

NEW ISSUES
BOOK ENTRY ONLY

RATINGS:	Fitch	Moody's	Standard & Poor's
G.O. Notes & G.O. Bonds	"AA+"	"Aa2"	"AA"
(AMBAC Insured-All Maturities)	"AAA"	"Aaa"	"AAA"

(See "RATINGS" herein)

In the opinion of Bond Counsel to the City, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the G.O. Notes and G.O. Bonds (the "Offered Obligations") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein for a description of certain other provisions of law, which may affect the federal tax treatment of interest on the Offered Obligations.) Interest on the Offered Obligations is not exempt from State of Wisconsin income tax or franchise tax.

CITY OF MILWAUKEE, WISCONSIN

\$22,400,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2005 N9

\$16,600,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2005 B10

The General Obligation Promissory Notes, Series 2005 N9 (the "G.O. Notes" or the "Notes") and the General Obligation Corporate Purpose Bonds, Series 2005 B10 (the "G.O. Bonds" or the "Bonds") are direct general obligations of the City of Milwaukee, Wisconsin (the "City" and the "State", respectively), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount, and are issued for the purpose of financing various public improvement projects and fiscal requirements of the City.

The G.O. Notes and G.O. Bonds will be dated the Expected Date of Delivery (expected to be December 1, 2005), will bear interest payable semiannually on February 15 and August 15 of each year, commencing February 15, 2006, at the rates, and will mature on February 15 in the years and amounts, as detailed on the inside front cover hereof. The G.O. Bonds are subject to optional redemption on any date on or after August 15, 2015, as provided herein. The G.O. Notes are not subject to optional redemption.

The Offered Obligations have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated November 10, 2005 and are being issued subject to the legal opinions of Hawkins Delafield & Wood LLP, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notices of Sale. Delivery of the Offered Obligations will be on or about December 1, 2005 (the "Expected Date of Delivery") in New York, New York.

Payment of the principal of and interest on the G.O. Notes and G.O. Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the G.O. Notes and G.O. Bonds.

Ambac

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE OFFERED OBLIGATIONS. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

For Further Information Contact:

W. Martin Morics, City Comptroller and Secretary to Public Debt Commission
City Hall, Room 404, 200 East Wells Street - Milwaukee, WI 53202 - Phone (414) 286-3321

November 17, 2005

MATURITY SCHEDULES

\$22,400,000 G.O. PROMISSORY NOTES, SERIES 2005 N9

The G.O. Notes will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semiannually on February 15 and August 15 of such year, commencing February 15, 2006, and will mature on February 15 in the years and in the amounts shown below. The G.O. Notes are not subject to optional redemption.

Maturing (February 15)	Amount	Coupon	Yield	Maturing (February 15)	Amount	Coupon	Yield
2007	\$1,915,000	5.00%	3.30%	2012	\$2,570,000	5.00%	3.75%
2008	2,480,000	5.00	3.35	2013	2,595,000	5.00	3.84
2009	2,500,000	5.00	3.45	2014	2,625,000	5.00	3.93
2010	2,520,000	5.00	3.55	2015	2,650,000	5.00	4.00
2011	2,545,000	5.00	3.65				

\$16,600,000 G.O. CORPORATE PURPOSE BONDS, SERIES 2005 B10

The G.O. Bonds will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semiannually on February 15 and August 15 of each year, commencing February 15, 2006, and will mature on February 15 in the years and in the amounts shown below. The G.O. Bonds are subject to optional redemption on any date on or after August 15, 2015, as provided herein.

Maturing (February 15)	Amount	Coupon	Yield	Maturing (February 15)	Amount	Coupon	Yield
2016	\$2,510,000	5.00%	4.06%	2020	\$2,655,000	5.00%	4.24%
2017	2,545,000	5.00	4.12	2021	2,695,000	5.00	4.28
2018	2,580,000	5.00	4.16	2022	1,000,000	5.00	4.32
2019	2,615,000	5.00	4.20				

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of these securities and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. These securities have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the City of Milwaukee (the “City”), located in Milwaukee County, Wisconsin, and to set forth information concerning the following securities issued by the City:

\$22,400,000 General Obligation Promissory Notes, Series 2005 N9 (the “G.O. Notes” or the “Notes”)

\$16,600,000 General Obligation Corporate Purpose Bonds, Series 2005 B10 (the “G.O. Bonds” or the “Bonds”)

The G.O. Notes and the G.O. Bonds shall be collectively referred to herein as the “Offered Obligations.”

The following summary statement is furnished solely to provide limited introductory information regarding the City’s Offered Obligations, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the Appendices hereto.

SUMMARY STATEMENT-THE G.O. NOTES

The following material is supported, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.

Issue: \$22,400,000 General Obligation Promissory Notes, Series 2005 N9.

Dated Date: The Expected Date of Delivery, which is anticipated to be December 1, 2005.

Amounts and Maturities:

G.O. Notes

<u>February 15</u>	<u>Amount</u>	<u>February 15</u>	<u>Amount</u>
2007	\$1,915,000	2012	\$2,570,000
2008	2,480,000	2013	2,595,000
2009	2,500,000	2014	2,625,000
2010	2,520,000	2015	2,650,000
2011	2,545,000		

Interest Payment Dates: Each February 15 and August 15 commencing February 15, 2006.

Denominations: \$5,000 or integral multiples thereof.

Purpose: The Notes are being issued to finance various public improvement projects and fiscal requirements of the City.

Security: Principal and interest on the Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.

Form of Issuance: The Notes will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” herein).

Tax Status of Interest: Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein).

Redemption Feature: The Notes are not subject to redemption prior to maturity. (See "REDEMPTION PROVISIONS" herein.)

Official Statement: The City will provide the original purchaser of the Notes with up to 100 copies, of this Official Statement, within seven business days following the award of the Notes.

Professionals:

Bond Counsel:	Hawkins Delafield & Wood LLP New York, New York
	Quarles & Brady LLP Milwaukee, Wisconsin
Financial Advisor	Robert W. Baird & Co. Milwaukee, Wisconsin

Delivery: Delivery of the Notes will be on or about December 1, 2005 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices(s) or yield(s) of the Notes are set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See "RULE 15c2-12" herein).

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SUMMARY STATEMENT-THE G.O. BONDS

The following material is supported, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.
Issue: \$16,600,000 General Obligation Corporate Purpose Bonds, Series 2005 B10.
Dated Date: Expected Date of Delivery, which is anticipated to be December 1, 2005.

Amounts and Maturities:

G.O. Bonds

<u>February 15</u>	<u>Amount</u>	<u>February 15</u>	<u>Amount</u>
2016	\$2,510,000	2020	\$2,655,000
2017	2,545,000	2021	2,695,000
2018	2,580,000	2022	1,000,000
2019	2,615,000		

Interest Payment Dates: Each February 15 and August 15 commencing February 15, 2006.

Denominations: \$5,000 or integral multiples thereof.

Purpose: The Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for the purpose of financing various public improvement projects and fiscal requirements of the City.

Security: Principal and interest on the Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.

Form of Issuance: The Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Tax Status of Interest: Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein).

Redemption Feature: The Bonds are subject to redemption prior to maturity. (See "REDEMPTION PROVISIONS" herein.)

Official Statement: The City will provide the original purchaser of the Bonds with up to 100 copies, of this Official Statement within seven business days following the award of the Bonds.

Professionals:	Bond Counsel:	Hawkins Delafield & Wood LLP New York, New York
		Quarles & Brady LLP Milwaukee, Wisconsin
	Financial Advisor	Robert W. Baird & Co. Milwaukee, Wisconsin

Delivery: Delivery of the Bonds will be on or about December 1, 2005 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices(s) or yield(s) of the Bonds are set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "RULE 15c2-12" herein).

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THE G.O. NOTES AND G.O. BONDS

AUTHORITY AND PURPOSE

The G.O. Notes and G.O. Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for various public improvement projects and fiscal requirements of the City, and to pay the associated financing costs. The Common Council of the City adopted resolutions on January 22, 2002, March 5, 2002, January 22, 2003, January 21, 2004, December 21, 2004, and February 1, 2005 which authorize the issuance of the G.O. Notes and G.O. Bonds.

Proceeds of the G.O. Notes and G.O. Bonds are anticipated to be used for various public improvements as follows:

Grant and Aid Projects	Financing of grants and aid	\$70,110
Public Buildings	Construction of and improvements to public buildings	25,874,012
Harbor	Construction of and improvements to the harbor	200,000
Parking Facilities	Construction of and improvement to parking facilities	45,000
Fire Stations & Improvements	Construction of and improvements to fire facilities	110,000
Street Improvements	Laying out, opening and widening of streets, and to provide street and sidewalk improvements	174,698
Parks & Public Grounds	Construction of and improvements to park facilities	1,005,000
Tax Incremental Districts	Construction of and improvements to tax incremental districts	<u>11,521,180</u>
TOTAL		<u><u>\$39,000,000</u></u>

SECURITY FOR THE G.O. NOTES AND G.O. BONDS

The G.O. Notes and G.O. Bonds shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the G.O. Notes and G.O. Bonds.

Under and by virtue of Section 67.05(10), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on such Notes and Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid notes or bonds are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

MATURITY AND INTEREST RATES

The G.O. Notes and G.O. Bonds are to be dated the Expected Date of Delivery, and will bear interest from that date at the rates, and shall mature each February 15 in the amounts and on the dates as set forth on the inside front cover page of this Official Statement. Interest on the G.O. Notes and G.O. Bonds will be payable on February 15, 2006 and thereafter semiannually on February 15 and August 15 of each year and is calculated on the basis of 30-day months and a 360-day year.

REDEMPTION PROVISIONS

The G.O. Notes are not subject to redemption prior to their maturity.

The G.O. Bonds will be subject to redemption prior to their maturity, at the option of the City, on any date on or after August 15, 2015 a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding G.O. Bonds are called for redemption, the G.O. Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the G.O. Bonds of any maturity are called for redemption, the particular G.O. Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any G.O. Bonds to be redeemed in whose name such G.O. Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation borrowing the City may issue. The G.O. Notes and G.O. Bonds are within these limitations. (See "DEBT STRUCTURE" herein for further details).

INVESTMENT POLICIES

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Group, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("SWIB") provides the Local Government Investment Pool as a subset of the State Investment Fund (the "Fund"). The Local Government Investment Pool includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The Local Government Investment Pool portion of the Fund is additionally secured as to credit risk.

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of June 30, 2005, the City had approximately 25.5% (\$93,256,757 million) of its and MPS's investments deposited in the Local Government Investment Pool.

SWIB invests the assets of the Fund, which includes assets of the Local Government Investment Pool. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "Trustees"). The Trustees establish long-term investment policies, set guidelines for each investment portfolio and monitor investment performance.

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City of Milwaukee, Wisconsin (the "City"), is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 593,920 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States of America.

The Port of Milwaukee provides access to the sea lanes of the world. General Mitchell International Airport is served by domestic and international airlines. Five rail lines serve the City and provide transportation links throughout the United States. The City is also connected with the interstate highway system.

The City was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. Wisconsin gained statehood in 1848. The City, operating under a Home Rule Charter since 1874, has a council-mayor form of government.

ELECTED OFFICIALS

The Mayor, City Attorney, Comptroller, Treasurer and Common Council members are elected officials of the City. Local elections are non-partisan. The Mayor, City Attorney, Comptroller and Treasurer are elected at-large for identical four-year terms.

The Common Council represents fifteen Aldermanic districts. Each Alderperson represents, and is elected from, an aldermanic district with a population of approximately 40,000.

CITY OFFICIALS

Elected on April 6, 2004

(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	W. Martin Morics	(1992)
City Treasurer	Wayne F. Whittow	(1976)

COMMON COUNCIL

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Michael S. D'Amato	(1996)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	James N. Witkowiak	(2004)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Michael McGee, Jr.	(2004)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

The terms of all the above elected positions expire in April, 2008.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,401 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to directly borrow using revenue backed financings.

Other major local governmental units and their related government services are the Milwaukee Public Schools (education); Milwaukee County (parks, airport/mass transit/highways, social services and court system); Milwaukee Metropolitan Sewerage District (wastewater treatment); and, the Milwaukee Area Technical College (higher education). Wisconsin Statutes require Milwaukee Public School purpose debt to be issued by the City. The remaining governmental units cited each retain the statutory authority to issue general obligation debt.

Two special purpose governmental units exist with the ability to issue debt and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball District (the "District"), a public entity created by State legislation encompassing five southeastern Wisconsin counties, to finance construction/operations of a new baseball facility ("Miller Park") for the National League Milwaukee Brewers baseball club. Miller Park opened in March, 2001. The District has issued \$199 million of revenue bonds supported by a five-county, one-tenth of one percent sales tax and other ancillary revenue streams. In addition, \$45 million of lease certificates of participation have been sold to finance acquisition and installation of facility equipment, scoreboards, etc.

The second special purpose governmental unit is the Wisconsin Center District which oversees construction/operation of the Midwest Airlines Center, Milwaukee's major convention complex. This complex also includes the existing US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA". The Midwest Airlines Center was financed by \$185 million of revenue bonds backed by dedicated sales tax revenues from the lodging, restaurant, and vehicle rental areas. Phase one of the Midwest Airlines Center was completed during 1998. Phase two was completed in 1999. In 2001, \$30 million of Bonds were issued to renovate the Milwaukee Auditorium.

In addition to the facilities noted above, Milwaukee is home to a modern 17,000+ seat indoor sports and concert venue, the Bradley Center, located in the heart of downtown. This facility serves the National Basketball Association Milwaukee Bucks, the Marquette University Golden Eagles basketball team and the Milwaukee Admirals International Hockey League club. Milwaukee also boasts a lakefront Milwaukee Art Museum as well as major symphony, ballet companies, theatre and other performing arts.

May 4, 2001, marked the unveiling of phase one of Milwaukee Art Museum's new expansion and renovation, which combines art, dramatic architecture and landscape design. The new Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

Finally, the Milwaukee area is the site of a number of higher education institutions, including Marquette University, the University of Wisconsin – Milwaukee, Alverno College, Mount Mary College and the Milwaukee School of Engineering.

EMPLOYEE RELATIONS

Approximately 6,933 of the City's 7,150 full-time employees are members of bargaining units represented by 19 unions. Labor agreements are in place through December 31, 2006 with 10 unions representing approximately 2,886 employees. The remainder of the unions are at various stages in the negotiation process including mediation and arbitration.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 593,920, represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding Milwaukee is 1,512,400 and represents 28% of the population of the State of Wisconsin. Over 74 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. Forty-eight percent of the Milwaukee SMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

Effective buying income in the City is approximately \$8.4 billion, 30 percent of the total effective buying income in the four county metro Milwaukee area. In Milwaukee, 26.6 percent of City households earn between \$20,000 and \$35,000 per year; 19.8 percent earn between \$35,000 and \$50,000 per year and 23.3 percent earn over \$50,000 per year. The age distribution of the population of the City is 10.7 percent between 18 and 24 years old; 15.2 percent between 25 and 34 years old; 20.5 percent between 35 and 49 years old and 23.3 percent are 50 years or older.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population</u> ⁽¹⁾	<u>Per Capita Average Income</u>	<u>Per Capita Household Income</u>	<u>Per Capita Equalized Value</u>
1999	608,150	\$13,780	\$35,830	\$27,462
2000	605,572	14,170	36,830	28,641
2001	595,508	14,147	36,339	32,667
2002	595,958	13,420	34,320	34,022
2003	595,245	13,680	35,436	36,507
2004	593,920	Not Available	Not Available	39,554

⁽¹⁾ The population figures are derived through estimates from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

Sources: Derived from data contained in Sales and Marketing Management magazine as reported for the appropriate year. Other sources include the Bureau of Census; Wisconsin Department of Revenue; Metropolitan Milwaukee Association of Commerce and the City of Milwaukee Division of Economic Development.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2000 through December 2004.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$281,978,437	2,448
2001	388,613,133	2,752
2002	337,028,003	2,756
2003	334,954,154	2,884
2004	294,811,125	2,784

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
2000	\$13,501,445	113	\$21,682,808	239	\$35,184,253	352	137
2001	17,597,336	141	81,508,896	401	99,106,232	542	168
2002	18,726,773	135	53,525,650	562	72,252,423	697	172
2003	20,069,077	159	91,792,191	666	111,861,268	825	187
2004	29,896,986	194	48,346,002	553	78,242,988	747	244

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$99,967,923	88
2001	106,537,251	99
2002	87,778,047	89
2003	61,824,799	96
2004	63,485,441	89

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$43,153,279	181
2001	64,534,354	406
2002	24,122,613	159
2003	54,241,508	202
2004	34,176,914	95

Alterations And Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$103,672,982	2,042
2001	118,435,296	2,079
2002	152,874,920	2,336
2003	107,026,579	2,399
2004	118,905,782	2,356

Note: Miller Park, the City's new major league baseball venue, was completed in March 2001. This \$350 + million project is not incorporated within the above schedules.

