	**$ 199,188**	

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, 2012 were as follows:

Component Unit Payable	Primary Government's Receivable (Thousands of Dollars)
Due from RACM for reimbursable expenditures	25
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	19,770
Due from NIDC for home and Community Development Block grants	40
Total	$ 19,835

Component Unit Receivable	Primary Government's Payable (Thousands of Dollars)
Due to RACM Community Development Block grants and Home grants	109
Total	$ 109

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2013 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)
2013	$ 5,864
2014	5,081
2015	5,283
2016	4,249
2017	3,891
2018-2022	18,394
2023-2027	18,658
2028-2032	15,480
2033 and beyond	9,616
Total	$ 86,516

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, 2012 were as follows:

General liability claims	$ 8,150,000
Workers' compensation claims	11,483,000
Unemployment claims	817,000
Health insurance claims	2,451,000
Pollution remediation obligation	883,000

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

	2011	2012
Beginning of year liability	$ 19,461,000	$ 23,879,000
Current year claims and changes in estimates	10,308,000	4,702,000
Claim payments	(5,890,000)	(4,797,000)
End of year liability	$ 23,879,000	$ 23,784,000

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. The Circuit Court branches have begun to schedule trials in the last half of 2013 and early 2014. Appeals by the losing party are likely in many of these cases.

A plaintiff has challenged the assessment of its billboards in a section 74.37 action. The Wisconsin Supreme Court decided in 2006 that the economic scarcity value of the city-issue billboard permit has value that can be assessed as real property. The Joint Finance Committee of the Wisconsin Legislature recently approved a new property tax exemption for these permits that would end this assessment as of January 1, 2014, if adopted by the full Legislature and signed by the Governor. This would effectively reverse the Supreme Court decision, leaving the taxes the City collected in 2009, 2010, 2011 and 2012 still at issue in the court. No trial has been scheduled and discovery is still in process. The City's potential liability is $7.6 million.

Several Plaintiffs are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessment is consistent with the law because they run with the property. Each of the terminals was permitted to add tax years 2009, 2010, 2011 and 2012 to the original claim for tax year 2008. The four separate cases have been consolidated in Judge Foley's court for a trail on November 6, 2013. An appeal by the losing party is likely.

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, cleanup 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 2012, the City spent $48,000 in pollution remediation-related activities. At December 31, 2012, the City has an outstanding liability of $883,000 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. The City spent $27,000 in post-closure care of solid waste landfills during 2012. Future costs at the Hawley Road landfill are estimated to be $200,000. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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, 2012.

Commitments

The following is a list of encumbrances by function at December 31, 2012:

	General Fund	Capital Projects	Water Works	Total
		(Thousands of Dollars)		
General government	$ 13,400	$ 13	$ -	$ 13,413
Conservation and development	348	11,138	-	11,486
Health	426	-	-	426
Library	276	451	-	727
Public safety	3,462	3,894	-	7,356
Public works	2,800	-	-	2,800
Infrastructures	-	19,725	5,394	25,119
Total	$ 20,712	$ 35,221	$ 5,394	$ 61,327

14. SUBSEQUENT EVENTS

On May 01, 2013, the City requested an advance of $178,235.00 from PNC Bank for the purpose of financing various public improvement projects. The maturity date is April 25th, 2016.

On May 06, 2013, the City requested an advance of $4,950,437.00 from PNC Bank for the purpose of financing various public improvement projects and refunding MPS debt. The maturity date is April 25th, 2016.

On May 15, 2013, 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 5, 2013 with interest.

On May 15, 2013, the City issued $76,285,000.00 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These notes mature on May 15 of each year beginning 2014 until 2023. Interest is payable on May 15 and November 15 commencing November 15, 2013.

On May 15, 2013, the City issued $15,320,000.00 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 15 of each year beginning 2024 until 2030. Interest is payable on May 15 and November 15 commencing November 15, 2013.

On June 26, 2013, the City Issued 37,000,000.00 of Sewerage System Revenue Bonds for the purpose of financing the costs of improvements to the City's Sewerage System and refunding Sewer Maintenance debt. These bonds mature on June 1 of each year beginning 2014 until 2033. Interest is payable on June 1 and December 1, beginning December 1, 2013.

On July 18, 2013, the City Issued 61,900,000.00 of general obligation promissory notes for the purpose of allowing the City to annually advance its contribution to the Employes' Retirement System of the City. These notes mature on February 1 and August 1 of each year beginning 2014 until 2018. Interest is payable on May 15 and November 15 commencing November 15, 2013.

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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, 2012

(Thousands of Dollars)

	Budgeted Amounts		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	$ 178,247	$ 178,247	$ 167,927	$ (10,320)
Other taxes	4,247	4,247	3,363	(884)
Licenses and permits	12,648	12,648	14,410	1,762
Intergovernmental	259,501	259,504	260,141	637
Charges for services	99,991	100,491	108,190	7,699
Fines and forfeits	5,304	5,304	5,042	(262)
Other	14,374	14,374	23,483	9,109
Total Revenues	574,312	574,815	582,556	7,741
Expenditures:				
Current:				
General government	234,715	226,972	208,013	18,959
Public safety	258,770	265,988	265,900	88
Public works	97,341	95,028	93,421	1,607
Health	9,454	9,231	8,656	575
Culture and recreation	16,651	16,495	15,912	583
Conservation and development	4,180	4,347	4,320	27
Total Expenditures	621,111	618,061	596,222	21,839
Deficiency of Revenues over Expenditures	(46,799)	(43,246)	(13,666)	29,580
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	2,000	102,000	100,000
Transfers in	34,011	35,404	48,282	12,878
Transfers out	-	-	(102,119)	(102,119)
Contributions received	30,751	30,831	21,826	(9,005)
Contributions used	(31,969)	(31,911)	(22,519)	9,392
Use of fund balance - reserved for tax stabilization	13,767	13,767	13,767	-
Total Other Financing Sources and Uses	46,560	50,091	61,237	11,146
Net Change in Fund Balance	(239)	6,845	47,571	40,726
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	58,219	58,219	58,219	-
Fund Balance - Ending	**$ 57,980**	**$ 65,064**	**$ 105,790**	**$ 40,726**

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 $13.767 million at January 1, 2012.

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, 2012
(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
1/1/2010	-	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%
1/1/2012	-	946,857,500	946,857,500	0.0%	409,571,707	231.2%

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, 2012
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, 2012
(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	$ 427	$ -	$ 3,793	$ 65	$ 4,285
Receivables (net):					
Taxes	-	-	28,352	-	28,352
Accounts	-	17	-	-	17
Notes and loans	6,932	5,830	-	-	12,762
Due from other funds	-	-	-	-	-
Due from component units	36	4	-	-	40
Due from other governmental agencies	11,524	5,729	-	-	17,253
Prepaid items	-	-	-	-	-
Total Assets	**$ 18,919**	**$ 11,580**	**$ 32,145**	**$ 65**	**$ 62,709**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 3,930	$ 4,459	$ 114	$ -	$ 8,503
Accrued expenses	362	165	-	-	527
Due to other funds	6,786	822	-	-	7,608
Due to component units	9	100	-	-	109
Due to other governmental agencies	489	16	-	-	505
Deferred revenue	3,458	194	5,928	-	9,580
Total Liabilities	15,034	5,756	6,042	-	26,832
Fund Balances:					
Restricted	3,885	5,824	-	65	9,774
Committed	-	-	26,103	-	26,103
Total Fund Balances	3,885	5,824	26,103	65	35,877
Total Liabilities and Fund Balances	**$ 18,919**	**$ 11,580**	**$ 32,145**	**$ 65**	**$ 62,709**

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, 2012
(Thousands of Dollars)

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ -	$ -	$ 2,894	$ -	$ 2,894
Intergovernmental	48,473	31,388	-	-	79,861
Other	-	-	4,258	7,005	11,263
Total Revenues	48,473	31,388	7,152	7,005	94,018
Expenditures:					
Current:					
General government	-	2,766	1,987	-	4,753
Public safety	22,765	3,122	-	-	25,887
Public works	3,409	161	-	-	3,570
Health	12,232	75	-	-	12,307
Culture and recreation	1,343	1,310	-	-	2,653
Conservation and development	7,092	23,959	-	6,995	38,046
Total Expenditures	46,841	31,393	1,987	6,995	87,216
Excess (deficiency) of Revenues over Expenditures	1,632	(5)	5,165	10	6,802
Other Financing Sources (Uses):					
General obligation bonds and notes issued	-	-	31,590	-	31,590
Loans receivable activities	312	2,005	-	-	2,317
Transfers out	(35)	-	(40,166)	-	(40,201)
Total Other Financing Sources (Uses)	277	2,005	(8,576)	-	(6,294)
Net Change in Fund Balances	1,909	2,000	(3,411)	10	508
Fund Balances - Beginning	1,976	3,824	29,514	55	35,369
Fund Balances - Ending	**$ 3,885**	**$ 5,824**	**$ 26,103**	**$ 65**	**$ 35,877**