Sources: Development Center, Department of City Development. Data accumulated from monthly reports submitted to U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division, Washington D.C.

BANK DEPOSITS

	2000	2001	2002	2003	2004 ⁽⁷⁾
Bank One, Milwaukee, N.A. ^{(1) (2)}	\$4,397,409	\$4,398,040	—	—	—
M & I Marshall & Ilsley Bank	8,623,224	18,244,031	\$18,523,783	\$20,932,473	\$24,071,245
Wells Fargo Bank Wisconsin, N.A.	1,803,846	1,992,708	2,200,491	2,277,301	⁽⁸⁾
Bank Mutual ⁽³⁾	1,343,013	1,479,372	1,477,209	2,270,649	2,032,698
Associated Bank Milwaukee ⁽⁴⁾	1,918,455	5,840,463	5,648,495	—	—
Guaranty Bank	918,287	1,475,151	1,784,272	1,541,942	1,359,925
Johnson Bank	1,105,687	1,165,488	1,468,019	1,872,594	⁽⁹⁾
St. Francis Bank, FSB ⁽⁵⁾	1,480,471	1,431,840	140,024	1,349,686	⁽⁹⁾
State Financial Bank, N.A. ⁽⁶⁾	859,769	955,237	991,701	—	—
Park Bank	455,397	466,454	472,664	510,814	568,412

⁽¹⁾ Total deposits for Bank One, Wisconsin. As of December 7, 1996, all 14 of the Bank One charters in Wisconsin merged into one charter. Bank deposits for all Bank One offices in the State are combined and reported as one amount under the name Bank One, Wisconsin. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 1996 and later.

⁽²⁾ Title change to Bank One, National Association due to a merger with Bank One, National Association of Chicago, Illinois effective August 2002. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 2002.

⁽³⁾ Changed title to Bank Mutual March, 2003.

⁽⁴⁾ Changed title to Associated Bank, National Association, due to merger with Associated Bank Green Bay, National Association on April 20, 2001.

⁽⁵⁾ St. Francis Bank merged into Mid America Bank, FSB, Clarendon Hills, Illinois on 12/01/2003.

⁽⁶⁾ State Financial Bank, N.A. formed by merger in 2000.

⁽⁷⁾ As of March 2005.

⁽⁸⁾ Changed title to Wells Fargo Bank, National Association due to merger with Wells Fargo, National Association of San Francisco, CA, effective February 2004.

⁽⁹⁾ No data available as of March 2005.

Source: Wisconsin Department of Financial Institutions, March 2005 and The American Financial Directory (Wisconsin) July-December 2005.

Note: Other banks that have a significant presence in the Milwaukee area include TCF National Bank and U.S. Bank. These banks are not chartered in Wisconsin and information on these banks is not available through the Wisconsin Department of Financial Institutions.

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**LEADING BUSINESS AND INDUSTRIAL FIRMS
LOCATED WITHIN MILWAUKEE COUNTY**

The listing of large employers in Milwaukee County which follows, reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list which includes only employers with the majority or all of their employment in Milwaukee County.

<u>Employer</u>	2004 ⁽¹⁾ <u>Employment</u>	<u>Type of Business or Service</u>
Aurora Health Care	13,275	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,700	Government
Covenant Health Care	9,300	Health Care
City of Milwaukee	7,401	Government
M&I Marshall & Ilsley	7,176	Holding company banking/finance & data services
Milwaukee Public Schools	7,137	Education
Columbia-St. Mary's	5,749	Health Care
Milwaukee County	5,577	Government
University of Wisconsin-Milwaukee	4,307	Education
Medical College of Wisconsin	4,430	Medical school/academic/health care
Northwestern Mutual Life	4,039	Insurance
Rockwell Automation (formerly Allen-Bradley)	3,800	Manufacturer, electrical/electronic products
Harley-Davidson Motor Company	3,599	Manufacturer, motorcycles
Froedert Memorial Lutheran Hospital	3,400	Health Care
US Bank (formerly Firststar Corporation)	3,350	Finance, banking
WE Energies	2,791	Electric/natural gas utility
SBC Communications (Ameritech Corporation)	2,766	Communications
Johnson Controls, Inc.	2,500	Manufacturer, of electronic control systems & automobile interior modules
Children's Hospital of Wisconsin	2,500	Health care
Marquette University	2,019	Higher Education
Briggs and Stratton	2,000	Manufacturer, small engines, automotive locks & keys
Fortis	1,863	Health care
Journal Communications	1,800	Publishing, printing and broadcasting
Miller Brewing Company	1,700	Manufacturer of beer and aluminum containers
Delphi Automotive Systems (General Motors)	1,600	Manufacturer, automotive electronic engine control modules, catalytic converters, and automotive parts

⁽¹⁾ Reflects full-time equivalent employees (FTEs).

Source: The 2005 Business Journal, 2005 Wisconsin Manufacturers and Business Service Directories and employer surveys August 2004 and February 2005.

EMPLOYMENT AND INDUSTRY

During 2004, the City's unemployment rate averaged approximately 9.3%. Presented below are annual unadjusted unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 2001 through July 2005.

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2005	7.3%	5.0%	4.8%	5.2%
2004	9.3	5.8	4.9	5.5
2003	9.7	6.1	5.6	6.0
2002	9.6	6.0	5.5	5.8
2001	7.7	4.7	4.5	4.7

Source: U.S. Bureau of Labor Statistics.

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

CITY OF MILWAUKEE
ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY GROUP
2004 ⁽¹⁾

NAICS Description	Number of Establishments	Average Employment
Agriculture, Forestry, Fishing & Hunting	3	8
Mining	6	36
Utilities	22	1,553
Construction	778	7,608
Manufacturing	862	39,650
Wholesale Trade	912	12,090
Retail Trade	1,558	20,736
Transportation & Warehousing	413	12,566
Information	245	8,938
Finance & Insurance	776	24,853
Real Estate & Rental & Housing	537	4,486
Professional & Technical Services	1,495	17,283
Management of Companies & Enterprises	132	11,232
Administrative & Waste Services	782	24,526
Educational Services	348	32,236
Health Care & Social Services	1,658	59,092
Arts, Entertainment, & Recreation	166	6,405
Accommodation & Food Services	1,107	21,625
Other Services, Excluding Public Administration	1,995	10,558
Public Administration	41	17,302
Unclassified	2	9
Total	13,838	332,790
All Government	241	45,667
Private Sector	13,597	287,123
Total	13,838	332,790

NOTE: Due to the method of reporting in prior years, the information stated above is incompatible with the data provided in previous years. The Wisconsin Department of Workforce Development changed its method of reporting data from the old system of Standard Industry Classification (SIC) to the new North American Industry Classification System (NAICS). The impact changed the number of industries reported from four subsectors to ten subsectors. The new method and format of reporting data is also incompatible with previous data sets by industry under the former SIC structure.

⁽¹⁾ Information represents second quarter 2004.

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2004 ASSESSED VALUATIONS

US Bank (fna First Security Bank)	\$221,108,570
Northwestern Mutual Life Ins.	166,455,780
Teachers Insurance & Annuity/TIAA Realty	104,989,070
Towne Realty	85,265,870
M & I Marshall & Ilsley Bank/Metavante Corp	79,325,020
Metropolitan Associates	76,535,640
Marcus Corp/Milw City Center/Pfister	71,423,920
Miller Brewing	71,372,250
100 E. Wisconsin Ave Joint Venture	56,967,650
Great Lakes REIT/GLR Milw Center	56,455,410

Source: City of Milwaukee, Assessor's Office January 2005.

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DEBT STRUCTURE

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 principal or interest on its debt obligations.

LEGAL DEBT LIMITATIONS

Section 67.03 of the Wisconsin Statutes, as supplemented and amended, limits direct general obligation borrowing by the City to an amount equivalent to five percent of the equalized valuation of taxable property within the City. Section 119.49 of the Wisconsin Statutes, as supplemented and amended, further authorizes referendum approved bonding in an additional amount equivalent to two percent of the equalized taxable property within the City for school capital purposes. Such debt margins, as of November 15, 2005, are calculated upon the 2005 City equalized valuation for 2006 purposes of \$26,256,713,800*. After issuance of the Bonds, the available five percent debt margin for City borrowing is \$662,125,690 or 50.4% remaining for future debt issuance. The available two percent debt margin for school purpose borrowing is \$503,940,067, or 96.0% remaining for future debt issuance.

DEBT MARGIN (Includes the G.O. Notes and G.O. Bonds)

Equalized Value of Taxable Property in the City		\$26,256,713,800*
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		\$1,312,835,690
General Obligation Debt Outstanding subject to 5% Limit		
As of November 15, 2005	\$635,620,000	
Plus: G. O. Notes	22,400,000	
Plus: G. O. Bonds	16,600,000	
Plus: G.O. Variable Rate Demand Bonds**	25,000,000	
Less: Provision for current year maturities	(9,910,000)	
Net General Obligation Debt Outstanding subject to the 5% Limit		\$689,710,000
As of November 15, 2005		
Total Debt Margin for City Borrowing (in Dollars)		\$623,125,690
(As a percentage)		47.5%
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		\$525,134,276
General Obligation Debt Outstanding subject to 2% Limit		
As of November 15, 2005	\$21,194,209	
Less: Provision for current year maturities	-0-	
Net General Obligation Debt Outstanding subject to the 5% Limit		\$21,194,209
As of November 15, 2005		
Total Debt Margin for School Purpose Borrowing (in Dollars)		\$503,940,067
(As a percentage)		96.0%

* Subject to adjustment.

** It is anticipated that \$25,000,000 G.O. Variable Rate Demand Bonds, Series 2005 V8 will be issued late November 2005.

DEBT REFUNDED

The City has issued the following series of general obligation refunding bonds that have outstanding escrow amounts:

\$30,725,000 General Obligation Refunding Bonds, Series of 2001-A, dated July 1, 2001, for the purpose of refunding additional portions of five general obligation bond issues, with a final escrow payment in 2009, and Associated Trust Company, National Association as escrow trustee.

\$159,985,000, General Obligation Refunding Bonds, Series of 2002-A, dated October 15, 2002, for the purpose of refunding portions of seventeen general obligation issues, with a final escrow payment in 2011, and Marshall & Ilsley Trust Company, National Association as escrow trustee.

\$45,240,000 General Obligation Refunding Bonds, Series 2005 A5, dated June 7, 2005, for the purpose of refunding portions of seven general obligation issues, with a final escrow payment in 2012, with Associated Trust Company, National Association as escrow trustee.

None of the refunded debt is reflected in the "Debt Margin" presentation above.

ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF NOVEMBER 15, 2005

Schools (5% City Borrowing)	\$108,241,625
Schools (2% School Purpose Borrowing)	21,194,209
Tax Increment Districts	108,494,690
Public Buildings	73,775,061
Streets	72,665,621
Sewers	59,537,318
Police	45,150,064
Water	28,529,743
Finance Real & Personal Property Tax Rec	26,323,406
Local Improvement Projects/Special Ass	20,782,697
Blight Elimination/Urban Renewal	19,986,730
Parking	15,028,090
Fire	13,831,653
Bridges	12,935,220
Library	8,703,689
FMIS Replacement	7,593,000
Playground/Rec Facilities	7,306,909
Harbor	4,042,415
Municipal Expenses	1,750,000
Grant & Aid Improvements City Share	385,092
Economic Development	283,544
Industrial Land Bank	141,770
Milwaukee Exposition and Conv Center	67,875
Resource Recovery	46,073
Lakefront Development	17,715
	<hr/>
Total	<u>\$656,814,209</u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

The following indicates the annual requirements of principal and interest on the general obligation debt of the City.

	Total G.O. Debt Service as of 11/15/2005	Series 2005 N9 and B10			Series 2005 V8		Total Requirements After Issuance
		N9 Notes	B10 Bonds	Interest	Principal	Interest ⁽¹⁾	
2005	\$12,387,470						\$12,387,470
2006	112,549,935			\$1,375,833		\$1,250,000	115,175,768
2007	97,444,266	\$1,915,000		1,902,125		1,250,000	102,511,391
2008	90,124,095	2,480,000		1,792,250		1,250,000	95,646,345
2009	79,304,919	2,500,000		1,667,750		1,250,000	84,722,669
2010	73,168,654	2,520,000		1,542,250		1,250,000	78,480,904
2011	65,222,725	2,545,000		1,415,625		1,250,000	70,433,350
2012	58,737,486	2,570,000		1,287,750		1,250,000	63,845,236
2013	52,716,499	2,595,000		1,158,625		1,250,000	57,720,124
2014	45,668,254	2,625,000		1,028,125		1,250,000	50,571,379
2015	39,186,485	2,650,000		896,250		1,250,000	43,982,735
2016	33,918,423	—	\$2,510,000	767,250		1,250,000	38,445,673
2017	29,063,875	—	2,545,000	640,875		1,250,000	33,499,750
2018	23,114,015	—	2,580,000	512,750		1,250,000	27,456,765
2019	16,695,506	—	2,615,000	382,875		1,250,000	20,943,381
2020	12,242,319	—	2,655,000	251,125		1,250,000	16,398,444
2021	7,310,875	—	2,695,000	117,375	\$5,000,000	1,031,250	16,154,500
2022	6,893,500	—	1,000,000	25,000	5,000,000	781,250	13,699,750
2023	4,955,000	—	—	—	5,000,000	531,250	10,486,250
2023	—	—	—	—	5,000,000	281,250	5,281,250
2025	—	—	—	—	5,000,000	31,250	5,031,250
	<u>\$860,704,301</u>	<u>\$22,400,000</u>	<u>\$16,600,000</u>	<u>\$16,763,833</u>	<u>\$25,000,000</u>	<u>\$21,406,250</u>	<u>\$962,874,384</u>

⁽¹⁾ Assumes an interest rate of 5.00%.

TRENDS OF GENERAL OBLIGATION DEBT

The following table indicates the general obligation debt of the City outstanding on December 31st of the year shown.

<u>Dec. 31</u>	<u>General Obligation Debt Outstanding⁽²⁾</u>	<u>Debt Service Fund Balance ⁽¹⁾</u>		<u>Debt Less Debt Service Fund Balance</u>
		<u>Allocated To Specific Issues⁽³⁾</u>	<u>Unallocated⁽⁴⁾</u>	
2000	\$605,239,921	\$9,623,007	\$20,812,993	\$574,803,921
2001	643,382,647	13,391,189	28,745,811	601,245,647
2002 ⁽⁵⁾	659,548,890	14,526,317	3,021,809	642,000,763
2003 ⁽⁵⁾	660,081,448	22,503,385	12,192,196	625,385,866
2004 ⁽⁵⁾	672,642,303	23,707,300	10,625,595	638,259,408

- (1) The allocation of the Debt Service Fund balances to specific issues is based upon the debt service due for Tax Incremental Districts, Parking, Special Assessment, Water and Delinquent Tax borrowings as a portion of total debt service. (For further information regarding debt service due for Tax Increment Districts, please see "TAX INCREMENT DISTRICT FINANCING.")
- (2) Includes amounts borrowed for Tax Incremental District Program, Parking Program, financing of special assessments, delinquent taxes and water purposes. See "TRENDS OF SELF SUSTAINING GENERAL OBLIGATION DEBT" on the following page for additional information.
- (3) From Provision for Future Maturities - Principal and Interest.
- (4) From Debt Service Fund Revenues.
- (5) Beginning with 2002, the portion of the Debt Service Fund needed to pay interest on certain self supporting debt has been excluded from the balance.