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, 2012
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	$ 80,242	$ 48,473	$(31,769)
Expenditures:			
Current:			
Public safety	23,534	22,765	769
Public works	3,871	3,409	462
Health	44,380	12,232	32,148
Culture and recreation	1,348	1,343	5
Conservation and development	7,109	7,092	17
Total Expenditures	80,242	46,841	33,401
Excess of Revenues over Expenditures	-	1,632	1,632
Other Financing Sources (Uses):			
Loans receivable activities	-	312	312
Transfers out	-	(35)	(35)
Net Change in Fund Balance	-	1,909	1,909
Fund Balance - Beginning	-	1,976	1,976
Fund Balance - Ending	**$ -**	**$ 3,885**	**$ 3,885**

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, 2012
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	$ 31,388	$ 31,388	$ -
Expenditures:			
Current:			
General government	2,766	2,766	-
Public safety	3,122	3,122	-
Public works	161	161	-
Health	75	75	-
Culture and recreation	1,310	1,310	-
Conservation and development	23,959	23,959	-
Total Expenditures	31,393	31,393	-
Deficiency of Revenues under Expenditures	(5)	(5)	-
Other Financing Sources:			
Loans receivable activities	2,005	2,005	-
Fund Balance - Beginning	3,824	3,824	-
Fund Balance - Ending	**$ 5,824**	**$ 5,824**	**$ -**

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, 2012
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other	$ 7,704	$ 7,005	$ (699)
Expenditures:			
Current:			
Conservation and development	7,704	6,995	$ 709
Excess of Revenues over Expenditures	-	10	10
Fund Balance - Beginning	55	55	-
Fund Balance - Ending	**$ 55**	**$ 65**	**$ 10**

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 POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2012
(Thousands of Dollars)

	Parking	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 17,125	$ 75	$ -	$ 17,200
Receivables (net):				
Accounts	190	744	12,758	13,692
Taxes	-	44	-	44
Unbilled accounts	-	-	3,093	3,093
Due from other funds	-	-	1,001	1,001
Due from other governmental agencies	-	301	-	301
Total Current Assets	17,315	1,164	16,852	35,331
Noncurrent assets:				
Capital assets:				
Capital assets not being depreciated:				
Land	8,577	8,454	-	17,031
Construction in progress	3,603	29	-	3,632
Capital assets being depreciated:				
Buildings	52,927	13,823	-	66,750
Infrastructures	-	17,526	-	17,526
Improvements other than buildings	5,446	2,579	-	8,025
Machinery and equipment	5,653	6,297	-	11,950
Accumulated depreciation	(42,532)	(24,129)	-	(66,661)
Total Noncurrent Assets	33,674	24,579	-	58,253
Total Assets	50,989	25,743	16,852	93,584
LIABILITIES				
Current Liabilities:				
Accounts payable	1,171	366	9,185	10,722
Accrued expenses	479	174	2	655
Accrued interest payable	157	35	-	192
Advance from other funds	245	-	-	245
Due to other funds	-	936	2,031	2,967
Deferred revenue	8	420	-	428
Extendable Municipal Commercial Paper	1,154	310	-	1,464
General obligation debt payable - current	1,452	447	-	1,899
Total Current Liabilities	4,666	2,688	11,218	18,572
Noncurrent Liabilities:				
General obligation debt	10,254	2,380	-	12,634
Other post employment benefits obligation	1,193	278	-	1,471
Total Noncurrent Liabilities	11,447	2,658	-	14,105
Total Liabilities	16,113	5,346	11,218	32,677
NET POSITION:				
Net investment in capital assets	20,814	21,442	-	42,256
Unrestricted	14,062	(1,045)	5,634	18,651
Total Net Position	**$ 34,876**	**$ 20,397**	**$ 5,634**	**$ 60,907**

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit G-2

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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	$ -	$ -	$ 47,163	$ 47,163
Rent	6,524	5,672	-	12,196
Parking meters	4,972	-	-	4,972
Parking permits	3,880	-	-	3,880
Vehicle towing	5,196	-	-	5,196
Parking forfeitures	22,158	-	-	22,158
Other	-	-	1,453	1,453
Total Operating Revenues	42,730	5,672	48,616	97,018
Operating Expenses:				
Milwaukee Metropolitan Sewerage District Charges	-	-	39,167	39,167
Employee services	6,583	1,756	80	8,419
Administrative and general	-	-	-	-
Depreciation	2,450	826	-	3,276
Transmission and distribution	-	-	-	-
Services, supplies and materials	16,511	1,218	4,557	22,286
Billing and collection	-	-	-	-
Total Operating Expenses	25,544	3,800	43,804	73,148
Operating Income	17,186	1,872	4,812	23,870
Nonoperating Revenues (Expenses):				
Grant revenue	-	47	-	47
Interest expense	(557)	(140)	-	(697)
Other	736	1	-	737
Total Nonoperating Revenues (Expenses)	179	(92)	-	87
Income (Loss) before Contributions and Transfers	17,365	1,780	4,812	23,957
Capital contributions	-	667	-	667
Transfers in	-	612	-	612
Transfers out	(22,473)	(2,638)	-	(25,111)
Change in Net Position	(5,108)	421	4,812	125
Total Net Position - Beginning	39,984	19,976	822	60,782
Total Net Position - Ending	**$ 34,876**	**$ 20,397**	**$ 5,634**	**$ 60,907**

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, 2012
(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	$ 42,729	$ 5,678	$ 49,122	$ 97,529
Payments to suppliers	(16,840)	(1,346)	(43,714)	(61,900)
Payments to employees	(6,493)	(1,713)	(80)	(8,286)
Payments from other funds	-	(232)	(4,963)	(5,195)
Payments to other funds	245	-	(365)	(120)
Net Cash Provided by Operating Activities	19,641	2,387	-	22,028
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	-	47	-	47
Transfers to other funds	(22,473)	(2,026)	-	(24,499)
Net Cash Used for Noncapital Financing Activities	(22,473)	(1,979)	-	(24,452)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	2,968	816	-	3,784
Acquisition of property, plant and equipment	(1,072)	(1,427)	-	(2,499)
Retirement of bonds, notes and revenue bonds	(2,300)	(655)	-	(2,955)
Interest paid	(584)	(148)	-	(732)
Other	736	1,081	-	1,817
Net Cash Used for Capital and Related Financing Activities	(252)	(333)	-	(585)
Net Decrease in Cash and Cash Equivalents	(3,084)	75	-	(3,009)
Cash and Cash Equivalents - Beginning	20,209	-	-	20,209
Cash and Cash Equivalents - Ending	**$ 17,125**	**$ 75**	**$ -**	**$ 17,200**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income	$ 17,186	$ 1,872	$ 4,812	$ 23,870
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,450	826	-	3,276
Changes in assets and liabilities:				
Receivables	(6)	91	507	592
Due from other funds	-	-	(366)	(366)
Accounts payable	(329)	(128)	10	(447)
Accrued liabilities	(44)	43	-	(1)
Net other postemployment benefits obligation	134	-	-	134
Due to other funds	245	(232)	(4,963)	(4,950)
Deferred revenue	5	(85)	-	(80)
Net Cash Provided by Operating Activities	$ 19,641	$ 2,387	$ -	$ 22,028

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, 2012
(Thousands of Dollars)

	Balance 01-01-12	Additions	Deductions	Balance 12-31-12
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and cash equivalents	$ 226,977	$ 1,442,126	$ 1,523,836	$ 145,267
Taxes receivable	-	153,575	153,575	-
Total Assets	**$ 226,977**	**$ 1,595,701**	**$ 1,677,411**	**$ 145,267**
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	**$ 226,977**	**$ 1,442,126**	**$ 1,523,836**	**$ 145,267**
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	$ 108,662	$ 222,751	$ 224,538	$ 106,875
Taxes Receivable	-	117,770	117,770	-
Total Assets	**$ 108,662**	**$ 340,521**	**$ 342,308**	**$ 106,875**
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	$ 64	$ 4,778	$ 4,763	$ 79
Milwaukee County	63,607	125,181	126,650	62,138
Menomonee Falls School District	-	210	210	-
Milwaukee Area District Board of Vocational Technical & Adult Education	25,343	52,196	52,277	25,262
Milwaukee Metropolitan Sewerage District	19,648	40,346	40,598	19,396
Washington County	-	5	5	-
Waukesha County	-	37	37	-
Total Liabilities	**$ 108,662**	**$ 222,753**	**$ 224,540**	**$ 106,875**
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	**$ 266**	**$ 1,122**	**$ 1,204**	**$ 184**
LIABILITIES				
Accounts payable	**$ 266**	**$ 1,122**	**$ 1,204**	**$ 184**

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, 2012
(Thousands of Dollars)