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT

Self-Sustaining General Obligation Debt⁽¹⁾

<u>Date</u>	General Obligation	Self-Sustaining General Obligation Debt ⁽¹⁾					Total Self	Net General Obligation
	Debt Less Debt <u>Service Balance</u> ⁽²⁾	TID <u>Program</u> ⁽³⁾	Parking <u>Program</u>	Special <u>Assessments</u> ⁽⁴⁾	Delinquent <u>Taxes</u> ⁽⁵⁾	Water <u>Water</u>	Sustaining <u>Debt</u>	Debt Less Self- <u>Sustaining Debt</u> ⁽⁶⁾
12/31/2000	\$584,426,928	\$66,078,454	\$26,981,616	\$26,299,555	\$21,225,000	\$52,611,050	\$193,195,675	\$391,231,253
12/31/2001	614,636,836	85,095,889	25,557,046	23,882,153	22,430,000	47,857,943	204,823,031	409,813,805
12/31/2002	656,527,080	92,727,110	22,588,922	21,291,451	22,645,000	42,488,920	201,741,403	454,785,677
12/31/2003	647,889,251	88,436,381	19,635,246	24,837,384	24,190,000	37,808,589	194,907,600	452,981,651
12/31/2004	661,966,708	98,051,013	16,612,840	22,824,289	26,260,000	32,800,701	196,548,843	465,417,865

- (1) The City defines “Self-Sustaining General Obligation Debt” to include any general obligation debt previously issued whose debt service requirements is currently met with current non-Citywide property tax revenues.
- (2) Unallocated portion only. Allocated Debt Service Fund Balance relates to “Self-Sustaining” Debt categories detailed above.
- (3) See “TAX INCREMENT DISTRICT FINANCING” herein for additional information.
- (4) The Public Debt Commission, as one of its statutory mandates, oversees the portion of the Public Debt Amortization Fund used annually to prepay outstanding debt. The Commissioners of the Public Debt have reserved a portion of this Fund sufficient to make principal and interest payments for all outstanding special assessments purpose debt service to maturity.
- (5) Debt service on securities used to fund delinquent tax is offset completely by remitted delinquent tax payments.
- (6) General Obligation Debt less unallocated Debt Service Balance and less Self-Sustaining Debt on a per capita basis is as follows:

<u>Date</u>	<u>Debt Per Capita</u>
12/31/2000	\$646.05
12/31/2001	688.17
12/31/2002	763.12
12/31/2003	762.70
12/31/2004	783.64

**RATIO OF GENERAL OBLIGATION DEBT
To Equalized And Assessed Values And To Per Capita
And Per Capita Incomes**

<u>Date</u>	<u>Population</u> ⁽¹⁾	<u>Net Equalized Valuation</u> ⁽²⁾	<u>Assessed Valuation</u>	<u>Net General Obligation Debt</u> ⁽³⁾	<u>Net General Obligation Debt/Equalized Valuation</u> ⁽⁴⁾	<u>Net General Obligation Debt/Assessed Valuation</u>	<u>Net General Obligation Debt Per Capita</u> ⁽⁴⁾	<u>Per Capita Income</u>	<u>Net G.O. Debt Per Capita/ Per Capita Income</u>
12/31/2000	\$605,572	\$17,344,251,400	\$17,582,994,597	\$574,803,921	3.31%	3.27%	\$949.19	\$14,170	6.70%
12/31/2001	595,508	19,453,830,200	17,699,784,394	601,245,647	3.09	3.40	1,009.63	14,147	7.14
12/31/2002	595,958	20,298,387,000	19,866,255,215	642,000,763	3.16	3.23	1,077.26	13,420	8.03
12/31/2003	595,245	21,730,754,000	21,009,517,241	625,385,866	2.88	2.98	1,050.64	13,680	7.68
12/31/2004	593,920	23,491,773,700	22,772,419,500	638,259,408	2.72	2.80	1,074.66	N/A	N/A

- (1) The population figures are derived through estimates from the Wisconsin Department of Revenue population used in the distribution of State Shared Revenues.
- (2) Per Wisconsin Department of Revenue, Bureau of Property and Utility Tax.
- (3) See - "TRENDS OF GENERAL OBLIGATION DEBT" herein.
- (4) The Public Debt Amortization Fund may be used to acquire debt prior to maturity. Assuming the year-end unsegregated fund balance had been applied in this manner to debt in 2000 through 2004, the following results would have occurred:

<u>Date</u>	<u>Debt Percentage Of Equalized Value</u>	<u>Direct Debt Per Capita</u>
12/31/2000	3.06%	\$877.44
12/31/2001	2.86	936.33
12/31/2002	2.94	1,002.87
12/31/2003	2.67	976.44
12/31/2004	2.52	998.71

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
NOVEMBER 15, 2005**

Governmental Unit	Debt Outstanding As of November 15, 2005	Approximate Percentage Applicable	Milwaukee's Share of Debt As of November 15, 2005
City of Milwaukee ⁽¹⁾	\$625,710,000	100.00%	\$625,710,000
Area Board of Vocational, Technical and Adult Education, District No. 9	75,165,000	37.91	28,495,052
County of Milwaukee ⁽²⁾	453,432,711	46.32	210,030,032
Milwaukee Metropolitan Sewerage District ⁽³⁾	675,874,125	48.93	330,705,209
TOTAL NET DIRECT AND OVERLAPPING DEBT	\$1,830,181,836		\$1,194,940,293

⁽¹⁾ Includes \$129,435,834 general obligation debt outstanding, which financed Milwaukee Public Schools improvements.

⁽²⁾ The County is currently in the process of issuing approximately \$24.6 million in General Obligation Corporate Purpose Bonds and \$67.8 million in General Obligation Refunding Bonds. These amounts are not reflected in the data above.

⁽³⁾ Includes \$390,539,125 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

The City has \$186,798,568 authorized unissued general obligation debt for various corporate and capital improvement purposes, of which \$13,703,500 may be issued as Sewerage Revenue bonds. The debt can be issued at any time. The 2005 Budget also provides for up to \$300,000,000 of revenue anticipation borrowings, of which \$248,000,000 has been issued and is outstanding. The remaining balance of revenue anticipation borrowings can be issued at any time, but are not anticipated to be issued before the authority expires on December 31, 2005. See "FINANCIAL INFORMATION — CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

Additionally, the City anticipates the issuance of approximately \$25,000,000 Variable Rate General Obligation Corporate Purpose Bonds, Series 2005 V8, later in November 2005.

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REVENUE BONDING

The City and City agencies have issued revenue bonds directly and indirectly. Entities which have issued revenue bonds include the Redevelopment Authority and the Housing Authority. Collectively, the bond programs of the Housing and Redevelopment Authorities complement the City financed economic development projects and foster the same development objectives.

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 31, 2004, the outstanding balance was \$13,745,000.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds. As of December 31, 2004, total outstanding Sewerage System Revenue Bonds was \$60,945,000 with a final maturity in 2023.

Industrial Revenue Bonding Program — The City has established guidelines relating to its Industrial Revenue Bonding Program. These guidelines establish criteria for IRB financing. The guidelines delineate that the primary goals of this program are additional tax base, additional jobs or both.

Industrial land, buildings, and machinery and equipment used in the manufacturing process and pollution abatement equipment of new or expanding industries are eligible projects. Since the first IRB issue in 1973, the City has closed 125 issues amounting to approximately \$265 million. The City has no responsibility to either secure or redeem IRB debt, and thus neither guarantees nor lends its own credit to these obligations.

Housing Authority of the City of Milwaukee — Most of the Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority has also issued debt for “stand-alone” projects. The Housing Authority bonds and notes are not a general obligation of the City nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

Between the period 1983 and December 1, 2004 the Housing Authority issued revenue bonds of approximately \$149 million of which approximately \$12 million are still outstanding.

Redevelopment Authority of the City of Milwaukee — The Redevelopment Authority of the City (the “Redevelopment Authority” or the “Authority”) is a public body corporate and politic formed in 1958 by action of the Common Council of the City pursuant to the Section 66.1333 (formerly Section 66.431) of the Wisconsin Statutes, as supplemented and amended (“Redevelopment Authority Act”).

The Authority has as its purpose the carrying out of blight elimination, slum clearance and urban renewal programs and projects as set forth in the Redevelopment Authority Act, and is authorized under the Redevelopment Authority Act to issue revenue bonds for the financing of such programs and projects and to enter into revenue agreements to provide revenues for the payment of such revenue bonds.

Since its creation, the Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Redevelopment Authority Act. In connection with the financing of a number of such projects, the Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power. As of December 31, 2004, the Authority has sold 99 separate issues in the total principal amount of approximately \$935 million. As December 31, 2004 there remained approximately \$551 million outstanding.

The majority of these issues are supported solely by the revenues of the various projects. While in each instance, the bonds issued constitute limited obligations of the Authority, and do not constitute an indebtedness of the City or a charge against the City's general credit or taxing power; there are certain issues which involve contingent liabilities of the Authority and/or the City.

As of December 31, 2004, the Authority had outstanding: one bond issue with \$1,715,000 outstanding secured by a lease with the City; two bond issues with \$41,740,000 outstanding that have a Moral Obligation Pledge of the City; and \$291,684,122 in five bond issues for MPS, one secured by a lease, and four secured by loan agreements, with the Milwaukee Board of School Directors ("MBSD"). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City's, or MBSD's, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

The Authority has also issued debt payable from tax increment revenues. See "TAX INCREMENT DISTRICT FINANCING" herein.

Milwaukee Economic Development Corporation — As of December 31, 2004, the Milwaukee Economic Development Corporation funded loans for 899 small businesses and redevelopment projects utilizing \$163 million to leverage a total of \$807.3 million in investment. 603 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$19.2 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration's Section 503 and 504 loan programs in the amount of \$11.9 million as of December 31, 2004.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts ("TID"). The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such Districts through the issuance of its general obligation bonds. As of May 1, 2005, \$113,464,415 general obligation bonds for TID purposes was outstanding. Under current laws, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the tax increment district. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the moral obligation of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2005 Assessed Tax Rate for Milwaukee Public Schools is \$8.17 per thousand dollars of assessed value, down from \$15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced, and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TIDs cash flow deficiencies with other City revenues. In connection with the change in the school aid formula, the State Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TIDs (which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three-year extension). Extensions are available under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the general property tax levy.

FINANCIAL INFORMATION

BUDGETING

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits his statement of anticipated non-property tax revenues in accordance with City Charter provisions. Under the City Charter, changes to these non-property tax revenue estimates can be made only by the Comptroller. The Mayor holds hearings on departmental spending requests during July and August at the times and places the Mayor or Common Council by ordinance directs. The Mayor submits a proposed budget to the Common Council on or before September 28th of each year. This budget includes the Comptroller's anticipated non-property tax revenues. Subsequent to receipt of the budget by the Common Council, its Committee on Finance and Personnel reviews the Mayor's proposed expenditure budget. The Mayor and Common Council hold a public hearing on the entire budget no later than the 30th day of October. The Common Council subsequently adopts a property tax levy, but cannot change the Comptroller's anticipated revenues budget. The final budget must be adopted by the 14th of November. The City is under no State or local levy limit strictures with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2004-2009 Capital Improvements Plan (CIP) describes planned capital improvement projects and programs, together with proposed financing. School purpose improvements are financed by the City for the Milwaukee Public Schools, but are not included in the CIP.

The six-year City CIP municipal spending plan totals \$1,153 million. About \$986 million or 85 percent of planned municipal and school purpose spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 15 percent is for expansion purposes. In addition, the City has historically provided \$12 million per year towards capital improvements for the Milwaukee Public Schools (school purpose borrowing) for a six-year total CIP of \$1,225 million.

Surface transportation accounts for approximately 26% of the CIP, or about \$294 million. 26% (\$300 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. \$141 million of capital spending (12%) is planned for economic development projects. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 36 percent (\$418 million) is planned for general governmental, health & safety, grant and aid, culture and recreation purposes. All \$12 million of annual school spending is dedicated to deferred maintenance, repairs and remodeling projects, including \$2 million per year of Americans with Disabilities Act (ADA) accessibility projects.

The portion of the \$1,153 million six-year CIP to be financed by the property tax levy totals about \$539 million (47%). This in turn is composed of direct tax levy funding of \$104 million (9%) and tax levy supported debt financing of \$435 million (38%). Cash revenues including Federal and State grants, developer financing and other sources, total \$235 million (20%) of planned CIP spending. An additional \$78 million (7%) is to be financed by City debt to be repaid with tax increment and other revenues. The remaining \$301 million (26%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes. Of the \$12 million per year of school purpose borrowing, \$10 million is typically tax levy supported debt, and \$2 million is ADA reimbursable debt.

The Adopted 2005 Capital Improvements Budget totals \$205 million compared to a 2004 Budget of \$216 million. These amounts include the \$12 million per year of school purpose borrowing. Major categories include \$99 million of public works projects (streets, buildings, etc.), \$42 million of water and sewer projects, and \$27 million of economic development projects.

ADOPTED BUDGET - COMBINED REVENUES - 2005

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	\$93,839,022	1,000,000	\$52,941,522	\$10,119,425		\$157,899,969
Provision for Empl Retirement	40,091,374	—	—	—		40,091,374
Common Council Contingent Fund	5,000,000					5,000,000
Total Taxes	\$138,930,396	1,000,000	\$52,941,522	10,119,425	\$0	202,991,343
Revenues						
Taxes	12,559,200	—	—	—	—	12,559,200
Licenses and Permits	10,230,550	—	—	—	—	10,230,550
Intergovernmental Revenues	272,544,100	81,360,664	—	—	—	353,904,764
Charges for Service	84,676,839	—	—	—	—	84,676,839
Fines and Forfeitures	5,213,000	—	—	—	—	5,213,000
Miscellaneous Revenues	25,555,695	9,500,000	—	—	15,210,000	50,265,695
Cost Recovery	10,000	—	—	—	—	10,000
Fringe benefits	16,739,500	—	—	—	—	16,739,500
Solid Waste Fund	—	—	—	—	—	—
Parking	—	—	—	—	21,363,369	21,363,369
Water Works	—	—	—	—	78,624,322	78,624,322
Sewer Maintenance Fund	—	—	—	—	31,426,441	31,426,441
Retained Earnings	—	—	—	—	33,806,229	33,806,229
Sinking Fund	—	—	69,770,143	—	—	69,770,143
Special Assessments	—	5,388,818	—	3,895,050	—	9,283,868
Capital Revenue	—	—	—	14,200,000	—	14,200,000
Total Revenues	\$427,528,884	\$96,249,482	\$69,770,143	\$18,095,050	\$180,430,361	\$792,073,920
Tax Stabilization						
Transfer from Reserves	16,621,000	—	—	—	—	16,621,000
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	66,667,446	23,906,000	90,573,446
Grand Total	\$583,080,280	\$97,249,482	\$122,711,665	\$94,881,921	\$204,336,361	\$1,102,259,709

(1) Includes employer and employee pension contributions and City employers' share of FICA.

(2) For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

ADOPTED BUDGET – COMBINED APPROPRIATIONS – 2005

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Administration, Dept of	\$7,171,555	—	—	—	—	\$7,171,555
Assessor's Office	4,139,804	—	—	—	—	4,139,804
City Attorney	6,185,158	—	—	—	—	6,185,158
City Treasurer	2,707,895	—	—	232,160	—	2,940,055
Common Council - Clerk	7,097,667	—	—	—	—	7,097,667
Municipal Court	3,120,575	—	—	—	—	3,120,575
Comptroller	6,140,809	—	—	—	—	6,140,809
Dept of City Development	3,219,144	—	—	26,650,000	—	29,869,144
Election Commission	1,090,490	—	—	—	—	1,090,490
Employee Relations, Dept of	5,188,291	—	—	—	—	5,188,291
Fire Department	88,404,023	—	—	5,060,000	—	93,464,023
Fire and Police Commission	—	—	—	—	—	—
Health Department	12,565,109	—	—	1,028,500	—	13,593,609
Library Board	20,627,107	—	—	1,700,000	—	22,327,107
Mayor's Office	1,050,410	—	—	—	—	1,050,410
Neighborhood Services	12,945,618	—	—	—	—	12,945,618
Police Department	185,962,917	—	—	2,400,000	—	188,362,917
Port of Milwaukee	3,557,378	—	—	725,000	—	4,282,378
Public Debt Commission	—	—	—	—	—	—
DPW-Administration	4,610,376	—	—	625,000	—	5,235,376
DPW-Infrastructure	21,482,735	—	—	20,962,463	—	42,445,198
DPW-Operations	71,264,031	—	—	25,173,798	—	96,437,829
Water Works	—	—	—	—	102,222,241	102,222,241
Sewer Maintenance Fund	—	—	—	—	54,529,316	54,529,316
Special Purpose Accounts	140,531,639	—	—	—	—	140,531,639
Pension Funds	64,688,277	—	—	—	—	64,688,277
Debt Service - City	—	—	107,075,114	—	—	107,075,114
Debt Service - Schools	—	—	15,636,551	—	—	15,636,551
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	10,500,000	—	—	—	10,500,000
Parking	—	—	—	—	47,584,804	47,584,804
Grant & Aid Fund	—	81,360,664	—	—	—	81,360,664
Special Capital Projects	—	—	—	10,325,000	—	10,325,000
Economic Development	—	5,388,818	—	—	—	5,388,818
Fringe Benefit Offset	(95,670,728)	—	—	—	—	(95,670,728)
Grand Total	<u>\$583,080,280</u>	<u>\$97,249,482</u>	<u>\$122,711,665</u>	<u>\$94,881,921</u>	<u>\$204,336,361</u>	<u>\$1,102,259,709</u>

⁽¹⁾For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEARS ENDING DECEMBER 31, 2000 THROUGH 2004
(Thousands of Dollars)

<u>Revenues:</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Property Taxes	\$98,456	\$118,804	\$114,096	\$126,749	\$129,120
Other Taxes	12,808	12,688	2,944	4,318	3,563
Licenses and Permits	10,154	10,485	10,814	10,883	11,530
Intergovernmental	278,434	278,969	283,068	284,565	273,865
Charges for Services	45,383	54,594	57,749	55,714	60,825
Fines and Forfeitures	18,036	4,408	5,210	6,115	5,647
Other	<u>14,358</u>	<u>12,408</u>	<u>8,706</u>	<u>7,814</u>	<u>8,108</u>
TOTAL GENERAL FUND REVENUES	<u>\$477,629</u>	<u>\$492,356</u>	<u>\$482,587</u>	<u>\$496,158</u>	<u>\$492,658</u>
Tax Stabilization Fund Withdrawals	11,250	5,500	11,000	9,300	16,870
Other Financing Sources and Equity					
Transfers (Net)	<u>18,647</u>	<u>24,324</u>	<u>29,681</u>	<u>32,791</u>	<u>34,913</u>
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>\$507,526</u>	<u>\$522,180</u>	<u>\$523,268</u>	<u>\$538,249</u>	<u>\$544,441</u>
<u>Expenditures:</u>					
General Government	157,615	162,628	158,645	165,270	179,542
Public Safety	220,879	209,521	211,163	239,698	231,371
Public Works	100,696	87,453	88,094	86,335	89,562
Health	11,363	11,237	10,552	10,677	10,724
Culture and Recreation	17,584	16,948	18,791	17,165	17,822
Conservation and Development	<u>7,502</u>	<u>7,922</u>	<u>7,857</u>	<u>3,833</u>	<u>3,495</u>
TOTAL EXPENDITURES	<u>\$515,639</u>	<u>\$495,709</u>	<u>\$495,102</u>	<u>\$522,978</u>	<u>\$532,516</u>
SOURCES OVER (UNDER) EXPENDITURES	(8,113)	26,471	28,166	15,271	11,925
Fund Balance - January 1 (excludes reserved for use during the year)	55,085	40,465	57,844	76,710	75,111
Net Residual Equity Transfers	<u>(7)</u>	<u>1,908</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - December 31	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>	<u>\$91,981</u>	<u>\$87,036</u>
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	8,886	22,460	36,585	33,000	30,288
Reserved for Inventory	6,014	5,678	5,801	5,190	5,684
Reserved for Mortgage Trust	281	281	276	276	282
Reserved for Environmental Remediation	304	303	303	303	303
Reserved for Next Year's Budget	5,500	11,000	9,300	16,870	16,621
Reserved for Subsequent Years' Budget	<u>25,980</u>	<u>29,122</u>	<u>33,745</u>	<u>36,342</u>	<u>33,858</u>
TOTAL FUND BALANCE	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>	<u>\$91,981</u>	<u>\$87,036</u>

YEAR 2004 GENERAL FUND RESULTS (BUDGET BASIS)

Please see the appendices for audited financial statements for the General Fund. The City General Fund balance of Tax Stabilization reserves, on a budget basis, totaled \$50.5 million at the end of 2004, or about 8.7 percent of 2005 General Fund expenditures. This compares to \$53.2 million (9.3% of expenditures) at December 31, 2003. Total Fund balance at December 31, 2004 is \$87.0 million compared to \$92.0 million at December 31, 2003.

Overall, General Fund Revenues and Other Sources for 2004 exceeded expenditures by \$11.9 million, or 2.2 percent.

Total Revenues and Other Sources increased by \$6.2 million (1.2%) in 2004. Increases include: \$7.6 million in tax stabilization fund withdrawals, \$5.1 million in charges for service, \$2.4 million in property taxes, \$2.1 million in other financing sources and net equity transfers, \$0.6 million in licenses and permits, and \$0.3 million in other revenues. Decreases in revenues include: \$10.7 million in intergovernmental revenues, \$0.8 million in other taxes, and \$0.5 million in fines and forfeitures.

Total General Fund Expenditures increased by \$9.5 million (1.8%) in 2004. The major increase was \$14.3 million in general government. The primary causes of the increase were healthcare costs and reimbursed pension fund contributions. Other increases were \$3.2 million for public works, and \$0.7 million for culture and recreation. Expenditures declined for public safety by \$8.3 million, and conservation and development by \$0.4 million.

Regarding the components of General Fund Balance, the major changes were a \$2.7 million decline in reserved for encumbrances & carryovers, and a \$2.5 million decline in reserved for subsequent year's budget. Other changes were a \$0.5 million increase in inventory, and a \$0.3 million decrease in reserved for next year's budget.

Since 2000, General Fund Revenues and Other Sources have grown at an average of about 1.8 percent annually. Intergovernmental Aids remain the major funding source for the General Fund providing 50 percent of total sources. This compares to 55 percent in 2000. Property taxes comprised about 24 percent of total sources in 2005 versus 19 percent in 2000.

General Fund expenditures have grown at an average 0.8 percent annually since 2000. Because of large retroactive wage settlements every 2 years (see "The City – Employee Relations") it is difficult to make year-over-year comparisons. Over the past 5 years, the two largest categories, General Government and Public Safety have grown an average of 3.3% and 1.2% per year respectively. General Government has grown from 31% of General fund expenditures in 2000 to 34% in 2004. Public Safety has fluctuated, but remains about 43% of General Fund expenditures in 2000 and 2004.

Regarding changes in General Fund Equity, the amount reserved for subsequent years' budget has grown from \$26.0 million in 2000 to \$33.9 million in 2004.

For information regarding City debt levels and related debt factors, see "DEBT STRUCTURE".

**CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS**

	Year 2000 For 2001 Purposes	Year 2001 For 2002 Purposes	Year 2002 For 2003 Purposes	Year 2003 For 2004 Purposes	Year 2004 For 2005 Purposes
Real Property					
Residential	\$10,292,622,989	\$10,358,670,619	\$12,027,394,755	\$12,938,633,380	\$14,301,661,916
Industrial (Manufacturing)	741,471,600	717,830,700	765,130,300	729,858,200	733,599,500
Mercantile (Commercial)	5,612,521,788	5,716,180,475	6,176,332,500	6,493,804,441	6,903,490,064
Total Real Property	<u>\$16,646,616,377</u>	<u>\$16,792,681,794</u>	<u>\$18,968,857,555</u>	<u>\$20,162,296,021</u>	<u>\$21,938,751,480</u>
Personal Property	936,378,220	907,102,600	897,397,660	847,221,220	833,668,020
Total Assessed Valuations	<u>\$17,582,994,597</u>	<u>\$17,699,784,394</u>	<u>\$19,866,255,215</u>	<u>\$21,009,517,241</u>	<u>\$22,772,419,500</u>
Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee	\$17,344,251,400	\$19,453,830,200	\$20,275,936,700	\$21,730,754,000	\$23,491,773,700
Ratio of Assessed to Equalized Valuation	101.40%	91.00%	98.00%	96.68%	96.94%

**CITY OF MILWAUKEE
ASSESSED TAX RATES
(PER \$1,000 OF ASSESSED VALUATION)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Unit of Government					
City Government ⁽¹⁾	\$10.49	\$10.87	\$10.15	\$9.73	\$9.19
Milwaukee Public Schools	9.87	10.12	9.34	8.96	9.40
Milwaukee County	5.66	6.13	5.40	5.15	4.91
Milwaukee Area Technical College	2.00	2.23	2.05	2.04	2.00
Milwaukee Metropolitan Sewerage District	1.68	1.87	1.74	1.64	1.59
Gross Tax Rate Per \$1,000	<u>\$29.70</u>	<u>\$31.22</u>	<u>\$28.68</u>	<u>\$27.52</u>	<u>\$27.09</u>
Less: State Tax Credit	1.69	1.66	1.43	1.35	1.23
Net Tax Rate	<u><u>\$28.01</u></u>	<u><u>\$29.56</u></u>	<u><u>\$27.25</u></u>	<u><u>\$26.17</u></u>	<u><u>\$25.86</u></u>

(1) Includes School Debt Service (\$0.59 in 2005).

**CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS⁽¹⁾**

Collection Year	Total Tax Levy	Current Tax Collection		Delinquent Tax Collections ⁽²⁾	Total Tax Collections		Outstanding Delinquent Taxes
		Amount	% of Levy		Amount	% of Levy	
2000	\$474,230,849	\$460,458,659	97.10%	\$11,289,351	\$471,748,010	99.48%	\$24,052,217
2001	522,236,846	509,440,570	97.55	14,805,255	524,245,825	100.38	22,043,238
2002	552,490,450	538,742,161	97.51	13,926,347	552,668,508	100.03	21,865,180
2003	569,696,984	554,540,917	97.34	12,400,491	566,941,408	99.52	24,620,756
2004	578,190,855	564,236,091	97.59	14,381,083	578,617,174	100.07	23,897,799

⁽¹⁾ Includes overlapping portion from all taxing bodies. City portion is approximately 35% of the dollar amounts shown.

⁽²⁾ Includes amounts from any prior year collected in that year.

COLLECTION PROCEDURES

If no payment of property taxes is received in January, the taxes become delinquent as of February 1. If the taxes are not paid when due under the 10-month installment plan, they become delinquent for legal purposes on November 15.

A letter is mailed to the taxpayer shortly after February 1st, telling of the delinquency and suggesting partial payments if full payment cannot be made. As directed by State of Wisconsin Statutes, Chapter 74, interest at the rate of 1 percent per month is charged from the preceding January 1st. Periodic follow-up letters continue to be mailed.

Taxpayers are given every opportunity to pay their delinquent taxes and satisfactory agreements are arranged to bring this about. If a property owner continues to remain delinquent and the Treasurer's Office is unable to reach an arrangement by which the owner will pay the taxes, the Treasurer's Office starts foreclosure proceedings. The City enforces its own delinquent tax collections.

Taxes are foreclosed under State of Wisconsin Statutes Section 75.521, which permits a legal action to be commenced one year from the date of delinquency. An exception to this provision is that legal action on owner occupied dwellings may be deferred up to two years if authorized by Common Council action.

The rate of current tax collections continues at this historically high level. Current collections for 2004 were approximately 97.59 percent of the total tax levied.

INSURANCE

The City has property insurance with the State of Wisconsin Local Government Property Insurance Fund. This insurance is subject to a \$25,000 deductible. The City is uninsured for liability. Under Wisconsin law, the City's exposure in tort liability is limited to \$50,000 in non-automobile cases and \$250,000 in automobile cases. The City does carry a wharfinger's liability policy on its port with coverage up to \$10 million and a deductible of \$500,000. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as may be deemed appropriate by the City.

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PENSION SYSTEM

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System ("System") of the City is established pursuant to Section 36 of the Milwaukee City Charter.

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals approximately 12,200 active and 3,550 vested, inactive members at December 31, 2004. There were approximately 10,700 retirees and beneficiaries receiving benefits as of December 31, 2004.

Funding of the System, a defined benefit plan, is derived from employee and employer contributions. Current employee contributions to the System are based on a percentage of compensation as follows:

General Municipal ⁽¹⁾	5.5%
Elected Officials	7.0%
Police	7.0%
Fire	7.0%

⁽¹⁾ Including non-certified School Board, Milwaukee Area Technical College, and all Milwaukee Metropolitan Sewerage District and Wisconsin Center employees.

The City pays the employee's share of the pension contributions as well as the employer's share of pension contributions which are actuarially determined based upon normal cost and amortization of past service liability. The actuarial cost method for determining these items was changed from the "aggregate cost method" to the "projected unit credit method" as of January 1, 1995.

For the year ended December 31, 2004, the latest year for which audited figures are available, required member contributions totaled \$31 million and required employer contributions totaled \$46,000. Approximately 73% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.275 billion with a corresponding market value of \$4.345 billion or 133% of the original cost at December 31, 2004.

The Milwaukee City Charter requires that an actuarial study of the System be performed at least once every five (5) years for the purpose of reviewing assumptions. The last actuarial study was completed by Buck Consultants covering experience from January 1, 1997 to December 31, 2001.

The latest actuarial valuation was as of January 1, 2005. The valuation reveals the System continues to remain actuarially sound.

The Governmental Accounting Standards Board (GASB) Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$4.113 billion as of January 1, 2005 and an Actuarial Accrued Liability of \$3.523 billion as of that date. This results in a Funded Ratio of 116.7%.

FIREMEN'S ANNUITY AND BENEFIT FUND

The Firemen's Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen's Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to entrants and widows, exclusive of duty disability benefits, beginning in February 1990 in consideration of a single premium payment on January 31, 1990, in the amount of \$20,419,207. The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board and the Firemen's Annuity and Benefits Fund ceased to exist. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under then policy.

POLICEMEN'S ANNUITY AND BENEFIT FUND

The Policemen's Annuity and Benefit Fund is established pursuant to section 35 of the Milwaukee City Charter.

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to July 29, 1947. At January 31, 2005 there were no active members and approximately 193 retired members or survivors receiving payment.

Current funding is derived from employer contributions. There is an unfunded past service liability for the Policemen's Annuity and Benefit fund at year-end 2004 in the amount of \$1,930,535 per the Policemen's Annuity and Benefit Fund's Annual Actuarial Statement dated December 31, 2004.

Assets of the Policemen's Annuity and Benefit Fund at December 31, 2004, totaled \$5,281,524 per Actuary Gucciardi Benefit Resources report of December 31, 2004.

In May 2005, the Board of the Policemen's Annuity benefit Fund approved an increase in benefits effective January 2006. The proposal has been sent to the Common Council for approval. If approved as proposed, the increase in benefits will increase the unfunded past service liability by an estimated \$600,000. The proposed also includes provisions to extend the amortization period of unfunded past service liability from 5 years to 10 years.

BOOK-ENTRY ONLY SYSTEM

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a document prepared by The Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, NY, will act as securities depository for the Offered Obligations. The Offered Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Offered Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Offered Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Obligations on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Obligations, except in the event that use of the book-entry system for the Offered Obligations is discontinued.

To facilitate subsequent transfers, all Offered Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Offered Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Offered Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Offered Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of The City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Offered Obligations at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered to DTC.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

NEITHER THE CITY, THE PAYING AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OFFERED OBLIGATIONS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE OFFERED OBLIGATIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE OFFERED OBLIGATIONS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF OFFERED OBLIGATIONS.

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LEGAL MATTERS

LITIGATION STATEMENT

The City, its boards, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. The City of Milwaukee does not carry a blanket policy of insurance against tort liability. In addition, Wis. Stat. § 893.80 limits the amount recoverable against a political corporation, its officers, officials or employees for acts done in their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on November 10, 2005.

U.S. Department of Justice Investigation of Firefighter Selection Procedures (Brotherhood of Firefighters v. FPC). The City has completed payment of monetary relief under the Supplemental Order of the United States District Court dated November 30, 2001, under Civil Action Case No. 74-C-480, settling allegations of discrimination in the entry level hiring examinations for firefighter. One additional priority appointment remains to be made, having been delayed by the candidate's military service. Thereafter, the City's only remaining obligations under the Supplemental Order will be to settle and adjust claims for the payment of pension expenses associated with the settlement. The pension costs are unknown, and are anticipated to exceed \$615,000.

Alexander, et al v. City of Milwaukee, et al. Starting in October 2002, seventeen white male lieutenants in the MPD filed a series of EEOC charges alleging discrimination on the basis of race and gender in their failure to be promoted to the rank of Captain of Police. The EEOC concluded its investigation without finding cause, and issued notice of rights to sue letters, on April 1, 2003. The seventeen plaintiffs filed suit in the above captioned matter on June 27, 2003. The complaint alleges a class action on behalf of all white male lieutenants of the MPD who have sought or will seek promotion from the position of lieutenant to captain, or who in the future will be denied equal employment opportunity by the MPD due to their being white males. The Complaint names the City, the Board of the FPC, and former Chief of Police Arthur Jones in his individual and official capacity. It also names each of the FPC Commissioners as of the suit's commencement, in their individual and official capacities. The Complaint alleges violations of Title VII of the Civil Rights Act of 1964, as amended as well as equal protection violations actionable under 42 U.S.C. §§ 1983 and 1981. Plaintiffs seek compensatory damages in the sum of \$300,000 each, plus unspecified sums in punitive damages, as well as other relief available such as attorneys' fees and costs. The case was tried in March, 2005, and decided against the City. The jury awarded \$2,200,000. The court must now decide the amount of economic damages and attorney's fees, which could amount to more than a million dollars. The City will file motions to reduce the amount of damages and consider pursuing an appeal of all or part of the judgment.

Estate of Justin Fields, et al. v. City of Milwaukee, et al. This case involves a fatal police shooting, which occurred on March 2, 2003. At bar time on Water Street, two Officers observed a car that failed to yield to an emergency vehicle. One Officer approached the vehicle, and its driver, Mr. Fields, exchanged words with the officer and fled the scene. A vehicular pursuit ensued, and came to a stop on North Martin Luther King Drive, after the Fields vehicle collided with another car. Believing that the car was unable to move and that its occupants might be injured, the officers approached the Fields vehicle. The vehicle then accelerated towards one of the Officers. The Officer, believing that his life and that of others were in danger, fired his weapon at the driver, Mr. Fields. Mr. Fields died at the scene. The case is in the initial stages of litigation. The City anticipate a full discovery process, dispositive motions, and ultimately, if motions fail, a trial.