	Balance 01-01-12	Additions	Deductions	Balance 12-31-12
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and cash equivalents	**$ 446**	**$ 4,010**	**$ 4,044**	**$ 412**
LIABILITIES				
Accounts payable	$ -	$ 71	$ 71	$ -
Due to Other Governmental Agencies:				
State of Wisconsin	405	3,187	3,225	367
Milwaukee County	41	752	748	45
Total Liabilities	**$ 446**	**$ 4,010**	**$ 4,044**	**$ 412**
OTHER				
ASSETS				
Cash and cash equivalents	**$ 1,734**	**$ 12,133**	**$ 12,584**	**$ 1,283**
LIABILITIES				
Accounts payable	**$ 1,734**	**$ 12,133**	**$ 12,584**	**$ 1,283**
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 338,085	$ 1,682,142	$ 1,766,206	$ 254,021
Receivables:				
Taxes	-	271,345	271,345	-
Total Assets	**$ 338,085**	**$ 1,953,487**	**$ 2,037,551**	**$ 254,021**
LIABILITIES				
Accounts payable	$ 2,000	$ 13,326	$ 13,859	$ 1,467
Due to other governmental agencies	336,085	1,668,818	1,752,349	252,554
Total Liabilities	**$ 338,085**	**$ 1,682,144**	**$ 1,766,208**	**$ 254,021**

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, 2012

(Thousands of Dollars)

	Real Estate	Personal Property	Total
Year Levied			
2000 -2001	$ 122	$ -	$ 122
2002	88	-	88
2003	124	-	124
2004	166	-	166
2005	189	-	189
2006	356	350	706
2007	524	324	848
2008	1,676	381	2,057
2009	5,423	478	5,901
2010	13,468	411	13,879
2011	33,693	453	34,146
Delinquent Taxes Receivable	$ 55,829	$ 2,397	58,226
Add: Property taxes receivable on foreclosed property (A)			27,710
Total Delinquent Taxes Receivable			85,936
Less: Estimated uncollectible taxes			(23,990)
Net Delinquent Taxes Receivable			**$ 61,946**

(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, 2012

(Thousands of Dollars)

Cash and Cash Equivalents:		
Cash	$ 48,102	
Local Government Pooled - Investment Fund	105,111	
Institutional Money Market Fund	400,937	
Cash with Fiscal Agent	11,703	
Total Cash and Cash Equivalents		$ 565,853
Investments:		
Treasury Notes, Bills and Agencies	2,333	
Municipal Bonds	14,182	
Certificates of Deposit	12,913	
Investment Portfolio	75,476	
Other	9,547	
Total Investments		114,451
Total Cash and Cash Equivalents and Investments		$ 680,304

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Cash and Cash Equivalents and Investments - Fund:				
General	$ 122,890	$ 120	$ -	$ 123,010
General Obligation Debt Service	176,318	-	-	176,318
Public Debt Amortization	13,589	28,740	-	42,329
Capital Projects	20,852	-	-	20,852
Nonmajor Governmental Funds	4,285	-	-	4,285
Water Works	5,121	-	705	5,826
Sewer Maintenance	16,054	-	15,296	31,350
Nonmajor Enterprise Funds	17,200	-	-	17,200
Pension and Other Employee Benefit Trusts	775	-	-	775
Private-Purpose Trusts	2,472	1,866	-	4,338
Agency Funds	254,021	-	-	254,021
Total Cash and Cash Equivalents and Investments - Fund	**$ 633,577**	**$ 30,726**	**$ 16,001**	**$ 680,304**

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit I-3

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION BONDS AND NOTES

DECEMBER 31, 2012

(Thousands of Dollars)

	Bridges		Economic Development		Finance Real and Personal Property Tax Receivables	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2013	$ 2,827	$ 1,271	$ 2	$ -	$ 29,761	$ 1,750
2014	2,694	1,138	1	-	13,160	931
2015	2,679	1,008	1	-	5,800	510
2016	2,447	875	-	-	3,960	275
2017	2,263	759	-	-	2,625	111
2018	2,175	650	-	-	895	22
2019	2,085	547	-	-	-	-
2020	1,898	450	-	-	-	-
2021	1,863	360	-	-	-	-
2022	1,418	279	-	-	-	-
2023	1,350	210	-	-	-	-
2024	1,350	143	-	-	-	-
2025	1,341	75	-	-	-	-
2026	556	28	-	-	-	-
2027	280	7	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
Totals	**27,226**	**7,800**	**4**	**-**	**56,201**	**3,599**
Total Requirements	**$35,026**		**$4**		**$59,800**	

See accompanying independent auditors' report.

Fire		Grant and Aid Improvements - City Share		Harbor	
Principal	Interest	Principal	Interest	Principal	Interest
$ 2,862	$ 832	$ 39	$ 3	$ 447	$ 133
2,849	699	15	1	438	111
2,160	580	15	1	411	90
1,840	479	7	-	239	71
2,197	381	-	-	191	59
1,354	297	-	-	171	50
1,349	232	-	-	167	41
878	177	-	-	140	34
692	137	-	-	140	27
692	103	-	-	106	21
425	75	-	-	100	16
426	54	-	-	96	11
388	34	-	-	96	7
388	14	-	-	59	3
86	2	-	-	21	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,586	**4,096**	**76**	**5**	**2,822**	**675**
$22,682		**$81**		**$3,497**	

CITY OF MILWAUKEE

Exhibit I-3 (Continued)

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION BONDS AND NOTES

DECEMBER 31, 2012

(Thousands of Dollars)

	Industrial Land Bank		Library		Local Improvement Projects/ Special Assessments	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2013	$ 1	$ -	$ 1,496	$ 625	$ 1,137	$ 410
2014	1	-	1,447	556	1,044	352
2015	1	-	1,221	492	677	308
2016	-	-	1,212	428	2,421	273
2017	-	-	1,153	368	2,130	173
2018	-	-	939	317	2,073	87
2019	-	-	926	271	23	1
2020	-	-	871	226	-	-
2021	-	-	814	185	-	-
2022	-	-	764	146	-	-
2023	-	-	706	109	-	-
2024	-	-	706	74	-	-
2025	-	-	619	41	-	-
2026	-	-	464	14	-	-
2027	-	-	47	1	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
Totals	**3**	**-**	**13,385**	**3,853**	**9,505**	**1,604**
Total Requirements	**$3**		**$17,238**		**$11,109**	

See accompanying independent auditors' report.

Milwaukee Exposition and Convention Center and Arena		Parking		Playgrounds/ Recreational Facilities	
Principal	Interest	Principal	Interest	Principal	Interest
$ 1	$ -	$ 1,452	$ 538	$ 1,331	$ 333
-	-	1,433	471	1,286	273
-	-	1,322	405	1,105	216
-	-	1,157	341	967	166
-	-	935	285	798	123
-	-	862	241	617	91
-	-	797	201	607	61
-	-	755	164	290	40
-	-	684	128	105	29
-	-	672	96	105	24
-	-	562	66	105	19
-	-	480	41	105	13
-	-	307	21	105	8
-	-	198	8	105	3
-	-	68	2	4	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1	**-**	**11,684**	**3,008**	**7,635**	**1,399**
$1		**$14,692**		**$9,034**	

CITY OF MILWAUKEE

Exhibit I-3 (Continued)

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION BONDS AND NOTES

DECEMBER 31, 2012

(Thousands of Dollars)

	Police		Public Buildings		Resource Recovery	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2013	$ 5,008	$ 1,310	$ 19,827	$ 6,468	$ -	$ -
2014	4,017	1,069	19,120	5,570	1	-
2015	4,124	887	18,307	4,690	-	-
2016	2,734	691	17,666	3,827	-	-
2017	2,532	558	15,079	3,047	-	-
2018	1,888	441	13,798	2,379	-	-
2019	1,577	352	13,935	1,728	-	-
2020	1,147	285	11,428	1,120	-	-
2021	1,083	231	8,363	651	-	-
2022	894	183	3,474	375	-	-
2023	833	140	2,925	225	-	-
2024	833	98	2,102	102	-	-
2025	726	60	353	40	-	-
2026	581	27	353	22	-	-
2027	246	6	276	7	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
Totals	**28,223**	**6,338**	**147,006**	**30,251**	**1**	**-**
Total Requirements	**$34,561**		**$177,257**		**$1**	

See accompanying independent auditors' report.

Schools		Sewer Maintenance		Sewers	
Principal	Interest	Principal	Interest	Principal	Interest
$ 11,782	$ 4,644	$ 697	$ 479	$ 4,988	$ 1,126
7,834	4,191	701	448	4,739	887
6,512	3,844	703	414	4,168	665
8,542	3,516	706	380	3,238	449
6,228	3,119	681	346	2,106	290
5,375	2,823	681	313	1,620	193
4,706	2,570	681	279	1,150	123
3,837	2,359	681	244	1,094	70
497	2,170	1,077	201	483	32
496	2,147	1,077	147	336	13
497	2,125	800	100	120	3
270	2,107	800	60	-	-
12,000	2,100	800	20	-	-
-	1,958	-	-	-	-
37,300	979	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
105,876	**40,652**	**10,085**	**3,431**	**24,042**	**3,851**
$146,528		**$13,516**		**$27,893**	

CITY OF MILWAUKEE

Exhibit I-3 (Continued)

DEBT SERVICE REQUIREMENTS TO MATURITY - GENERAL OBLIGATION BONDS AND NOTES

DECEMBER 31, 2012

(Thousands of Dollars)

	Streets		Tax Incremental Districts		Urban Renewal	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2013	$ 11,778	$ 4,831	$ 12,448	$ 8,630	$ 3,460	$ 1,293
2014	10,941	4,284	11,511	8,046	3,512	1,139
2015	10,265	3,781	12,549	7,486	3,339	980
2016	9,489	3,266	14,673	6,815	2,870	826
2017	8,457	2,816	16,888	6,067	2,341	697
2018	7,210	2,431	17,431	5,236	2,279	592
2019	7,125	2,080	15,443	4,443	2,341	486
2020	6,866	1,737	14,739	3,720	2,191	380
2021	5,885	1,424	14,239	3,028	2,020	282
2022	5,277	1,154	12,575	2,392	1,608	202
2023	5,573	889	11,075	1,835	1,044	142
2024	5,473	612	8,390	1,376	1,014	90
2025	4,421	365	8,195	981	884	43
2026	2,570	191	5,515	655	416	11
2027	426	116	5,785	386	11	-
2028	-	105	4,045	153	-	-
2029	-	105	400	51	-	-
2030	-	105	350	37	-	-
2031	-	105	370	23	-	-
2032	30,000	13	390	8	-	-
2033	-	-	-	-	-	-
Totals	**131,756**	**30,410**	**187,011**	**61,368**	**29,330**	**7,163**
Total Requirements	**$162,166**		**$248,379**		**$36,493**	

See accompanying independent auditors' report.