Jenkins v. Bartlett, et al, This case involves a fatal police shooting, which occurred on September 19, 2002. On that date Officer Bartlett was on routine police patrol duty with his partner. While conducting a standard traffic stop, a subject fled from the scene. That subject was later identified as the decedent Larry Jenkins. Officer Bartlett pursued Mr. Jenkins on foot to the intersection of 37th Street and Glendale Avenue. When Officer Bartlett came upon the intersection he observed Mr. Jenkins entering a vehicle which was stopped at the intersection. It appeared to the officer that Mr. Jenkins was attempting to carjack the vehicle in an effort to flee from the officer. As the officer attempted to come to the assistance of the driver of the vehicle he found himself located to the front of the vehicle. He also observed Mr. Jenkins seated behind the steering wheel. The vehicle began to move forward at a high rate of speed ultimately striking Officer Bartlett and throwing him onto the hood. Officer Bartlett feared for his life and

fired his service weapon at Mr. Jenkins. Mr. Jenkins died at the scene. Subsequently the estate filed suit. Discovery has been completed in this case. The defendants' summary judgment motion has been decided by the court dismissing all issues except for that involving the reasonableness of the officer's use of force. Given differing testimony from various witnesses the court determined that there were significant questions of fact which could only be resolved by a jury. Therefore, this case will be proceeding to trial. No trial date has been set as yet.

Page, et al. v. Malone, et al. This case involves a fatal police shooting which occurred on or about April 5, 2002. Michael Page, Jr. was fleeing police officers of both the City of Wauwatosa and the City of Milwaukee in his motor vehicle. The pursuit traveled through several jurisdictions ending at a location on N. 25th Street in the City of Milwaukee. Mr. Page climbed onto the roof of his vehicle. Officer Malone ordered Mr. Page to show his hands and come down from the vehicle. Mr. Page reached for his waistband area and suddenly lunged off the vehicle toward Officer Malone. Fearing Mr. Page was pulling a weapon and that the weapon would be used, Officer Malone feared for his safety as well as that of other people nearby and fired his service weapon at Mr. Page. Mr. Page died as a result. This case is in the initial stages of litigation. However, plaintiffs' counsel withdrew from the case. On April 25, 2005, the judge dismissed the case, but without prejudice. The City anticipates that the plaintiffs will refile, once they have retained a new attorney.

Pundsack, et al. v. City of Milwaukee, et al., Case No. 04-C-1207. This case involves a fatal police shooting which occurred on or about December 23, 2002. Edward Pundsack led police on a chase. An Officer involved in the pursuit emerged from his vehicle and ordered Mr. Pundsack out of his vehicle. At one point, the Officer perceived that Mr. Pundsack was driving his vehicle in reverse and that other officers were located to the rear of the Pundsack vehicle directly in its path. Believing that those fellow officers were in imminent danger of death or great bodily harm the Officer fired his service weapon at Mr. Pundsack. Mr. Pundsack died at the scene. This case is in the initial stages of litigation. The City anticipates a full discovery process, dispositive motions and ultimately, if motions fail, a trial.

Milwaukee Riverwalk Investigation USAO File No. 2003V200280. The City and the private property owners in Business Improvement District No. 15 ("BID-15"), a business improvement district, received an August 6, 2003 communication from the United States Department of Justice ("DOJ"). That communication indicated that the United States Attorney for the Eastern District of Wisconsin had opened an investigation of a complaint made to the DOJ. The complaint alleged that the owners and operators of the Milwaukee Riverwalk are in violation of the Americans with Disabilities Act and the DOJ's regulations implementing that Act. The City and BID-15 retained the services of a consultant to assist in the response to the DOJ's communication. The consultant developed a set of recommendations that would remedy the alleged ADA violations, and concluded that many, but not all, of the alleged violations had merit. The estimated cost of implementing the recommendations is \$1,224,266.

The City and BID-15 are now engaged in settlement discussions with DOJ regarding the timing and method of implementing the recommendations to remedy the alleged violations. The City anticipates that if the City, BID-15 and DOJ reach an agreement on the remedy, the City and BID-15 would split the remedial cost in the same manner that the original costs for the Riverwalk Project were split. The City originally paid for the entire cost of the project and then recovered back 22% of those costs through special assessments against private property owners within BID-15.

Kaye v. City of Milwaukee, et al. Kaye, a real estate developer, brought this case against the City of Milwaukee, its Redevelopment Authority, other agencies, City and Redevelopment officials and employees under the Racketeer Influenced Corrupt Organizations Act, 18 U.S.C. § 1961 et. seq., and the Wisconsin Organized Crime Control Act, Wis. Stat. § 946.80, et. seq.

Kaye's complaint alleges he attempted to bid on certain real property then owned by the City of Milwaukee and located at 1152-1158 Kane Place. His bid was not considered, because the property had been "promised" to Ms. Kohler, who was then Vice Chair of the City Planning Commission. He claims that the City, and specifically the Redevelopment Authority, made special exceptions to bid, sale, zoning and other requirements for Ms. Kohler due to her status as a public official. Specifically, he alleges that Ms. Kohler, in her capacity as Vice Chair of the City Planning Commission, agreed with Mr. Fowler, then a Redevelopment Authority Commissioner, to "swap" the Kane Place property for another parcel of property located at 2951-2965 N. Humboldt Avenue. As a quid pro quo for Mr. Fowler approving the Redevelopment Authority's sale of the Kane Street property to Ms. Kohler, she, through the City Planning Commission, approved the sale of the Humboldt Avenue property to Alterra Coffee Roasters, Inc., a company in which Mr. Fowler is a principal shareholder.

Kaye further alleges that, around this time same, Alderman D'Amato, the East Village Association, Inc. ("EVA"), and certain private citizens, including Ms. Kohler, were seeking enactment of an ordinance that would establish a "Conservation District Overlay" over a portion of the Third Aldermanic District. The conservation district would limit the types of real estate development that could occur therein. The conservation district was opposed by the plaintiff and others. As part of their opposition efforts, Kaye and others became members of the EVA and sought to elect their own slate of directors. He alleges that Alderman D'Amato, Ms. Kohler, and the then-officers of EVA engaged in a fraudulent scheme to manipulate the EVA election in order to retain control of the board from opponents of the conservation district. He alleges that the opposition members were permitted to believe that the election would be conducted by a simple majority vote. At the time of the election, however, the opposition members were informed for the first time that a new voting method, a variant of cumulative voting that emphasized voting coalitions, would be used. The existing officers and directors of the EVA, along with Alderman D'Amato and Ms. Kohler, were able to organize a voting coalition, including by means of e-mail, which plaintiff alleges to have been an act of wire fraud. The opposition members, surprised by the change in voting method, could not organize in time and were unsuccessful in wresting control of the EVA board.

Kaye also alleges that citizens opposing the conservation district placed yard signs expressing that opposition in various places in the Third Aldermanic District. Plaintiff alleges that Alderman D'Amato (or one of his aides, the complaint conflicts itself on this point) removed such a sign from the property of Jill Bondar, one of the leaders of the opposition group. Kaye further alleges that Alderman D'Amato left Ms. Bondar a voice mail in which he implicitly threatened criminal prosecution for her conduct and that of other members of the opposition group in putting up the yard signs.

According to Kaye, the allegations plead predicate acts of racketeering sufficient to allege that the defendants violated both RICO, the Racketeer Influenced Corrupt Organizations Act, 18 U.S.C. § 1961 et. seq., and the Wisconsin Organized Crime Control Act, Wis. Stat. § 946.80, et. seq. Plaintiff asserts claims under 18 U.S.C. §§ 1962(b), (c) and (d). Section 1962(b) makes it unlawful for any person to acquire or maintain any interest in or control of any "enterprise" through a "pattern of racketeering." Section 1962(c) makes it unlawful to conduct or participate in the affairs of an "enterprise" through a "pattern of racketeering." Section 1962(d) makes it unlawful to conspire to violate RICO. The complaint asks for over \$5,000,000 in compensatory and punitive damages.

The attorneys for the City and the other defendants do not believe that the complaint states a claim under RICO, or the state mini-RICO statute, and, accordingly, have moved to dismiss the complaint for failure to state a claim upon which relief can be granted.

Milwaukee Police Supervisors Association (MPSO) v. City of Milwaukee and the Milwaukee Employees' Retirement System (ERS). This case is a clone of an earlier case that was filed and subsequently voluntarily dismissed. That case was brought by the Milwaukee Police Association (MPA represents police officers; the MPSO represents police supervisors.) The MPA case alleged that the ERS was prohibited by City Ordinance from spending more than \$3 million to purchase and install a computer information system. The suit alleged that the City was liable to pay any of those expenses in excess of \$3 million. It is estimate that the total cost of the ERS information system is approximately \$25 million. The dispute in the case was over the interpretation of a section of the City ordinance that transferred all administrative, operational, and investment expenses from the City to the ERS. This change was made as a part of a larger settlement of various disputes between the City and the MPA called the Global Pension Settlement. The MPA voluntarily dismissed the lawsuit earlier this year (2005). The MPSO has now filed a lawsuit making the same allegations. Both the City and the ERS view the allegations as without merit and are vigorously defending the lawsuit.

LEGAL OPINIONS

The legal opinions of Hawkins Delafield & Wood LLP, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel to the City, will be delivered to the purchasers of the Offered Obligations. Drafts of the legal opinions for the Offered Obligations are included herein as Appendix B.

FINANCIAL GUARANTY INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Obligations effective as of the date of issuance of the Obligations. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Obligations which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the Obligations and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Obligations become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Obligations, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Obligations on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Obligations, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Obligations to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Obligations to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Obligation, appurtenant coupon, if any, or right to payment of principal or interest on such Obligation and will be fully subrogated to the surrendering Holder’s rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation (“Ambac Assurance”) is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,720,000,000 (unaudited) and statutory capital of approximately \$5,287,000,000 (unaudited) as of June 30, 2005. Statutory capital consists of Ambac Assurance’s policyholders’ surplus and statutory contingency reserve. Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, Moody’s Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Obligations.

Ambac Assurance makes no representation regarding the Obligations or the advisability of investing in the Obligations and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading “FINANCIAL GUARANTY INSURANCE”.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the “Company”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “NYSE”), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance’s financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;
2. The Company’s Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;
3. The Company’s Quarterly Report on Form 8-K dated and filed on April 20, 2005;
4. The Company’s Current Report on Form 8-K dated May 3, and filed on May 5, 2005;
5. The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;
6. The Company’s Current Report on Form 8-K dated and filed on July 20, 2005;
7. The Company’s Current Report on Form 8-K dated July 28, 2005 and filed on August 2, 2005;

8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2005 and filed on August 9, 2005; and
9. The Company's Current Report on Form 8-K dated September 8, 2005 and filed on September 9, 2005; and

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

TAX STATUS

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Offered Obligations is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinions, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Offered Obligations, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Obligations from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Offered Obligations. Bond Counsel render their opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update their opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Offered Obligations.

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Obligations in order that interest on the Offered Obligations be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Obligations, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Offered Obligations to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Offered Obligations from gross income under Section 103 of the Code.

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Offered Obligations. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of an Offered Obligation. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Offered Obligations.

Prospective owners of the Offered Obligations should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Offered Obligations may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation affecting municipal bonds and notes is regularly proposed. There can be no assurance that legislation enacted or proposed by the United States Congress after the date of issuance of the Offered Obligations will not have an adverse effect on the tax-exempt status or market price of the Offered Obligations.

STATE TAX MATTERS

Interest on the Offered Obligations is not exempt from State of Wisconsin income tax or franchise tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Offered Obligations as “qualified tax-exempt obligations” for purposes of Section 265 (b)(3) of the Code.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, the City shall covenant pursuant to a resolution adopted by the Common Council to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Offered Obligations to provide certain financial information and operating data relating to the City to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Master Continuing Disclosure Certificate and Addendums, which shall be made applicable to the Offered Obligations pursuant to Schedules to be executed and delivered by the City at the time the Offered Obligations are delivered. Such Certificate, Addendums, and Schedules will be in substantially the form attached hereto as Appendix C. The City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Offered Obligations (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Offered Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Offered Obligations and their market price.

RATINGS

The City has requested ratings on the Offered Obligations from FITCH Ratings, Moody's Investors Service, Inc. and from Standard & Poor's Ratings Group. FITCH Ratings has assigned a rating of “AA+” on the G.O. Notes and G.O. Bonds. Moody's Investors Service, Inc. has assigned a rating of “Aa2” on the G.O. Notes and G.O. Bonds. Standard & Poor's Ratings Group has assigned a rating of “AA” on the G.O. Notes and G.O. Bonds.

Additionally, with respect the G.O. Notes and G.O. Bonds, Fitch Ratings, Moody's Investors Service, Inc. and Standard and Poor's Ratings Group have assigned their municipal bond ratings of “AAA”, “Aaa” and “AAA”, respectively, to the G.O. Notes and G.O. Bonds, with the understanding that upon delivery of the G.O. Notes and G.O. Bonds, a financial guaranty insurance policy insuring the payment when due of the principal of and interest on the G.O. Notes and G.O. Bonds will be issued by Ambac Assurance Corporation.

The ratings, when issued, reflect only the views of the respective ratings agencies, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Offered Obligations.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Offered Obligations. The Financial Advisor has requested and the City has consented to the Financial Advisor submitting bids for the Offered Obligations.

LEGISLATION

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Offered Obligations or the financial condition of the City.

UNDERWRITING

The Offered Obligations have been purchased at competitive bidding conducted on November 17, 2005.

The award of the G.O. Notes and G.O. Bonds was made to Banc of America Securities LLC, New York, New York, its co-managers and associates.

The public reoffering yields of the Offered Obligations will be detailed on the inside front cover of this Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Offered Obligations by the Underwriters thereof, the City will furnish to the Underwriters the following closing documents, in form satisfactory to Bond Counsel:

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;
- (4) the opinions as to the legality of the Offered Obligations under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Hawkins Delafield & Wood LLP, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel to the City, in substantially the forms as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Offered Obligations within seven business days after the award of the Offered Obligations in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

To the best of its knowledge, the information in this Official Statement does not include any untrue statement of a material fact, nor does the information omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Additional information may be obtained from the undersigned City Comptroller upon request.

W. MARTIN MORICS, City Comptroller and Secretary
City of Milwaukee, Public Debt Commission
City Hall, Room 404
200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-3321

/s/ W. Martin Morics

Comptroller
City of Milwaukee, Wisconsin

November 17, 2005

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APPENDIX A

**Audited Annual Financial Report of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2004**

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CITY OF MILWAUKEE
ANNUAL FINANCIAL REPORT
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 FOR THE YEAR ENDED DECEMBER 31, 2004

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

The Honorable Members of
The Common Council of
The City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Milwaukee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the City of Milwaukee, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Milwaukee, as of December 31, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Milwaukee as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information in Exhibit D-1 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

July 29, 2005

**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
 December 31, 2004
(Thousands of Dollars)

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 259,928	\$ 50,538	\$ 310,466
Investments	55,736	24,361	80,097
Receivables (net):			
Taxes	159,997	-	159,997
Accounts	16,333	23,811	40,144
Unbilled accounts	485	14,084	14,569
Special assessments	15,520	-	15,520
Notes and loans	44,952	-	44,952
Accrued interest	1,031	85	1,116
Due from component units	18,061	-	18,061
Due from primary government	-	-	-
Due from other governmental agencies	197,654	-	197,654
Inventory of materials and supplies	5,920	2,597	8,517
Inventory of property for resale	26	-	26
Prepaid items	562	13	575
Deferred charges	1,971	657	2,628
Other assets	-	336	336
Total non-capital assets	<u>778,176</u>	<u>116,482</u>	<u>894,658</u>
Capital assets:			
Capital assets not being depreciated:			
Land	163,552	18,388	181,940
Construction in progress	59,902	45,909	105,811
Capital assets being depreciated:			
Buildings	140,186	84,395	224,581
Infrastructure	1,263,394	576,906	1,840,300
Improvements other than buildings	8,733	24,457	33,190
Machinery and equipment	121,327	203,243	324,570
Furniture and furnishings	-	70	70
Nonutility property	-	540	540
Accumulated depreciation	<u>(915,371)</u>	<u>(293,244)</u>	<u>(1,208,615)</u>
Total Capital Assets	<u>841,723</u>	<u>660,664</u>	<u>1,502,387</u>
Total Assets	<u>1,619,899</u>	<u>777,146</u>	<u>2,397,045</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2004
(Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 41,902	\$ 15,342	\$ 57,244
Accrued expenses	23,053	2,008	25,061
Accrued interest payable	8,506	939	9,445
Internal balances	554	(554)	-
Due to component units	3,597	-	3,597
Due to other governmental agencies	4,852	-	4,852
Deferred revenue	267,189	160	267,349
Revenue anticipation notes payable	172,000	-	172,000
Other payables	-	-	-
Other liabilities	-	-	-
Due to primary government:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Long-term obligations:			
Due within one year	89,958	13,281	103,239
Due in more than one year	612,505	119,557	732,062
 Total Liabilities	<u>1,224,116</u>	<u>150,733</u>	<u>1,374,849</u>
NET ASSETS			
Invested in capital assets, net of related debt	444,873	529,213	974,086
Restricted for:			
Debt Service	110,135	8,123	118,258
Other purposes	282	-	282
Unrestricted	<u>(159,507)</u>	<u>89,077</u>	<u>(70,430)</u>
 Total Net Assets	<u>\$ 395,783</u>	<u>\$ 626,413</u>	<u>\$ 1,022,196</u>

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, 2004
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 177,761	\$ 10,460	\$ 2,171	\$ -
Public safety	241,027	13,153	9,728	-
Public works	150,591	33,305	3,485	-
Health	27,251	911	16,625	-
Culture and recreation	29,014	2,412	1,910	-
Conservation and development	57,967	584	26,509	-
Capital contribution to Milwaukee Public Schools	15,686	-	-	-
Contributions	20,582	-	22,236	-
Interest on long-term debt	24,159	-	-	-
Total Governmental Activities	<u>744,038</u>	<u>60,825</u>	<u>82,664</u>	<u>-</u>
Business-type Activities:				
Water	54,030	71,579	-	2,093
Sewer Maintenance	24,361	30,959	-	-
Parking	22,283	41,470	-	-
Port of Milwaukee	2,981	3,943	-	143
Metropolitan Sewerage District User Charges	31,233	29,688	-	-
Total Business-type Activities	<u>134,888</u>	<u>177,639</u>	<u>-</u>	<u>2,236</u>
Total Primary Government	<u>\$ 878,926</u>	<u>\$ 238,464</u>	<u>\$ 82,664</u>	<u>\$ 2,236</u>

General revenues:	
Property taxes and other taxes
State aids for General Fund
Grants and contributions not restricted to specific programs
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Assets	
Net Assets - Beginning
Net Assets - Ending

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

Exhibit 2 (Continued)

<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (165,130)		\$ (165,130)
(218,146)		(218,146)
(113,801)		(113,801)
(9,715)		(9,715)
(24,692)		(24,692)
(30,874)		(30,874)
(15,686)		(15,686)
1,654		1,654
(24,159)		(24,159)
<u>(600,549)</u>		<u>(600,549)</u>
-	19,642	19,642
-	6,598	6,598
-	19,187	19,187
-	1,105	1,105
-		
-	(1,545)	(1,545)
-	44,987	44,987
<u>(600,549)</u>	<u>44,987</u>	<u>(555,562)</u>
217,762	-	217,762
273,865	-	273,865
-	-	-
56,321	797	57,118
22,622	(22,622)	-
<u>570,570</u>	<u>(21,825)</u>	<u>548,745</u>
(29,979)	23,162	(6,817)
<u>425,762</u>	<u>603,251</u>	<u>1,029,013</u>
<u>\$ 395,783</u>	<u>\$ 626,413</u>	<u>\$ 1,022,196</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
 DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit A-1

General

ASSETS

Assets:	
Cash and cash equivalents	\$ 118,556
Investments	282
Receivables (net):	
Taxes	102,499
Accounts	10,901
Unbilled accounts	485
Special assessments	-
Notes and loans	299
Accrued interest	840
Due from other funds	27,583
Due from component units	2,026
Due from other governmental agencies	668
Advances to other funds	13,431
Inventory of materials and supplies	5,658
Inventory of property for resale	26
Prepaid items	271
Total Assets	<u>\$ 283,525</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	\$ 25,457
Accrued expenses	23,053
Due to other funds	1,566
Due to component units	6
Due to other governmental agencies	1
Deferred revenue	146,406
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>196,489</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	30,288
Reserved for inventory	5,684
Reserved for mortgage trust	282
Reserved for environmental remediation	303
Reserved for tax stabilization - 2005	16,621
Reserved for tax stabilization - 2006 and subsequent years' budgets and advances to other funds	33,858
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>87,036</u>
Total Liabilities and Fund Balances	<u>\$ 283,525</u>

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
\$ 80,337	\$ 19,328	\$ 28,272	\$ 13,435	\$ 259,928
-	55,454	-	-	55,736
40,420	-	7,627	9,451	159,997
-	-	3,019	2,413	16,333
-	-	-	-	485
-	-	15,520	-	15,520
36,681	-	-	7,972	44,952
138	52	-	1	1,031
291	-	-	-	27,874
15,641	-	-	394	18,061
172,000	-	13,820	11,166	197,654
-	-	-	-	13,431
-	-	262	-	5,920
-	-	-	-	26
-	291	-	-	562
<u>\$ 345,508</u>	<u>\$ 75,125</u>	<u>\$ 68,520</u>	<u>\$ 44,832</u>	<u>\$ 817,510</u>
\$ -	\$ -	\$ 9,990	\$ 6,455	\$ 41,902
-	-	-	-	23,053
8,768	291	12,562	5,241	28,428
-	-	2,661	930	3,597
-	-	3,900	951	4,852
120,933	-	38,254	19,134	324,727
172,000	-	-	-	172,000
-	-	13,431	-	13,431
<u>301,701</u>	<u>291</u>	<u>80,798</u>	<u>32,711</u>	<u>611,990</u>
43,807	74,834	-	8,960	127,601
-	-	-	7,335	7,335
-	-	-	3	3
-	-	576	-	30,864
-	-	262	-	5,946
-	-	-	-	282
-	-	-	-	303
-	-	-	-	16,621
-	-	-	-	33,858
-	-	-	(4,177)	(4,177)
-	-	(13,116)	-	(13,116)
<u>43,807</u>	<u>74,834</u>	<u>(12,278)</u>	<u>12,121</u>	<u>205,520</u>
<u>\$ 345,508</u>	<u>\$ 75,125</u>	<u>\$ 68,520</u>	<u>\$ 44,832</u>	<u>\$ 817,510</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 205,520

Amounts reported for governmental activities in the statement of net assets (Exhibit A-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	\$ 163,552	
Buildings, net of \$62,116 accumulated depreciation	78,070	
Infrastructure, net of \$768,943 accumulated depreciation	494,451	
Improvements Other than buildings, net of \$6,750 accumulated depreciation	1,983	
Machinery and equipment, net of \$77,562 accumulated depreciation	43,765	
Construction in progress	<u>59,902</u>	
		841,723

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 1,971

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	6,387	
Special assessments to be collected after year end	14,470	
Notes and loans receivable to repay long-term bonds and notes	<u>36,681</u>	
		57,538

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	(8,506)	
Bonds and Notes Payable	(618,988)	
Deferred amount on refunding	8,372	
Unamortized premiums	(25,559)	
Compensated absences	(37,003)	
Claims and judgments	(28,936)	
Capitalized lease	<u>(349)</u>	
		<u>(710,969)</u>

Total net assets of governmental activities (Exhibit 1) \$ 395,783

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

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 129,120
Other taxes	3,563
Special assessments	-
Licenses and permits	11,530
Intergovernmental	273,865
Charges for services	60,825
Fines and forfeits	5,647
Contributions received	22,236
Other	8,108
Total Revenues	<u>514,894</u>
Expenditures:	
Current:	
General government	200,124
Public safety	231,371
Public works	89,562
Health	10,724
Culture and recreation	17,822
Conservation and development	3,495
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>553,098</u>
Excess (deficiency) of Revenues over Expenditures	<u>(38,204)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	2,000
Issuance premium	-
Transfers in	33,269
Transfers out	(10)
Total Other Financing Sources and Uses	<u>35,259</u>
Net Change in Fund Balances	(2,945)
Fund Balances - Beginning	<u>89,981</u>
Fund Balances - Ending	<u>\$ 87,036</u>

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
\$ 53,995	\$ -	\$ 12,077	\$ 3,746	\$ 198,938
13,948	1,773	-	-	19,284
-	-	4,665	-	4,665
-	-	-	-	11,530
1,482	-	5,418	56,293	337,058
5,584	-	-	-	66,409
-	-	-	-	5,647
-	-	-	-	22,236
<u>3,218</u>	<u>3,611</u>	<u>3,392</u>	<u>6,482</u>	<u>24,811</u>
<u>78,227</u>	<u>5,384</u>	<u>25,552</u>	<u>66,521</u>	<u>690,578</u>
-	3	-	3,204	203,331
-	-	-	9,729	241,100
-	-	-	3,485	93,047
-	-	-	16,641	27,365
-	-	-	1,914	19,736
-	-	-	31,134	34,629
-	-	104,842	-	104,842
68,618	-	-	-	68,618
28,620	-	-	-	28,620
411	-	-	-	411
<u>97,649</u>	<u>3</u>	<u>104,842</u>	<u>66,107</u>	<u>821,699</u>
<u>(19,422)</u>	<u>5,381</u>	<u>(79,290)</u>	<u>414</u>	<u>(131,121)</u>
-	-	72,331	15,000	89,331
10,467	-	-	-	10,467
24,043	-	-	-	57,312
<u>(6,646)</u>	<u>(7,183)</u>	<u>(2,795)</u>	<u>(18,056)</u>	<u>(34,690)</u>
<u>27,864</u>	<u>(7,183)</u>	<u>69,536</u>	<u>(3,056)</u>	<u>122,420</u>
8,442	(1,802)	(9,754)	(2,642)	(8,701)
<u>35,365</u>	<u>76,636</u>	<u>(2,524)</u>	<u>14,763</u>	<u>214,221</u>
<u>\$ 43,807</u>	<u>\$ 74,834</u>	<u>\$ (12,278)</u>	<u>\$ 12,121</u>	<u>\$ 205,520</u>

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CITY OF MILWAUKEE
**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, 2004
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ (8,701)

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 (\$44,246) exceeded depreciation expense (\$42,361) in the current period less loss on disposals (\$528) 1,357

Notes and loans receivable to repay long-term bonds and notes (3,346)

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	\$ (460)	
Special assessments deferred revenue beginning of the year \$12,623 less deferred at end of the year \$14,470	1,847	
	1,387	1,387

The issuance of long-term debt (e.g., 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	(89,331)	
Issuance premiums	(10,467)	
Repayments:		
Principal retirement	68,618	
Bond issuance costs	679	
Capital lease current payment	174	
Amortization:		
Issuance costs	(445)	
Premiums	6,820	
Deferred amount on refunding	(1,530)	
	(25,482)	(25,482)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal 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	767	
Claims and judgments	4,868	
Accrued interest on bonds and notes	(829)	
	4,806	4,806

Changes in net assets of governmental activities (Exhibit 2) \$ (29,979)

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

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 5,225	\$ 13,097	\$ 24,092	\$ 1	\$ 42,415
Restricted cash and cash equivalents	610	-	-	-	610
Investments	24,361	-	-	-	24,361
Receivables (net):					
Accounts	10,149	7,003	-	6,659	23,811
Unbilled accounts	9,585	2,397	-	2,102	14,084
Accrued interest	70	15	-	-	85
Due from other funds	8,030	981	-	836	9,847
Inventory of materials and supplies	2,597	-	-	-	2,597
Prepaid items	13	-	-	-	13
Deferred charges	-	657	-	-	657
Other assets	336	-	-	-	336
Total Current Assets	<u>60,976</u>	<u>24,150</u>	<u>24,092</u>	<u>9,598</u>	<u>118,816</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	7,513	-	-	7,513
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,913	7,907	18,388
Construction in progress	20,251	23,938	1,548	172	45,909
Capital assets being depreciated:					
Buildings	22,987	-	49,076	12,332	84,395
Infrastructure	275,709	301,197	-	-	576,906
Improvements other than buildings	-	-	5,630	18,827	24,457
Machinery and equipment	195,798	1,887	1,011	4,547	203,243
Furniture and furnishings	-	22	-	48	70
Nonutility property	540	-	-	-	540
Accumulated depreciation	<u>(157,731)</u>	<u>(90,203)</u>	<u>(23,390)</u>	<u>(21,920)</u>	<u>(293,244)</u>
Total Noncurrent Assets	<u>359,122</u>	<u>244,354</u>	<u>42,788</u>	<u>21,913</u>	<u>668,177</u>
 Total Assets	 <u>420,098</u>	 <u>268,504</u>	 <u>66,880</u>	 <u>31,511</u>	 <u>786,993</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 4,630	\$ 2,799	\$ 2,106	\$ 5,807	\$ 15,342
Accrued expenses	1,012	541	359	96	2,008
Accrued interest payable	449	-	193	63	705
Compensated absences	943	-	-	-	943
Due to other funds	3,198	-	-	6,095	9,293
Deferred revenue	-	-	112	48	160
General obligation debt payable - current	4,851	-	3,767	506	9,124
Revenue bonds payable - current	824	-	-	-	824
Total Current Liabilities	<u>15,907</u>	<u>3,340</u>	<u>6,537</u>	<u>12,615</u>	<u>38,399</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	-	2,390	-	-	2,390
Accrued interest payable	-	234	-	-	234
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>2,624</u>	<u>-</u>	<u>-</u>	<u>2,624</u>
Noncurrent Liabilities:					
General obligation debt	28,379	-	12,939	4,051	45,369
Revenue bonds payable	12,921	61,267	-	-	74,188
Total Noncurrent Liabilities	<u>41,300</u>	<u>61,267</u>	<u>12,939</u>	<u>4,051</u>	<u>119,557</u>
Total Liabilities	<u>57,207</u>	<u>67,231</u>	<u>19,476</u>	<u>16,666</u>	<u>160,580</u>
Net Assets:					
Invested in capital assets, net of related debt	312,147	173,184	26,526	17,356	529,213
Restricted for Debt Service	610	7,513	-	-	8,123
Unrestricted	50,134	20,576	20,878	(2,511)	89,077
Total Net Assets	<u>\$ 362,891</u>	<u>\$ 201,273</u>	<u>\$ 47,404</u>	<u>\$ 14,845</u>	<u>\$ 626,413</u>

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

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 57,914	\$ -	\$ -	\$ -	\$ 57,914
Statutory sewer user fee	-	-	-	28,145	28,145
Sewer maintenance fee	-	30,948	-	-	30,948
Rent	-	-	6,902	3,943	10,845
Fire protection service	5,897	-	-	-	5,897
Parking meters	-	-	4,354	-	4,354
Parking permits	-	-	2,853	-	2,853
Vehicle towing	-	-	4,931	-	4,931
Parking forfeitures	-	-	22,006	-	22,006
Other	7,258	11	-	1,543	8,812
Total Operating Revenues	<u>71,069</u>	<u>30,959</u>	<u>41,046</u>	<u>33,631</u>	<u>176,705</u>
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ...	-	-	-	25,963	25,963
Employee services	-	6,573	6,248	1,321	14,142
Administrative and general	4,919	-	-	32	4,951
Depreciation	11,726	3,968	2,212	730	18,636
Transmission and distribution	16,702	-	-	3,358	20,060
Services, supplies and materials	-	6,984	12,732	747	20,463
Water treatment	9,997	-	-	-	9,997
Water pumping	6,134	-	-	-	6,134
Billing and collection	2,233	-	-	1,785	4,018
Total Operating Expenses	<u>51,711</u>	<u>17,525</u>	<u>21,192</u>	<u>33,936</u>	<u>124,364</u>
Operating Income (Loss)	<u>19,358</u>	<u>13,434</u>	<u>19,854</u>	<u>(305)</u>	<u>52,341</u>
Nonoperating Revenues (Expenses):					
Investment income	477	320	-	-	797
Interest expense	(2,319)	(2,627)	(1,091)	(278)	(6,315)
Gain (loss) on disposal of fixed assets	-	-	289	-	289
Other	510	(4,209)	135	-	(3,564)
Total Nonoperating Revenues (Expenses)	<u>(1,332)</u>	<u>(6,516)</u>	<u>(667)</u>	<u>(278)</u>	<u>(8,793)</u>
Income (Loss) before Contributions and Transfers..	18,026	6,918	19,187	(583)	43,548
Capital contributions	2,093	-	-	143	2,236
Transfers in	-	-	-	566	566
Transfers out	(7,900)	-	(13,611)	(1,677)	(23,188)
Change in Net Assets	12,219	6,918	5,576	(1,551)	23,162
Total Net Assets - Beginning	<u>350,672</u>	<u>194,355</u>	<u>41,828</u>	<u>16,396</u>	<u>603,251</u>
Total Net Assets - Ending	<u>\$ 362,891</u>	<u>\$ 201,273</u>	<u>\$ 47,404</u>	<u>\$ 14,845</u>	<u>\$ 626,413</u>