Water		Total Requirements	
Principal	Interest	Principal	Interest
$2,936	$918	$114,280	$35,594
3,121	769	89,865	30,935
2,511	617	77,870	26,974
1,817	488	75,985	23,166
856	395	67,460	19,594
857	353	60,225	16,516
859	310	53,770	13,725
835	267	47,650	11,273
835	226	38,780	9,111
835	184	30,330	7,466
835	142	26,950	6,096
835	101	22,880	4,882
820	59	31,055	3,854
775	19	11,980	2,953
-	-	44,550	1,507
-	-	4,045	258
-	-	400	156
-	-	350	142
-	-	370	128
-	-	30390	21
-	-	-	-
18,727	**4,848**	**829,185**	**214,351**
$23,575		**$1,043,536**	

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
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
	$ 6,509	**$ 528**	**$ 7,037**

Note: *Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 and 5 for 2012 consisted of gross revenues plus interest income in the amount of $88,136, less operating expenses (excluding depreciation but including the payment in lieu of taxes) of $65,547. As a result, the net revenue available for debt service was $22,589. Debt service requirements consisted of $1,174 for 2012. At the end of the year, bond coverage computes to 19.24.*

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)

	Revenue Bonds		State Loans (Revenue Bonds)		Total Requirements	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2013	3,185	2,567	3,847	1,833	7,032	4,400
2014	3,295	2,453	3,941	1,738	7,236	4,191
2015	3,390	2,353	4,037	1,641	7,427	3,994
2016	3,475	2,250	4,135	1,541	7,610	3,791
2017	3,580	2,126	4,236	1,439	7,816	3,565
2018	3,725	1,961	4,340	1,334	8,065	3,295
2019	3,900	1,771	4,446	1,227	8,346	2,998
2020	4,090	1,571	4,554	1,117	8,644	2,688
2021	4,280	1,361	4,665	1,005	8,945	2,366
2022	4,075	1,153	4,779	890	8,854	2,043
2023	4,260	952	4,896	772	9,156	1,724
2024	1,880	806	5,015	650	6,895	1,456
2025	1,965	718	5,138	526	7,103	1,244
2026	2,060	624	5,263	399	7,323	1,023
2027	2,165	519	5,392	269	7,557	788
2028	2,265	419	4,600	147	6,865	566
2029	2,370	315	2,426	61	4,796	376
2030	2,490	193	1,373	15	3,863	208
2031	2,620	65	-	-	2,620	65
	$ 59,070	**$ 24,177**	**$ 77,083**	**$ 16,604**	**$ 136,153**	**$40,781**

Note: Sewerage System Revenue Bonds coverage consisted of gross operating revenues plus interest income in the amount of $54,140 less operating expenses (excluding depreciation) of $15,440. As a result, the net revenue available for debt service was $38,700. Debt service requirements consisted of $11,408 for 2012. At the end of the year, bond coverage computes to 3.39.

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Exhibit I-6

SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
DECEMBER 31, 2012
(Thousands of Dollars)

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	$2,337	$ 834	$ 307	$ 286	$ 388
Receivables (net):					
Taxes	-	64	-	-	-
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governmental agencies	987	-	-	-	-
Prepaid items	-	-	-	-	-
Total Assets	**$3,324**	**$ 898**	**$ 307**	**$ 286**	**$ 388**
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 791	$ 4	$ 93	$ 248	$ 37
Accrued expenses	20	-	-	2	12
Due to other funds	-	-	-	-	-
Due to component units	-	-	-	-	-
Deferred revenue	979	110	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	1,790	114	93	250	49
Fund Balance	1,534	784	214	36	339
Total Liabilities and Fund Balance	**$3,324**	**$ 898**	**$ 307**	**$ 286**	**$ 388**

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
$ -	$ 1,313	$ 1,345	$ 4,366	$ -	$ 9,676	$ -	$ 20,852
23	363	-	116	-	2,272	-	2,838
-	-	8	-	1,702	-	-	1,710
-	-	-	-	-	-	7,915	7,915
-	-	-	-	-	-	-	-
-	21	-	-	12,167	-	-	13,175
564	-	-	-	-	-	-	564
$ 587	**$ 1,697**	**$ 1,353**	**$ 4,482**	**$ 13,869**	**$ 11,948**	**$ 7,915**	**$ 47,054**
$ 1,575	$ 1,268	$ 40	$ 857	$ 1,737	$ 1,185	$ 168	$ 8,003
4	41	-	3	269	2	-	353
1,068	-	-	-	8,989	-	-	10,057
-	-	-	-	-	-	-	-
40	646	1	200	13,281	3,913	6,849	26,019
-	-	-	-	-	-	7,223	7,223
2,687	1,955	41	1,060	24,276	5,100	14,240	51,655
(2,100)	(258)	1,312	3,422	(10,407)	6,848	(6,325)	(4,601)
$ 587	**$ 1,697**	**$ 1,353**	**$ 4,482**	**$ 13,869**	**$ 11,948**	**$ 7,915**	**$ 47,054**

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, 2012

(Thousands of Dollars)

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	$ -	$ 110	$ -	$ -	$ -
Special Assessments	-	-	-	-	-
Intergovernmental	129	-	-	-	131
Other	-	-	-	-	2,507
Total Revenues	129	110	-	-	2,638
Expenditures:					
Capital outlay	5,212	100	1,593	1,451	3,346
Excess (deficiency) of Revenues over Expenditures	(5,083)	10	(1,593)	(1,451)	(708)
Other Financing Sources (Uses):					
General obligation bonds and notes issued	3,568	-	970	1,404	917
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources and Uses	3,568	-	970	1,404	917
Net Change in Fund Balance	(1,515)	10	(623)	(47)	209
Fund Balance (Deficit) - Beginning	3,049	774	837	83	130
Fund Balance (Deficit) - Ending	**$ 1,534**	**$ 784**	**$ 214**	**$ 36**	**$ 339**

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
$ -	$ 640	$ -	$ 275	$ -	$ 3,455	$ -	$ 4,480
-	-	-	-	-	-	2,344	2,344
-	2,347	-	19	2,520	-	-	5,146
-	-	140	-	453	691	-	3,791
-	2,987	140	294	2,973	4,146	2,344	15,761
3,604	14,972	140	3,435	39,906	11,327	2,343	87,429
(3,604)	(11,985)	-	(3,141)	(36,933)	(7,181)	1	(71,668)
478	11,117	-	6,423	35,502	7,845	-	68,224
-	-	-	-	-	-	-	-
-	-	-	-	-	(1,010)	(30)	(1,040)
478	11,117	-	6,423	35,502	6,835	(30)	67,184
(3,126)	(868)	-	3,282	(1,431)	(346)	(29)	(4,484)
1,026	610	1,312	140	(8,976)	7,194	(6,296)	(117)
$ (2,100)	**$ (258)**	**$ 1,312**	**$ 3,422**	**$ (10,407)**	**$ 6,848**	**$ (6,325)**	**$ (4,601)**

CITY OF MILWAUKEE

Exhibit I-8

GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2012

(Thousands of Dollars)

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	$ 120,231	$ 109,911	$(10,320)
Provision for Employees' Retirement	58,016	58,016	-
Total Property Taxes	178,247	167,927	(10,320)
Other Taxes:			
Payment in lieu of taxes	1,088	1,084	(4)
Interest on city tax certificates and other taxes	3,159	2,279	(880)
Total Other Taxes	4,247	3,363	(884)
Licenses and Permits:			
Licenses:			
Business and occupational	5,266	5,479	213
Other	62	84	22
Permits:			
Building	5,903	7,178	1,275
Zoning	324	336	12
Other	1,093	1,333	240
Total Licenses and Permits	12,648	14,410	1,762
Intergovernmental:			
State Shares Revenues:			
State shared taxes	226,806	227,046	240
Local street aids	25,470	25,485	15
Payment for municipal services	1,650	1,912	262
Other	5,578	5,698	120
Total Intergovernmental	259,504	260,141	637
Charges for Services:			
General government	9,942	10,428	486
Public safety	18,436	20,785	2,349
Public works	69,514	74,168	4,654
Health	910	1,101	191
Culture and recreation	1,272	1,239	(33)
Conservation and development	417	469	52
Total Charges for Services	100,491	108,190	7,699
Fines and Forfeits:			
Court and contract forfeitures	5,304	5,036	(268)
Other	-	6	6
Total Fines and Forfeits	5,304	5,042	(262)
Other:			
Interest on temporary investments	670	809	139
Miscellaneous	13,704	22,674	8,970
Total Other	14,374	23,483	9,109
Total	**$ 574,815**	**$ 582,556**	**$ 7,741**