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, 2004
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 72,179	\$ 31,798	\$ 41,047	\$ 34,329	\$ 179,353
Cash receipts from other funds	892	-	-	-	892
Other operating cash receipts	-	11	-	-	11
Payments to suppliers	(13,071)	(6,676)	(11,454)	(32,638)	(63,839)
Payments to employees	(21,631)	(6,525)	(6,219)	(1,343)	(35,718)
Payments from other funds	-	-	-	2,030	2,030
Payments to other funds	(3,387)	-	-	-	(3,387)
 Net Cash Provided by Operating Activities.....	 <u>34,982</u>	 <u>18,608</u>	 <u>23,374</u>	 <u>2,378</u>	 <u>79,342</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	510	-	-	135	645
Other nonoperating expenses	-	(4,209)	-	-	(4,209)
Transfers from other funds	-	-	-	566	566
Transfers to other funds	(7,900)	-	(13,611)	(1,677)	(23,188)
 Net Cash Provided by (Used for) Noncapital Financing Activities	 <u>(7,390)</u>	 <u>(4,209)</u>	 <u>(13,611)</u>	 <u>(976)</u>	 <u>(26,186)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	470	470
Proceeds from sale of bonds and notes	-	-	600	505	1,105
Acquisition of property, plant and equipment	(16,724)	(21,634)	(1,613)	(3,718)	(43,689)
Retirement of bonds, notes and revenue bonds	(5,810)	(1,035)	(3,622)	(339)	(10,806)
Interest paid	(2,233)	(2,827)	(894)	(216)	(6,170)
Other	-	-	459	-	459
 Net Cash Used for Capital and Related Financing Activities	 <u>(24,767)</u>	 <u>(25,496)</u>	 <u>(5,070)</u>	 <u>(3,298)</u>	 <u>(58,631)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	439	326	-	-	765
Purchase of investments	(9,360)	-	-	-	(9,360)
 Net Cash Provided by (Used for) Investing Activities	 <u>(8,921)</u>	 <u>326</u>	 <u>-</u>	 <u>-</u>	 <u>(8,595)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 <u>(6,096)</u>	 <u>(10,771)</u>	 <u>4,693</u>	 <u>(1,896)</u>	 <u>(14,070)</u>
Cash and Cash Equivalents - Beginning	<u>11,931</u>	<u>31,381</u>	<u>19,399</u>	<u>1,897</u>	<u>64,608</u>
 Cash and Cash Equivalents - Ending	 <u>\$ 5,835</u>	 <u>\$ 20,610</u>	 <u>\$ 24,092</u>	 <u>\$ 1</u>	 <u>\$ 50,538</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash	\$ 5,835	\$ 13,097	\$ 24,092	\$ 1	\$ 43,025
Restricted Cash	<u>-</u>	<u>7,513</u>	<u>-</u>	<u>-</u>	<u>7,513</u>
	<u>\$ 5,835</u>	<u>\$ 20,610</u>	<u>\$ 24,092</u>	<u>\$ 1</u>	<u>\$ 50,538</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 19,358	\$ 13,434	\$ 19,854	\$ (305)	\$ 52,341
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	11,726	3,968	2,212	730	18,636
Changes in assets and liabilities:					
Receivables	927	979	-	697	2,603
Due from other funds	892	(129)	-	(124)	639
Inventories	(12)	-	-	-	(12)
Prepaid items	(4)	-	-	-	(4)
Other assets	(160)	-	-	-	(160)
Accounts payable	2,324	308	1,278	(753)	3,157
Accrued liabilities	(69)	48	29	(23)	(15)
Due to other funds	-	-	-	2,154	2,154
Deferred revenue	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>	<u>3</u>
Net Cash Provided by Operating Activities	<u>\$ 34,982</u>	<u>\$ 18,608</u>	<u>\$ 23,374</u>	<u>\$ 2,378</u>	<u>\$ 79,342</u>

Non-cash Activities:

During the year, the city disposed of parking assets of \$35 thousand net book value.

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$2.093 million.

During the year, the Sewer Maintenance Fund donated or disposed of fixed assets with a net value of \$2.288 million.

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

CITY OF MILWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 158	\$ 2,437	\$ 246,950
Investments	-	4,753	-
Restricted Assets:			
Investments	<u>468,202</u>	<u>-</u>	<u>-</u>
Total Assets	<u>468,360</u>	<u>7,190</u>	<u>\$ 246,950</u>
LIABILITIES			
Liabilities:			
Accounts payable	24	19	1,700
Due to other governmental agencies	<u>-</u>	<u>-</u>	<u>245,250</u>
Total Liabilities	<u>24</u>	<u>19</u>	<u>\$ 246,950</u>
Net Assets			
Employees' pension benefits and other purposes	<u>\$ 468,336</u>	<u>\$ 7,171</u>	

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

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 29,995	\$ -
Private donations	-	1,432
Total Contributions	<u>29,995</u>	<u>1,432</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest	41,715	201
Total Additions	<u>71,710</u>	<u>1,633</u>
Deductions		
Benefits	21,256	-
Fees remitted from Trust	-	584
Other	-	905
Administrative expenses	165	-
Total Deductions	<u>21,421</u>	<u>1,489</u>
Change in Net Assets	50,289	144
Net Assets - Beginning	<u>418,047</u>	<u>7,027</u>
Net Assets - Ending	<u>\$468,336</u>	<u>\$ 7,171</u>

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

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America 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.

Component Units

The City has the following component units which are legally separate from the City. The government-wide financial statements do not include the financial data of these component units due to the unavailability of their independently audited financial statements.

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

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

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

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

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the Governmental Accounting Standards Board (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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

B. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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 66.076, 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.

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.

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for the City's deferred compensation plan, employee flexible spending and group life insurance.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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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 2004 that will be collected in 2005 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

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

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day to day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty.

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.

CITY OF MILWAUKEE
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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.
- . Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- . Any Security which matures or which 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. Unbilled Services

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

H. 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

I. Notes and Loan Receivables

The General Fund and the Special Revenue Fund - Community Development Block Grant, 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 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.

J. 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. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

K. 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. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

L. Capital Assets

Capital assets, which includes 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 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
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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

M. 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.

N. 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 include 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.

O. 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.

P. 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.

Q. 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.

R. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

S. Net Assets

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

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

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

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

T. Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

U. Use of Estimates

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

V. New Accounting Pronouncements

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement will revise the deposit and investment risks disclosed in the notes to the financial statements. The City will implement Statement No. 40 beginning with the year ending December 31, 2005.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will establish uniform financial reporting standards for other post employment benefits. The City will implement Statement No. 45 beginning with the year ending December 31, 2007.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. 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 is 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 Combined Balance Sheet. The Debt Service Funds and Water Works Enterprise Fund maintain separate cash and investments. In addition, investments are separately held by several other City funds. No violations of legal provisions for deposits and investments were committed during the year.

Deposits

At December 31, 2004, the reported amount of the City's deposits and cash on hand for governmental, \$390,563,000 business-type activities, and fiduciary activities was \$402,285,000 and the related bank balance was \$404,476,000. Of the total bank balances, which are maintained by the City Treasurer, \$5,300,000 is entirely insured and \$272,810,000 is collateralized by securities held in the pledging banks' trust departments in the City's name. The remaining balance of \$126,366,000 is neither insured nor collateralized, nor was this amount significantly exceeded during the year.

Cash Equivalents and Investments

The City's primary government cash equivalents and investments are categorized as either (1) insured or registered or securities held by the City or its agent in the City's name, (2) uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name or (3) uninsured or unregistered with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Governmental and business-type activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
			(Thousands of Dollars)		
<i>Categorized:</i>					
U.S. Treasury Obligations	\$ -	\$ 38,536	\$ -	\$ 38,536	\$ 38,536
U.S. Agency Securities	-	50,780	-	50,780	50,780
Capital Appreciation Bonds	-	13,430	-	13,430	13,430
Municipal Bonds and Notes	-	-	3,488	3,488	3,488
	<u>\$ -</u>	<u>\$ 102,746</u>	<u>\$ -</u>	106,234	106,234
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				7,794	7,794
Local Government Pooled - Investment Fund				123,646	123,646
Total Cash Equivalents and Investments				<u>\$ 237,674</u>	<u>\$ 237,674</u>
Fiduciary activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
			(Thousands of Dollars)		
<i>Categorized:</i>					
U.S. Treasury Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 4,753	\$ 4,753
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				149	149
Deferred Compensation Investments				468,202	468,202
Total Cash Equivalents and Investments				<u>\$ 473,104</u>	<u>\$ 473,104</u>

The pooled investments have not been categorized based on custodial risk because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship. 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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

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, 2004, 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
<i>(Thousands of Dollars)</i>			
1999 and prior	\$ 1,177	\$ 1,564	\$ 2,741
2000	291	400	691
2001	625	866	1,491
2002	1,904	2,668	4,572
2003	<u>5,630</u>	<u>8,324</u>	<u>13,954</u>
 Total delinquent property taxes receivable	 <u>\$ 9,627</u>	 <u>\$ 13,822</u>	 23,449
 Property taxes receivable on foreclosed property			 14,970
 Less: Allowance for uncollectible taxes			 <u>(15,219)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 23,200</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance 01-01-04	Additions	Deletions	Balance 12-31-04
Governmental activities	<i>(Thousands of Dollars)</i>			
<i>Capital assets not being depreciated:</i>				
Land	\$ 163,536	\$ 17	\$ 1	\$ 163,552
Construction in progress	<u>69,556</u>	<u>27,533</u>	<u>37,187</u>	<u>59,902</u>
Total capital assets not being depreciated	<u>233,092</u>	<u>27,550</u>	<u>37,188</u>	<u>223,454</u>
<i>Capital assets being depreciated:</i>				
Buildings	123,160	17,478	452	140,186
Infrastructure.....	1,244,214	21,321	2,141	1,263,394
Improvements other than buildings	8,720	13	-	8,733
Machinery and equipment	<u>112,704</u>	<u>15,323</u>	<u>6,700</u>	<u>121,327</u>
Total capital assets being depreciated	<u>1,488,798</u>	<u>54,135</u>	<u>9,293</u>	<u>1,533,640</u>
Less accumulated depreciation for:				
Buildings	59,714	2,783	381	62,116
Infrastructure	740,193	30,892	2,142	768,943
Improvements other than buildings	6,541	209	-	6,750
Machinery and equipment	<u>75,076</u>	<u>8,729</u>	<u>6,243</u>	<u>77,562</u>
Total accumulated depreciation	<u>881,524</u>	<u>42,613</u>	<u>8,766</u>	<u>915,371</u>
Total capital assets being depreciated, net	<u>607,274</u>	<u>11,522</u>	<u>527</u>	<u>618,269</u>
Government activity capital assets, net	<u>\$ 840,366</u>	<u>\$ 39,072</u>	<u>\$ 37,715</u>	<u>\$ 841,723</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 164
Public safety				4,802
Public works				36,525
Health				315
Culture and recreation				552
Conservation and development				<u>3</u>
Total				<u>\$ 42,361</u>

CITY OF MILWAUKEE
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	Balance 01-01-04	Additions	Deletions	Balance 12-31-04
		<i>(Thousands of Dollars)</i>		
Business-type activities				
Waterworks				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,568	\$ -	\$ -	\$ 1,568
Construction in progress	<u>16,440</u>	<u>18,618</u>	<u>14,807</u>	<u>20,251</u>
Total capital assets not being depreciated	<u>18,008</u>	<u>18,618</u>	<u>14,807</u>	<u>21,819</u>
<i>Capital assets being depreciated:</i>				
Buildings	22,362	625	-	22,987
Infrastructure	266,638	9,569	498	275,709
Machinery and equipment	192,359	4,613	1,174	195,798
Nonutility property	<u>540</u>	<u>-</u>	<u>-</u>	<u>540</u>
Total capital assets being depreciated	<u>481,899</u>	<u>14,807</u>	<u>1,672</u>	<u>495,034</u>
Less accumulated depreciation for:				
Buildings	12,885	712	-	13,597
Infrastructure	66,773	3,198	695	69,276
Machinery and equipment	68,092	7,815	1,176	74,731
Nonutility property	<u>125</u>	<u>2</u>	<u>-</u>	<u>127</u>
Total accumulated depreciation	<u>147,875</u>	<u>11,727</u>	<u>1,871</u>	<u>157,731</u>
Total capital assets being depreciated, net	<u>334,024</u>	<u>3,080</u>	<u>(199)</u>	<u>337,303</u>
Waterworks capital assets, net	<u>352,032</u>	<u>21,698</u>	<u>14,608</u>	<u>359,122</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	<u>20,580</u>	<u>17,768</u>	<u>14,410</u>	<u>23,938</u>
Total capital assets not being depreciated	<u>20,580</u>	<u>17,768</u>	<u>14,410</u>	<u>23,938</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	285,621	17,855	2,279	301,197
Machinery and equipment	1,467	420	-	1,887
Furniture and furnishings	<u>22</u>	<u>-</u>	<u>-</u>	<u>22</u>
Total capital assets being depreciated	<u>287,110</u>	<u>18,275</u>	<u>2,279</u>	<u>303,106</u>
Less accumulated depreciation for:				
Infrastructure	87,869	3,819	2,279	89,409
Machinery and equipment	634	146	-	780
Furniture and furnishings	<u>11</u>	<u>3</u>	<u>-</u>	<u>14</u>
Total accumulated depreciation	<u>88,514</u>	<u>3,968</u>	<u>2,279</u>	<u>90,203</u>
Total capital assets being depreciated, net	<u>198,596</u>	<u>14,307</u>	<u>-</u>	<u>212,903</u>
Sewer maintenance capital assets, net	<u>219,176</u>	<u>32,075</u>	<u>14,410</u>	<u>236,841</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance 01-01-04	Additions	Deletions	Balance 12-31-04
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,946	\$ -	\$ 33	\$ 8,913
Construction in progress	161	1,387	-	1,548
Total capital assets not being depreciated	<u>9,107</u>	<u>1,387</u>	<u>33</u>	<u>10,461</u>
<i>Capital assets being depreciated:</i>				
Buildings	49,076	-	-	49,076
Improvements other than buildings	5,657	-	27	5,630
Machinery and equipment	785	226	-	1,011
Total capital assets being depreciated	<u>55,518</u>	<u>226</u>	<u>27</u>	<u>55,717</u>
Less accumulated depreciation for:				
Buildings	18,444	1,888	-	20,332
Improvements other than buildings	2,539	234	26	2,747
Machinery and equipment	221	90	-	311
Total accumulated depreciation	<u>21,204</u>	<u>2,212</u>	<u>26</u>	<u>23,390</u>
Total capital assets being depreciated, net	<u>34,314</u>	<u>(1,986)</u>	<u>1</u>	<u>32,327</u>
Parking capital assets, net	<u>43,421</u>	<u>(599)</u>	<u>34</u>	<u>42,788</u>
<i>Other business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	8,280	250	623	7,907
Construction in progress	38	172	38	172
Total capital assets not being depreciated	<u>8,318</u>	<u>422</u>	<u>661</u>	<u>8,079</u>
<i>Capital assets being depreciated:</i>				
Buildings	9,699	3,334	701	12,332
Improvements other than buildings	18,827	-	-	18,827
Machinery and equipment	4,865	-	318	4,547
Furniture and Furnishings	52	-	4	48
Total capital assets being depreciated	<u>33,443</u>	<u>3,334</u>	<u>1,023</u>	<u>35,754</u>
Less accumulated depreciation for:				
Buildings	6,225	147	701	5,671
Improvements other than buildings	12,570	394	-	12,964
Machinery and equipment	3,384	186	318	3,252
Furniture and furnishings	33	4	4	33
Total accumulated depreciation	<u>22,212</u>	<u>731</u>	<u>1,023</u>	<u>21,920</u>
Total capital assets being depreciated, net	<u>11,231</u>	<u>2,603</u>	<u>-</u>	<u>13,834</u>
Other business-type activities, net	<u>19,549</u>	<u>3,025</u>	<u>661</u>	<u>21,913</u>
Busines-type activity capital assets, net	<u>\$ 634,178</u>	<u>\$ 56,199</u>	<u>\$ 29,713</u>	<u>\$ 660,664</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

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 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>				
Current property taxes	\$ 139,931	\$ 68,611	\$ 12,945	\$ -	\$ 221,487
Delinquent property taxes	4,271	-	-	2,116	6,387
Unearned revenue	2,204	-	14,029	9,046	25,279
Long-term receivables	-	52,322	-	7,972	60,294
Unbilled special assessments	-	-	11,280	-	11,280
 Total	 <u>\$ 146,406</u>	 <u>\$ 120,933</u>	 <u>\$ 38,254</u>	 <u>\$ 19,134</u>	 <u>\$ 324,727</u>

6. SHORT-TERM DEBT

During 2004, the City issued \$66,000,000 of Revenue Anticipation Notes (RANs) The RANs 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 2004.