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, 2012

(Thousands of Dollars)

		2012 Actual				
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Zoning Appeals	$ 238	$ 178	$ 36	$ -	$ 214	$ 24
Mayor	815	735	27	3	765	50
Unified Call Center	505	263	219	7	489	16
Common Council - City Clerk	6,567	5,037	1,196	104	6,337	230
Municipal Court	2,955	1,918	1,011	2	2,931	24
City Attorney	10,635	4,883	5,488	71	10,442	193
Administration	7,371	4,562	2,590	12	7,164	207
Employee Relations	112,266	2,657	100,819	53	103,529	8,737
Election Commission	3,503	2,256	1,247	-	3,503	-
Comptroller	28,140	3,089	19,792	15	22,896	5,244
City Treasurer	2,892	1,423	1,430	1	2,854	38
Assessor's Office	3,257	2,530	577	-	3,107	150
Employee's Retirement	18,541	229	17,160	-	17,389	1,152
Interest Expense	1,393	-	1,393	-	1,393	-
Pension Reserve Fund	25,000	-	25,000	-	25,000	-
Non-departmental - unallocated	2,894	-	-	-	-	2,894
Total General Government	226,972	29,760	177,985	268	208,013	18,959
Public Safety:						
Fire and Police Commission	1,043	703	336	4	1,043	-
Fire Department	77,239	70,153	6,384	680	77,217	22
Police Department	174,399	159,671	13,713	979	174,363	36
Neighborhood Services	13,307	8,835	4,349	93	13,277	30
Total Public Safety	265,988	239,362	24,782	1,756	265,900	88
Public Works:						
General Office	3,163	2,634	361	30	3,025	138
Infrastructure	30,087	15,511	14,238	228	29,977	110
Operations	61,778	31,585	26,858	1,976	60,419	1,359
Total Public Works	95,028	49,730	41,457	2,234	93,421	1,607
Health	9,231	6,613	2,038	5	8,656	575
Culture and Recreation:						
Public Library	16,495	11,709	2,562	1,641	15,912	583
Conservation and Development:						
Department of City Development	4,347	2,712	1,599	9	4,320	27
Total	**$ 618,061**	**$339,886**	**$ 250,423**	**$ 5,913**	**$ 596,222**	**$ 21,839**

See accompanying independent auditors' report.

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STATISTICAL SECTION

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CITY OF MILWAUKEE

Table 1

NET POSITION BY COMPONENT

LAST TEN YEARS

(Accrual Basis of Accounting) (Thousands of Dollars)

	Fiscal Year				
	2003	**2004**	**2005**	**2006**	**2007**
Governmental activities					
Net investment in capital assets	$ 420,357	$ 444,873	$ 492,841	$ 500,045	$ 558,328
Restricted	104,600	110,417	109,149	115,803	116,516
Unrestricted	(99,195)	(159,507)	(196,677)	(200,581)	(298,676)
Total governmental activities net position	425,762	395,783	405,313	415,267	376,168
Business-type activities					
Net investment in capital assets	518,861	529,213	560,899	554,966	581,594
Restricted	26,329	8,123	8,383	8,748	9,528
Unrestricted	58,061	89,077	63,657	82,725	60,566
Total business-type activities net position	603,251	626,413	632,939	646,439	651,688
Primary government					
Net investment in capital assets	939,218	974,086	1,053,740	1,055,011	1,139,922
Restricted	130,929	118,540	117,532	124,551	126,044
Unrestricted	(41,134)	(70,430)	(133,020)	(117,856)	(238,110)
Total primary government net position	$ 1,029,013	$ 1,022,196	$ 1,038,252	$ 1,061,706	$ 1,027,856

	Fiscal Year				
	2008	**2009**	**2010**	**2011**	**2012**
Governmental activities					
Net investment in capital assets	$ 559,343	$ 562,934	$ 625,372	$ 645,761	$ 686,492
Restricted	143,951	164,011	210,066	206,053	211,440
Unrestricted	(396,139)	(478,822)	(562,424)	(614,761)	(646,225)
Total governmental activities net position	307,155	248,123	273,014	237,053	251,707
Business-type activities					
Net investment in capital assets	607,122	650,478	619,758	618,625	623,909
Restricted	10,935	11,159	11,422	15,034	-
Unrestricted	47,065	19,392	45,625	58,195	87,737
Total business-type activities net position	665,122	681,029	676,805	691,854	711,646
Primary government					
Net investment in capital assets	1,166,465	1,213,412	1,245,130	1,264,386	1,310,401
Restricted	154,886	175,170	221,488	221,087	211,440
Unrestricted	(349,074)	(459,430)	(516,799)	(556,566)	(558,488)
Total primary government net position	$ 972,277	$ 929,152	$ 949,819	$ 928,907	$ 963,353

See accompanying independent auditors' report.

CITY OF MILWAUKEE

CHANGES IN NET POSITION

LAST TEN YEARS

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

Table 2

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
Expenses				
Governmental Activities				
General government	$ 166,270	$ 177,761	$ 180,975	$ 179,647
Public safety	257,207	241,027	263,852	263,608
Public works	137,693	150,591	155,048	154,644
Health	24,679	27,251	27,036	27,316
Culture and recreation	19,520	29,014	19,931	21,506
Conservation and development	64,197	57,967	57,245	66,092
Capital contribution to Milwaukee Public Schools	8,904	15,686	18,002	14,028
Contributions	22,499	20,582	25,465	25,412
Interest on long-term debt	26,981	24,159	22,589	32,131
Total Governmental Activities Expenses	727,950	744,038	770,143	784,384
Business-type Activities				
Water	56,554	54,030	58,230	58,074
Sewer Maintenance	26,440	24,361	26,096	26,605
Parking	21,438	22,283	22,369	22,609
Other activities	34,936	34,214	34,789	35,603
Total Business-type Activities	139,368	134,888	141,484	142,891
Total Primary Government Expenses	867,318	878,926	911,627	927,275
Program Revenues				
Governmental activities				
Charges for services				
General government	10,822	10,460	11,049	12,174
Public safety	8,348	13,153	13,888	13,522
Public works	32,777	33,305	35,382	44,722
Health	890	911	693	667
Culture and recreation	2,366	2,412	1,808	1,892
Conservation and development	511	584	590	551
Operating grants and contributions	94,646	82,664	87,718	91,271
Total Governmental Activities Program Revenues	150,360	143,489	151,128	164,799
Business-type Activities				
Charges for services				
Water	74,136	71,579	71,903	69,636
Sewer Maintenance	32,657	30,959	31,072	34,261
Parking	39,279	41,470	38,961	40,736
Other activities	34,363	33,631	36,395	35,489
Capital grants and contributions	2,053	2,236	1,850	7,780
Total Business-type Activities Program Revenues	182,488	179,875	180,181	187,902
Total Primary Government Program Revenues	332,848	323,364	331,309	352,701
Net (Expense)/Revenue				
Governmental Activities	(577,590)	(600,549)	(619,015)	(619,585)
Business-type Activities	43,120	44,987	38,697	45,011
Total primary government net expense	$ (534,470)	$ (555,562)	$ (580,318)	$ (574,574)

See accompanying independent auditors' report.

Table 2 (continued)

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 204,724	$ 208,608	$ 207,504	$ 259,420	$ 245,191	$ 219,277
297,711	314,935	331,409	326,366	326,879	328,677
157,701	174,629	167,983	168,699	166,787	158,527
23,102	20,830	22,995	23,360	21,137	22,020
21,298	20,639	22,901	21,075	19,864	20,512
70,025	61,693	50,683	66,758	67,171	57,349
2,788	6,474	5,153	91,161	4,386	4,853
21,915	22,177	21,026	23,321	23,382	22,803
30,536	28,368	23,985	26,467	28,047	31,105
829,800	858,353	853,639	1,006,627	902,844	865,123
62,064	64,562	67,946	67,966	69,196	66,571
29,928	29,167	34,847	41,188	40,813	41,128
24,025	25,078	24,659	25,450	25,267	26,101
37,927	44,401	48,356	51,761	46,780	47,744
153,944	163,208	175,808	186,365	182,056	181,544
983,744	1,021,561	1,029,447	1,192,992	1,084,900	1,046,667
12,408	12,589	9,011	9,931	10,148	10,428
15,121	17,998	16,649	16,202	19,049	20,785
45,855	53,348	62,553	68,135	71,348	74,168
798	644	1,078	1,071	1,297	1,101
1,888	1,443	1,482	1,504	1,239	1,239
426	388	284	303	412	469
75,074	77,032	73,694	152,757	105,422	106,062
151,570	163,442	164,751	249,903	208,915	214,252
72,808	73,731	73,132	73,473	84,394	88,122
37,756	40,724	48,199	52,046	51,788	54,956
39,730	43,961	42,245	47,477	44,148	42,730
37,199	45,096	49,456	53,143	52,796	54,288
6,062	10,203	18,674	3,094	4,393	5,133
193,555	213,715	231,706	229,233	237,519	245,229
345,125	377,157	396,457	479,136	446,434	459,481
(678,230)	(694,911)	(688,888)	(756,724)	(693,929)	(650,871)
39,611	50,507	55,898	42,868	55,463	63,685
$ (638,619)	$ (644,404)	$ (632,990)	$ (713,856)	$ (638,466)	$ (587,186)

CITY OF MILWAUKEE

CHANGES IN NET POSITION

LAST TEN YEARS

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

Table 2 (continued)

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
General Revenues and Other Changes in Net Assets				
Governmental Activities				
Taxes	$ 213,014	$ 217,762	$ 224,918	$ 236,043
State aids for General Fund	284,565	273,865	272,875	272,417
Miscellaneous	56,815	56,321	82,796	87,510
Special item - receipt of loans receivable	-	-	14,325	-
Transfers	18,073	22,622	33,631	33,569
Total Governmental Activities	572,467	570,570	628,545	629,539
Business-type Activities				
Miscellaneous	482	797	1,460	2,058
Transfers	(18,073)	(22,622)	(33,631)	(33,569)
Total Business-type Activities	(17,591)	(21,825)	(32,171)	(31,511)
Total Primary Government	554,876	548,745	596,374	598,028
Change in Net Assets				
Governmental Activities	(5,123)	(29,979)	9,530	9,954
Business-type Activities	25,529	23,162	6,526	13,500
Total Primary Government	$ 20,406	$ (6,817)	$ 16,056	$ 23,454

See accompanying independent auditors' report.

Table 2 (continued)

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 243,654	$ 257,210	$ 270,191	$ 283,442	$ 276,168	$ 279,588
272,539	271,100	272,337	270,939	273,240	260,141
84,042	61,949	47,217	179,057	64,214	81,153
-	-	-	-	-	-
36,483	38,052	40,111	48,177	44,346	44,643
636,718	628,311	629,856	781,615	657,968	665,525
2,121	979	120	1,085	3,932	750
(36,483)	(38,052)	(40,111)	(48,177)	(44,346)	(44,643)
(34,362)	(37,073)	(39,991)	(47,092)	(40,414)	(43,893)
602,356	591,238	589,865	734,523	617,554	621,632
(41,512)	(66,600)	(59,032)	24,891	(35,961)	14,654
5,249	13,434	15,907	(4,224)	15,049	19,792
$ (36,263)	$ (53,166)	$ (43,125)	$ 20,667	$ (20,912)	$ 34,446

CITY OF MILWAUKEE

Table 3

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN YEARS

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

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
Revenues:				
Property taxes	$ 197,499	$ 198,938	$ 205,205	$ 214,833
Other taxes	16,336	19,284	20,461	20,910
Special assessments	4,482	4,665	4,651	3,823
Licenses and permits	10,883	11,530	13,374	13,729
Intergovernmental	362,778	337,058	355,406	345,078
Charges for services	61,478	66,409	68,762	84,191
Fines and forfeits	6,115	5,647	5,893	5,541
Contributions received	22,499	22,236	25,187	25,807
Other	24,040	24,811	32,333	44,169
Total Revenues	706,110	690,578	731,272	758,081
Expenditures:				
Current:				
General government	189,789	203,331	209,446	206,581
Public safety	259,379	241,100	262,934	267,669
Public works	91,406	93,047	92,701	90,539
Health	24,696	27,365	26,970	27,782
Culture and recreation	19,031	19,736	19,162	20,409
Conservation and development	38,519	34,629	32,079	34,801
Capital outlay	107,829	104,842	138,839	145,095
Debt Service:				
Principal retirement	73,696	68,618	81,206	146,721
Interest	28,250	28,620	29,593	34,798
Bond issuance costs	542	411	887	484
Total Expenditures	833,137	821,699	893,817	974,879
Excess (deficiency) of Revenues over Expenditures	(127,027)	(131,121)	(162,545)	(216,798)
Other Financing Sources (Uses):				
General obligation bonds and notes issued	81,901	89,331	126,828	215,763
Refunding bonds issued	16,563	-	28,112	1,785
Payment to escrow agent on advance refundings	(17,648)	-	(30,492)	-
Payment - current refunding	-	-	-	(1,819)
Loans receivable activities	-	-	-	1,007
Issuance premium	6,589	10,467	13,692	8,033
Capital lease	563	-	-	-
Transfers in	50,318	57,312	71,699	139,533
Transfers out	(32,245)	(34,690)	(38,068)	(105,964)
Total Other Financing Sources and Uses	106,041	122,420	171,771	258,338
Special Item:				
Receipt of loans receivable	-	-	14,325	-
Net Change in Fund Balances	$ (20,986)	$ (8,701)	$ 23,551	$ 41,540
Debt service as a percentage of noncapital expenditures	13.2%	12.6%	13.6%	20.5%

See accompanying independent auditors' report.

Table 3 (Continued)

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 221,082	$ 227,637	$ 238,832	$ 247,956	$ 242,631	$ 244,038
20,867	27,746	30,291	34,109	30,706	34,172
3,542	3,631	2,418	3,421	3,163	2,344
13,704	12,918	12,186	12,948	13,289	14,410
336,870	333,345	332,138	344,929	360,287	346,116
79,754	88,224	93,498	200,461	188,312	115,901
5,800	5,277	4,802	5,422	5,076	5,042
22,270	21,532	21,300	23,005	24,021	21,826
43,990	33,563	40,682	49,541	38,483	43,575
747,879	753,873	776,147	921,792	905,968	827,424
225,893	224,444	227,325	281,978	259,089	235,936
268,456	279,934	290,535	287,815	283,282	291,787
97,778	109,196	101,118	101,681	103,585	96,991
22,288	20,748	21,867	22,343	20,129	20,963
19,714	18,858	19,654	18,046	18,124	18,565
30,954	31,796	28,298	35,468	41,459	42,366
127,336	114,825	98,003	240,480	96,870	87,429
152,077	181,102	205,228	333,780	331,960	417,107
35,360	33,637	31,941	33,305	37,184	37,992
78	147	463	1,314	1,040	933
979,934	1,014,687	1,024,432	1,356,210	1,192,722	1,250,069
(232,055)	(260,814)	(248,285)	(434,418)	(286,754)	(422,645)
102,928	237,368	227,525	415,291	231,652	301,084
-	-	66,585	94,420	80,648	189,590
-	-	-	-	-	(63,884)
-	-	(71,800)	(106,500)	(41,949)	(34,134)
4,975	(518)	(250)	(293)	(8,783)	2,317
2,129	3,694	9,437	21,632	17,079	21,038
-	-	-	-	-	-
145,447	201,073	196,930	253,412	195,101	198,576
(108,964)	(163,021)	(156,819)	(205,235)	(150,755)	(153,933)
146,515	278,596	271,608	472,727	322,993	460,654
-	-	-	-	-	-
$ (85,540)	$ 17,782	$ 23,323	$ 38,309	$ 36,239	$ 38,009
20.7%	22.5%	24.0%	29.5%	32.7%	38.7%

CITY OF MILWAUKEE

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN YEARS

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

	Fiscal Year				
	2003	**2004**	**2005**	**2006**	**2007**
General Fund					
Reserved	$ 89,981	$ 87,036	$ 85,227	$ 105,175	$ 90,853
All Other Governmental Funds					
Reserved	$ 135,708	$ 135,777	$ 148,440	$ 171,682	$ 90,812
Unreserved, reported in:					
Capital projects funds	(11,468)	(13,116)	(15,093)	(14,400)	(12,951)
Nonmajor governmental funds	-	(4,177)	10,497	8,154	16,357
Total all other governmental funds	$ 124,240	$ 118,484	$ 143,844	$ 165,436	$ 94,218

	Fiscal Year				
	2008	**2009**	**2010**	**2011**	**2012**
General Fund					
Reserved	$ 73,007	$ 71,356	$ 59,626		
All Other Governmental Funds					
Reserved	$ 154,448	$ 177,820	$ 232,790		
Unreserved, reported in:					
Capital projects funds	(39,071)	(38,776)	(27,931)		
Nonmajor governmental funds	14,469	15,776	-		
Total all other governmental funds	$ 129,846	$ 154,820	$ 204,859		
General Fund					
Nonspendable				$ 15,044	$ 15,721
Restricted				-	-
Committed				2,995	1,835
Assigned				26,778	35,915
Unassigned				27,169	52,319
Total General Fund				$ 71,986	$ 105,790
All Other Governmental Funds					
Nonspendable				$ 886	$ 565
Restricted				5,855	9,774
Committed				223,000	227,769
Assigned				-	-
Unassigned				(1,003)	(5,165)
Total all other governmental funds				$ 228,738	$ 232,943

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
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
2012	17,069,535	9,191,349	746,955	214,901	571,664	123,239

Budget Year	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Total Assessed to Total Estimated Actual Value
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
2012	27,917,642	9.25	27,954,670	99.9

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.*

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									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
City Direct Rates (A)										
City of Milwaukee	$ 9.51	$ 9.22	$ 8.52	$ 8.08	$ 7.28	$ 7.46	$ 7.59	$ 8.42	$ 8.67	$ 8.86
Allocation of Debt Service incurred for Schools	0.64	0.51	0.64	0.67	0.71	0.55	0.50	0.47	0.45	0.39
Total Direct Rate	10.15	9.73	9.16	8.75	7.99	8.01	8.09	8.89	9.12	9.25
Overlapping Rates (B)										
Milwaukee School Board	8.55	8.12	8.84	8.35	7.48	7.96	8.75	9.41	9.49	9.69
Less: allocation of Debt Service in City rate	(0.64)	(0.51)	(0.64)	(0.67)	(0.71)	(0.55)	(0.50)	(0.47)	(0.45)	(0.39)
Total School Rate	7.91	7.61	8.20	7.68	6.77	7.41	8.25	8.94	9.04	9.30
Milwaukee Area District Board of Vocational, Technical and Adult Education	2.05	2.04	2.00	1.96	1.89	1.92	1.94	2.06	2.02	1.95
County of Milwaukee	5.20	4.94	4.70	4.43	4.18	4.22	4.20	4.48	4.69	4.72
State of Wisconsin	0.20	0.21	0.21	0.20	0.19	0.19	0.18	0.18	0.18	0.17
Milwaukee Metropolitan Sewerage District	1.74	1.64	1.59	1.48	1.39	1.39	1.37	1.43	1.52	1.51
Total Tax Rate (C)	$ 27.25	$ 26.17	$ 25.86	$ 24.50	$ 22.41	$ 23.14	$ 24.03	$ 25.98	$ 26.57	$ 26.90

(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

		2012		2003	
Taxpayer	**Type of Business**	**Assessed Valuation**	**Percentage of Total Assessed Valuation**	**Assessed Valuation**	**Percentage of Total Assessed Valuation**
U. S. Bank	Banking	$ 245,344	.97	$ 214,255	1.02
Northwestern Mutual Life Insurance Company	Insurance	184,426	.73	166,927	.79
Mandel Group	Real Estate	95,892	.38	-	-
Marcus Corp./Mil. City Center/Pfister	Hotels/Motels/Restaurants	95,761	.38	73,879	.35
Metropolitan Associates	Real Estate	90,734	.36	72,949	.35
NNN 411 East Wisconsin LLC	Real Estate	90,149	.36	-	-
100 E. Wisconsin Ave Joint Venture	Real Estate Investment	77,728	.31	56,347	.27
Towne Realty	Real Estate	77,247	.31	91,282	.43
Riverbend Place	Real Estate	59,160	.23	-	-
Miller-Coors Brewing	Brewery	57,246	.23	71,369	.34
Teachers Insurance & Annuity Association of America	Real Estate	-	-	106,282	.51
M&I Marshall & Ilsley Bank/Metavente Corp.	Banking	-	-	78,295	.37
Great Lakes, REIT LP	Real Estate	-	-	64,633	.31
		$ 1,073,687	4.26	$ 996,218	4.74

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
2003	$ 234,485	$ 21,935	$ 256,420	$ 228,345	97.38%	$ 12,918	$ 15,068	$ 256,331	99.97%
2004	240,643	21,959	262,602	235,013	97.66	15,497	11,968	262,478	99.95
2005	248,267	22,302	270,569	242,587	97.71	14,992	12,823	270,402	99.94
2006	261,685	23,703	285,388	255,823	97.76	15,664	13,711	285,198	99.93
2007	265,319	29,314	294,633	257,347	97.00	18,577	17,843	293,767	99.71
2008	286,180	36,670	322,850	277,119	96.83	23,949	20,799	321,867	99.70
2009	276,186	33,543	309,729	265,691	96.20	18,017	23,810	307,518	99.29
2010	291,943	32,576	324,519	281,196	96.29	16,482	20,751	318,429	98.12
2011	295,967	34,388	330,355	284,690	96.12	16,049	15,736	316,475	95.80
2012	301,051	34,250	335,301	288,294	95.76	12,861	-	301,155	89.82

(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
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
2012	785,867	67,971	717,896	27,954,670	2.57%	1,206.55

	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)
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	2.71%	1,622.74
2012	43,318	65,579	77,083	903,876	not available	1,519.12

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				
	2003	**2004**	**2005**	**2006**	**2007**
Debt limit	$ 1,521,153	$ 1,644,424	$ 1,837,970	$ 1,837,970	$ 2,115,889
Total net debt applicable to limit	624,717	629,124	666,203	755,178	671,562
Legal debt margin	$ 896,436	$ 1,015,300	$ 1,171,767	$ 1,082,792	$ 1,444,327
Total net debt applicable to the limit as a percentage of debt limit	41.07%	38.26%	36.25%	41.09%	31.74%

	Fiscal Year				
	2008	**2009**	**2010**	**2011**	**2012**
Debt limit	$ 2,232,103	$ 2,258,027	$ 2,188,643	$ 2,066,455	$ 1,956,827
Total net debt applicable to limit	689,401	698,775	805,660	789,308	695,488
Legal debt margin	$ 1,542,702	$ 1,559,252	$ 1,382,983	$ 1,277,147	$ 1,261,339
Total net debt applicable to the limit as a percentage of debt limit	30.89%	30.95%	36.81%	36.82%	35.54%

CITY OF MILWAUKEE

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Thousand of Dollars)

Table 10 (continued)

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value			$ 27,917,642
Equalized Value			27,954,670
Debt Limit 7% of Equalized Value			1,956,827
Amount of Debt Applicable to Debt Limit:			
General Obligation bonds	$ 386,051		
General Obligation notes	399,815		
Parking bonds and notes	11,684		
Harbor bonds and notes	2,822		
Water Works bonds	18,727		
Sewer Maintenance bonds and notes	10,085		
Water Works revenue bonds	6,509		
Sewer revenue bonds	59,070		
Sewer clean water loans	77,083		
Extendable Municipal Commercial Paper	93,000		
Total Debt		$ 1,064,846	
Deduct:			
Assets in Debt Service Funds	133,696		
Water Works revenue bonds (A)	6,509		
Sewer revenue bonds	59,070		
Sewer clean water loans	77,083		
Extendable Municipal Commercial Paper (B)	93,000		
Total Deductions		369,358	
Total Amount of Debt Applicable to Debt Limit			695,488
Legal Debt Margin			$ 1,261,339

(A) *The Water Revenue Bonds, Sewer Revenue Bonds and clean water loans 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.*

(B) *Extendable Municipal Commercial Paper does not represent or constitute a debt of the City within the meaning of any constitutional or statutory limitation.*

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, 2012 was $559,093 for school purposes and $702,246 for general purposes.*

See accompanying independent auditors' report.

CITY OF MILWAUKEE

Table 11

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2012

(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)	$ 695,488	100%	$ 695,488
Overlapping Debt:			
Milwaukee Area Technical College District	118,560	37.00	43,867
County of Milwaukee	745,865	45.75	340,860
Milwaukee Metropolitan Sewerage Area (B)	1,009,013	46.92	472,420
Total Direct and Overlapping Debt			**$ 1,552,635**

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 $40,992 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction. Net Debt Outstanding computation shown Table 11.*

(B) *Includes $712,634 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
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
2012	88,136	65,547	22,589	989	185	1,174	19.24

Sewer Revenue Bonds

Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Total Debt Service	Coverage
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	3,214	2,836	6,050	4.08
2009	48,231	16,438	31,793	4,740	3,552	8,292	3.83
2010	52,063	16,696	35,367	4,901	3,399	8,300	4.26
2011	54,667	14,691	39,976	6,454	4,038	10,492	3.81
2012	54,140	15,440	38,700	6,792	4,616	11,408	3.39

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)**
2003	595,245	29,889,120	31,813	30.6	103,769	8.7
2004	593,920	30,600,767	32,661	30.6	102,309	7.7
2005	592,765	31,393,023	33,664	30.6	100,262	7.2
2006	590,370	33,341,608	35,841	30.6	97,509	6.9
2007	590,190	34,198,399	36,715	30.6	87,360	6.9
2008	590,870	35,275,533	37,738	30.6	85,369	6.7
2009	584,000	34,932,447	37,057	30.6	82,444	11.4
2010	580,500	35,999,790	37,950	30.3	81,372	11.9
2011	595,525	37,035,130	38,881	30.3	80,098	10.9
2012	595,425	Not available	Not available	38.5	78,461	10.1

(A) The December 31, 2003 through 2012 populations are a final estimate from the Wisconsin Department Administration. (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, Wisconsin Worknet and Labor Market Information System.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 14

	2012 Estimates (1)			2003		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Aurora Health Care	31,000	1	7.36%	11,365	1	2.64%
Milwaukee Public Schools	11,766	2	2.79%	11,329	2	2.63%
U.S. Government (Includes Zablocki V.A. Medical Center)	10,500	3	2.49%	8,875	3	2.06%
Froedtert Memorial Lutheran Hospital and Community Health	8,900	4	2.11%			
Wheaton Franciscan Healthcare	8,699	5	2.06%			
Kohl's Corp.	8,400	6	1.99%			
Roundy's Supermarkets	7,630	7	1.81%			
Quad Graphics	6,900	8	1.64%			
City of Milwaukee	6,400	9	1.52%	7,150	4	1.66%
Medical College of Wisconsin	5,492	10	1.30%	3,760	10	0.87%
Covenant Health Care				5,716	5	1.33%
M&I Marshall & Ilsley				5,579	6	1.30%
Milwaukee County				5,577	7	1.30%
University of Wisconsin-Milwaukee				4,178	8	0.97%
Northwestern Mutual Life				4,039	9	0.94%
	105,687		25.07%	67,568		15.70%

(1) Reflects full-time equivalent employees.

Note: Data includes all of Milwaukee County.

Source: The 2013 Business Journal Book of Lists. City from internal records.

The 2003 data was from the Department of Administration January 2004 survey. Wisconsin Department of Workforce Development quarterly report of "Employment and Wages".
Total employment data (2003 = 430,573) (2012 = 411,325) 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	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
General Government	747	727	685	678	673	692	696	694	720	700	719
Temporary - Election Commission	103	65	103	63	103	29	104	11	98	8	2,145
Public Safety											
Fire											
Fire Fighting Force	1,075	1,079	1,039	1,033	1,007	1,077	1,001	985	949	951	911
Civilians	66	67	64	74	75	75	75	79	77	76	105
Police											
Law Enforcement	2,130	2,134	2,149	2,155	2,159	2,156	2,156	2,144	2,042	2,034	2,034
Civilian	582	576	563	564	567	613	606	616	614	619	619
School Crossing Guards	241	241	241	241	241	241	241	241	251	251	251
Neighborhood Services	288	216	223	227	224	228	229	229	240	247	251
Public Works											
Administrative Services	71	69	64	65	65	64	63	63	66	64	58
Infrastructure Services	783	783	728	711	703	698	696	707	807	804	803
Operations	1,814	1,755	1,619	1,606	1,588	1,577	1,530	1,557	1,398	1,381	1,438
Sanitation emergency	500	500	250	-	-	-	-	-	-	-	-
Winter relief	262	237	159	74	66	66	66	66	66	66	-
Health	377	367	359	345	326	337	312	306	274	272	268
Culture and recreation	449	445	409	409	402	398	396	377	368	378	376
Conservation and development	271	325	252	238	236	232	220	193	176	179	163
Youth initiative positions	-	-	-	-	25	25	25	25	25	25	-
Water	388	382	363	363	355	346	346	348	404	382	367
Sewer Maintenance	193	209	198	198	199	189	179	172	164	164	164
Parking	128	128	128	128	129	128	129	129	130	131	122
Port of Milwaukee	35	34	33	29	30	31	35	35	37	35	36
Subtotal	10,503	10,339	9,629	9,201	9,173	9,202	9,105	8,977	8,906	8,767	10,830
Less: General Government Temporary - Election Commission	(103)	(65)	(103)	(63)	(103)	(29)	(104)	(11)	(98)	(8)	(2,145)
Total Budgeted Positions	**10,400**	**10,274**	**9,526**	**9,138**	**9,070**	**9,173**	**9,001**	**8,966**	**8,808**	**8,759**	**8,685**

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	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
General government											
Investment portfolio return	1.70%	1.20%	1.50%	3.00%	4.78%	5.09%	2.74%	0.75%	0.32%	0.21%	0.22%
Courtroom cases	114,978	131,117	137,432	116,388	114,949	110,130	102,721	112,765	119,779	121,234	104,170
Public safety											
Police											
Dispatched assignments				292,927	297,286	286,535	266,577	254,044	246,365	238,657	248,678
Traffic citations	141,464	146,210	108,346	98,044	93,369	95,327	120,618	114,447	104,001	103,311	94,442
Homicide clearance rates	78.70%	79.44%	80.68%	71.31%	71.84%	83.80%	92.96%	83.00%	75.00%	72.00%	70%
Fire											
Number of medical emergency assists				51,091	51,862	52,735	53,898	53,047	53,629	56,085	59,487
Number of fires extinguished				2,662	2,527	2,438	2,073	1,930	2,201	2,643	2,841
Civilian fire deaths				12	16	14	6	7	3	10	8
Building Inspection											
Complaints reported	30,096	31,479	31,284	34,078	34,431	33,576	34,161	35,940	37,146	35,910	35,404
Orders issued	41,762	44,042	44,564	55,443	54,976	52,729	51,760	66,559	67,043	71,356	68,613
Public Works											
Major streets paving (miles)	4.63	6.72	3.32	5.94	7.81	4.01	13.01	5.4	11.28	1.05	5.7
Asphalt patching/pot holes (tons)	10,500	10,459	10,236	10,014	10,344	10,560	14,900	10,700	10,500	18,952	16,010
Refuse tonnage	314,795	322,613	335,033	317,122	312,451	292,775	310,517	298,780	274,651	262,265	252,987
Recycling tonnage	27,270	26,101	25,802	25,483	25,300	23,716	22,937	21,862	21,389	22,837	24,147
Health											
Food inspections	4,622	4,420	4,113	4,889	5,153	4,972	4,721	5,005	5,208	4,615	7,637
Immunizations	23,490	18,941	15,302	22,794	27,444	26,700	30,449	46,838	27,994	21,953	18,882
Culture and Recreation											
Library hours of operation	36,229	35,842	36,552	33,339	33,218	34,302	34,372	32,608	25,996	27,844	31,092
Collections size	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	2,441,757
Public computers	454	474	488	481	495	490	505	505	480	725	757
Conservation and Development											
Jobs created	514	1,193	2,037	2,466	3,494	2,354	1,073	366	498	534	324
Jobs retained	1,925	1,321	14,108	2,775	9,182	2,092	2,103	888	1,644	1,382	1,965
New housing units				1,538	982	1,037	196	527	810	503	687
Water											
Millions gallons sold	39,970	36,473	37,237	38,439	35,486	35,049	34,085	33,341	32,500	32,246	32,909
Population served	831,979	830,719	833,112	852,857	849,981	858,920	857,816	867,599	861,000	861,249	862,524
Sewer Maintenance											
Sewer service backups	58	59	32	43	40	42	47	28	33	24	23
Street flooding complaints	2,728	2,500	1,724	4,143	4,810	3,366	7,238	3,690	2,770	3,293	4,775
Parking											
Citations issued	1,075,501	1,002,923	1,113,620	929,714	932,346	906,423	880,859	885,802	874,690	823,999	778,288
Vehicle tows	31,541	29,728	29,333	26,799	31,659	36,273	34,898	31,516	28,295	25,762	26,910
Port											
Metric tonnage total	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	1,915,419

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 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police										
Stations	7	7	7	7	7	8	8	8	8	8
Lock-up facilities	7	7	7	7	7	7	7	7	7	7
Patrol vehicles	498	503	482	485	478	521	533	536	556	501
Patrol motorcycles	57	59	59	57	57	57	57	57	55	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	1,272	1,272	1,272
Streets - unpaved	14	14	15	15	15	15	15	15	15	15
Alleys	416	416	415	415	415	415	415	415	414	414
Street lights	67,065	67,294	67,427	67,742	67,447	67,709	67,798	67,949	68,073	68,540
Alley lights	8,792	8,803	8,803	8,917	8,790	8,925	8,931	8,616	8,810	8,820
Garbage/snow trucks	195	199	188	173	172	187	188	182	181	180
Health										
Health centers	5	5	5	5	3	3	3	3	3	3
Culture and Recreation										
Playgrounds, playfields, tot lots, recreation centers	277	277	277	277	277	277	276	276	276	276
Libraries	13	13	13	13	13	13	13	13	13	13
Water										
Miles of mains	1,956	1,960	1,961	1,964	1,966	1,967	1,955	1,956	1,960	1,961
Hydrants	19,734	19,758	19,754	19,780	19,632	19,824	19,811	19,847	19,867	19,869
Million gallons pumped	46,102	44,309	44,560	41,862	41,873	40,848	39,617	37,443	36,992	37,920
Million gallons consumed	39,435	37,289	38,401	35,486	35,050	34,085	33,341	32,452	32,246	32,909
Miles of Sewers										
Storm	956	955	956	956	958	959	960	961	962	964
Sanitary	934	935	935	935	938	939	940	941	941	943
Combined	548	547	548	547	547	547	547	547	547	547
Parking										
Parking lots	51	51	48	46	45	45	45	45	45	44
Parking structures	4	4	4	4	5	5	5	5	5	5
Port										
Cargo terminals	6	6	6	6	6	6	6	6	6	7
Rental warehouses and buildings	4	5	5	5	5	5	5	5	5	10
Ferry terminal		1	1	1	1	1	1	1	1	1
Cranes and forklifts	11	11	11	10	10	10	10	10	10	11
Vessel berths	13	13	13	13	13	13	13	14	14	17

Sources: Various city departments

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

See accompanying independent auditors' report.