As of December 31, 2003, the City had outstanding \$150,000,000 of short-term RANs on behalf of Milwaukee Public Schools. In 2004, the City repaid the outstanding balance and issued \$172,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 4% & 6% and will mature on September 1, 2005. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2004 were as follows:

	Balance 01-01-04	New Issues	Repayments	Balance 12-31-04	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 477,934	\$ 76,991	\$ 57,822	\$ 497,103	\$ 69,148
Milwaukee Public Schools	120,341	12,340	10,796	121,885	11,465
Deferred amount on refundings	(9,902)	-	(1,530)	(8,372)	-
Unamortized premiums	21,912	10,467	6,820	25,559	-
Capital lease payable	523	-	174	349	175
Compensated absences	37,770	225	992	37,003	2,503
Claims and judgments	33,804	8,891	13,759	28,936	6,667
Total governmental activities	<u>\$ 682,382</u>	<u>\$ 108,914</u>	<u>\$ 88,833</u>	<u>\$ 702,463</u>	<u>\$ 89,958</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 37,809	\$ -	\$ 5,008	\$ 32,801	\$ 4,851
Deferred amount on refundings	(1,391)	-	(272)	(1,119)	-
Unamortized premiums	1,767	-	219	1,548	-
Revenue bonds	14,548	-	803	13,745	824
Compensated absences	921	46	24	943	943
Total Water Works	<u>53,654</u>	<u>46</u>	<u>5,782</u>	<u>47,918</u>	<u>6,618</u>
Sewer Maintenance					
Revenue bonds	61,980	-	1,035	60,945	2,390
Unamortized premiums	2,973	-	261	2,712	-
Total sewer maintenance	<u>64,953</u>	<u>-</u>	<u>1,296</u>	<u>63,657</u>	<u>2,390</u>
Parking					
General obligation bonds and notes	19,635	600	3,622	16,613	3,767
Deferred amount on refundings	(388)	-	(74)	(314)	-
Unamortized premiums	476	-	69	407	-
Total parking	<u>19,723</u>	<u>600</u>	<u>3,617</u>	<u>16,706</u>	<u>3,767</u>
Other Enterprise Funds					
General obligation bonds and notes	4,363	505	339	4,529	506
Deferred amount on refundings	(79)	-	(12)	(67)	-
Unamortized premiums	109	-	14	95	-
Total Other Enterprise	<u>4,393</u>	<u>505</u>	<u>341</u>	<u>4,557</u>	<u>506</u>
Total business-type activities	<u>\$ 142,723</u>	<u>\$ 1,151</u>	<u>\$ 11,036</u>	<u>\$ 132,838</u>	<u>\$ 13,281</u>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the special purpose damages and claims account in the general fund.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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, 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, 2004, general obligation bonds totaling \$24,200,000 were issued to finance capital improvements.

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 percent 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 2004, \$94,853,794 has been borrowed and outstanding for forty-three tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$133,479,461. Tax increments received through 2004 total \$104,093,004. 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 \$121,885,000 of Milwaukee Public School long-term debt outstanding at December 31, 2004 consists of a portion of the City's general obligation bonds and notes which 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, 2004, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$776,135,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds

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 the year ended December 31, 2004, the City did not issue revenue bonds.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cashflow for the school district and purchases of delinquent taxes. During the year ended December 31, 2004, installment loans totaling \$66,235,000 were issued to provide the school district cashflow, finance building projects and purchase 2003's delinquent taxes.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

E. Capital Leases Payable

The City has entered into a lease agreement as lessee for financing the acquisition of automated defibrillators/EKG monitors. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts in the amount of \$349,000 as of December 31, 2004.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2004 was as follows:

	Governmental Activities
<i>(Thousands of Dollars)</i>	
Year ending:	
2005	\$ 175
2006	<u>174</u>
Total minimum lease payments	<u>\$ 349</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

F. Debt Service Requirements

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

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
Governmental activities					
2005	\$ 80,613	\$ 28,523	\$ -	\$ -	\$ 109,136
2006	66,363	25,092	-	-	91,455
2007	60,791	21,905	-	-	82,696
2008	58,710	19,252	-	-	77,962
2009	52,637	16,471	-	-	69,108
2010-2014	201,708	50,562	-	-	252,270
2015-2019	88,869	18,620	-	-	107,489
2020-2023	9,297	12,948	-	-	22,245
Total	<u>\$ 618,988</u>	<u>\$ 193,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,361</u>
Business-type activities					
Water Works					
2005	\$ 4,851	\$ 1,612	\$ 824	\$ 352	\$ 7,639
2006	4,692	1,358	846	330	7,226
2007	3,362	1,120	868	307	5,657
2008	2,845	960	891	284	4,980
2009	1,989	851	915	260	4,015
2010-2014	12,336	2,494	4,949	921	20,700
2015-2019	2,726	200	4,452	239	7,617
Total	<u>\$ 32,801</u>	<u>\$ 8,595</u>	<u>\$ 13,745</u>	<u>\$ 2,693</u>	<u>\$ 57,834</u>
Sewer Maintenance					
2005	\$ -	\$ -	\$ 2,390	\$ 2,762	\$ 5,152
2006	-	-	2,480	2,667	5,147
2007	-	-	2,570	2,575	5,145
2008	-	-	2,650	2,487	5,137
2009	-	-	2,740	2,386	5,126
2010-2014	-	-	15,315	10,008	25,323
2015-2019	-	-	19,025	5,821	24,846
2020-2023	-	-	13,775	1,127	14,902
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,945</u>	<u>\$ 29,833</u>	<u>\$ 90,778</u>
Parking					
2005	\$ 3,767	\$ 776	\$ -	\$ -	\$ 4,543
2006	2,008	612	-	-	2,620
2007	1,981	515	-	-	2,496
2008	2,027	419	-	-	2,446
2009	1,435	329	-	-	1,764
2010-2014	4,232	868	-	-	5,100
2015-2019	1,163	104	-	-	1,267
Total	<u>\$ 16,613</u>	<u>\$ 3,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,236</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
	<i>(Thousands of Dollars)</i>				
Other Enterprise					
2005	\$ 506	\$ 221	\$ -	\$ -	\$ 727
2006	477	197	-	-	674
2007	444	173	-	-	617
2008	443	154	-	-	597
2009	463	131	-	-	594
2010-2014	1,752	355	-	-	2,107
2015-2019	444	36	-	-	480
Total	<u>\$ 4,529</u>	<u>\$ 1,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,796</u>

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, 2004 the City's legal debt margin was \$1,015,300,000. Of this amount, \$448,641,000 was for school purposes and \$566,659,000 was for City purposes.

H. Refundings

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, 2004, \$160,205,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

I. Conduit Debt

From time to time, the City, has issued industrial revenue bonds in order to provide financing to private sector entities for the purpose of business expansion 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, is 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 issued and outstanding at December 31, 2004 is approximately \$78,710,000.

8. RETIREMENT PLANS

Pension Benefits

Plan Description - The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, 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. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined

CITY OF MILWAUKEE
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amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2004, 2003, and 2002, were \$21,693,000, \$22,015,000, and \$20,233,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes any of the Health Maintenance Organizations (HMO) plans currently offered to active employees.

The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or 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 with single enrollment status and police officers with single enrollment status. The City contribution for firefighters 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.

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 4,705 employees are eligible to receive these benefits. For 2004, the City paid approximately \$24,603,642 toward medical insurance for its retirees.

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.

For 2004, the groups rate for life insurance for the City population as a whole was approximately fifty-three cents per month per \$1,000 of coverage after estimated dividends. The effect on this rate as a result of including retirees in the pool is not determinable. Group life insurance for retirees age 65 or older are financed on a pay-as-you-go basis and cannot be readily separated from amounts paid on behalf of active employees. The City estimates \$1,081,200 out of a total \$3,890,682 for group life insurance for 2004 is attributable to approximately 4,983 retirees on the basis of the common group life rate.

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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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 2004, approximately \$8,974,000 was paid for sick leave from all funds. At December 31, 2004 accumulated sick leave earned but not taken totaled approximately \$114,355,000 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 2004 terminal leave payments totaled \$1,300,000 to employees retiring during the year. As of December 31, 2004, the City has accrued approximately \$21,727,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$37,003,000, with the remainder accrued vacation leave of \$15,276,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$50,479,000 at December 31, 2004, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$13,431,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$13,431,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. 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 three percent 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 budget, 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.

Deficit Fund Equity

The Capital Projects Fund has a deficit fund balance of \$12,278,000. The deficit is the result of construction in advance of collecting assessments from property owners and issuing of long-term debt for other construction contracts.

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2004, were as follows:

		Due From					
		General Fund	General Obligation Debt Service	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
		<i>(Thousands of Dollars)</i>					
Due To	General Fund	\$ -	\$ -	\$ 1,566	\$ -	\$ -	\$ 1,566
	General Obligation Debt	2,304	-	6,464	-	-	8,768
	Public Debt Amortization	-	291	-	-	-	291
	Capital Projects	12,562	-	-	-	-	12,562
	Nonmajor Governmental Funds	5,241	-	-	-	-	5,241
	Water Works	1,381	-	-	981	836	3,198
	Nonmajor Proprietary Funds ..	6,095	-	-	-	-	6,095
Totals	<u>\$ 27,583</u>	<u>\$ 291</u>	<u>\$ 8,030</u>	<u>\$ 981</u>	<u>\$ 836</u>	<u>\$ 37,721</u>	

CITY OF MILWAUKEE
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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, (4) and 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, 2004 were as follows:

Transfers In					
	General Fund	General Obligation Debt Service	Nonmajor Proprietary Funds	Total	
	<i>(Thousands of Dollars)</i>				
Transfers Out	General Fund	\$ -	\$ -	\$ 10	\$ 10
	General Obligation Debt	6,090	-	556	6,646
	Public Debt Amortization.....	-	7,183	-	7,183
	Capital Projects Funds	10	2,785	-	2,795
	Nonmajor Governmental Funds.	4,443	13,613	-	18,056
	Water Works	7,900	-	-	7,900
	Parking	13,149	462	-	13,611
	Nonmajor Proprietary Funds ...	1,677	-	-	1,677
	Totals	<u>\$ 33,269</u>	<u>\$ 24,043</u>	<u>\$ 566</u>	<u>\$ 57,878</u>

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.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2004, consist of the following:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 1,781
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	13,442
Due from MEDC for tax incremental district loans	2,660
Due from NIDC for reimbursements for expenditures	<u>178</u>
 Total	 <u>\$ 18,061</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to HACM for project expenditures.....	\$ 214
Due to RACM for project expenditures.....	2,758
Due to MEDC for reimbursable expenses.....	2
Due to NIDC for reimbursements for programmatic expenditures passed through the City	<u>623</u>
 Total	 <u>\$ 3,597</u>

12. OPERATING LEASES

The City leases various properties under operating lease agreements expiring at various dates through 2007 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 <i>(Thousands of Dollars)</i>
2005	\$ 2,942
2006	2,601
2007	2,611
2008	2,344
2009	1,960
2010-2014	10,591
2015-2019	10,249
2020-2023	<u>4,165</u>
 Total	 <u>\$ 37,463</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004

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 statement.

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 statements.

The liabilities recorded as long-term debt in the government-wide statements are as follows:

General liability claims	\$ 16,723,000
Workers' compensation claims	7,421,000
Unemployment claims	210,000
Health insurance claims	4,582,000

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

	2003	2004
Beginning of year liability	\$ 34,043,000	\$ 33,804,000
Current year claims and changes in estimates	19,996,000	8,891,000
Claim payments	<u>(20,235,000)</u>	<u>(13,759,000)</u>
End of year liability	<u>\$ 33,804,000</u>	<u>\$ 28,936,000</u>

The Milwaukee Police Association filed suit against the City and the Milwaukee Employees' Retirement System as a result of a City Ordinance passed in 1995 that merged the Retirement Fund with the Duty Disability Fund. Actuarial reports indicated that if the separate funds were merged, there were sufficient assets within the Employees' Retirement System to fund all retirement and disability liabilities without currently requiring additional contributions. In 1996, the Circuit Court granted summary judgment to the plaintiff declaring the merger to be unconstitutional. The court stayed enforcement of its order, insofar as any additional contribution of the City was concerned, to give the City the opportunity to appeal. In 1998, the Court of Appeals modified the Circuit Court's judgment; and the City's petition to the Wisconsin Supreme Court to accept a discretionary appeal of the Court of Appeals' decision was denied. As a result, the City was required to make contributions to fund an unfunded liability in the Duty Disability Fund.

The Equal Employment Opportunity Commission ("EEOC") conducted a pattern and practice investigation from December 1993 to September 1996. The investigation resulted in a finding of probable cause that the Fire and Police Commission ("FPC") and Milwaukee Police Department discriminated, based on race, in the areas of hiring, discipline, retaliation, and terms and conditions of employment. The EEOC sought \$5 million in total remedies for the class claims and nearly \$2 million to the individual hiring charging parties. Additionally, the EEOC requested remedies for the 15 individual "terms and conditions" charging parties in an amount totaling over \$2.5 million. The EEOC also sought an additional \$1 million in compensation to the "terms and conditions" class members. The EEOC referred the matter to the United States Department of Justice ("DOJ") in February 1997. Additional individual EEOC charges have also resulted in reasonable cause determinations and have been referred to the DOJ. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit had been authorized against the City and the FPC. DOJ alleges that between 1991 and 1996, African-Americans were discriminated against in terms of differential and less favorable treatment in the hiring process.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

(failing background investigations), and in terms and conditions of employment such as discipline, discharge, and assignment. In 2001 DOJ requested \$6.15 million in compensatory damages for a class of 100 victims of discriminatory terms and conditions of employment and an unspecified sum in back pay for a group of approximately 39 African-Americans who failed background investigations. The City considered that request unreasonable and urged DOJ re-consider its position. Since that time, DOJ has not responded. However, DOJ has declined to pursue litigation on behalf of seven of the charging parties and issued individual right to sue letters to them. To date, one suit has been served upon the City.

The Milwaukee Employees' Retirement System (MERS) is in the process of purchasing a computerized information system to assist in the administration of the City's pension system. The cost is expected to be in the range of \$11 to \$12 million. According to an agreement between the City and the MERS, the cost of the system is to be paid entirely by MERS. In this lawsuit, the Milwaukee Police Association alleges that the agreement between City and MERS limits MERS's obligation to pay for the information system to no more than \$3 million. If the suit is successful, the City might be liable to pay the remaining \$8 to \$9 million.

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that 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 Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$1,085,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2004.

14. SUBSEQUENT EVENTS

On March 3, 2005, the City issued \$13,795,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2016 until 2022. Interest is payable on February 15 and August 15 commencing August 15, 2005,

On March 3, 2005, the City issued \$33,530,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects and fiscal requirements of the City. The notes mature on February 15 of each year beginning 2006 until 2015. Interest is payable on February 15 and August 15 commencing August 15, 2005.

On March 3, 2005, the City issued \$56,000,000 of short-term revenue anticipation notes for the purpose of temporarily financing the City's operating budget until the receipt of State shared revenues. These notes mature on March 23, 2006 with interest.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (Thousands of Dollars)

Exhibit D-1

	<u>Budgeted Amounts</u>		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 133,542	\$ 133,542	\$ 129,120	\$ (4,422)
Other taxes	2,754	2,754	3,563	809
Licenses and permits	10,025	10,025	11,530	1,505
Intergovernmental	273,548	273,548	273,865	317
Charges for services	53,954	53,954	60,825	6,871
Fines and forfeits	4,785	4,785	5,647	862
Other	<u>6,653</u>	<u>7,092</u>	<u>8,108</u>	<u>1,016</u>
 Total Revenues	 <u>485,261</u>	 <u>485,700</u>	 <u>492,658</u>	 <u>6,958</u>
Expenditures:				
Current:				
General government	189,007	182,640	179,542	3,098
Public safety	221,537	232,472	231,371	1,101
Public works	84,840	89,618	89,562	56
Health	10,123	10,761	10,724	37
Culture and recreation	16,844	17,825	17,822	3
Conservation and development	<u>3,428</u>	<u>3,496</u>	<u>3,495</u>	<u>1</u>
 Total Expenditures	 <u>525,779</u>	 <u>536,812</u>	 <u>532,516</u>	 <u>4,296</u>
 Deficiency of Revenues over Expenditures	 <u>(40,518)</u>	 <u>(51,112)</u>	 <u>(39,858)</u>	 <u>11,254</u>
Other Financing Sources (Uses):				
Transfers in	22,170	28,260	33,269	5,009
Transfers out	-	(10)	(10)	-
Contributions received	25,778	26,623	22,236	(4,387)
Contributions used	(24,838)	(23,350)	(20,582)	2,768
Use of fund balance - reserved for tax stabilization	<u>16,870</u>	<u>16,870</u>	<u>16,870</u>	<u>-</u>
 Total Other Financing Sources and Uses	 <u>39,980</u>	 <u>48,393</u>	 <u>51,783</u>	 <u>3,390</u>
 Net Change in Fund Balance	 (538)	 (2,719)	 11,925	 14,644
 Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	 <u>75,111</u>	 <u>75,111</u>	 <u>75,111</u>	 <u>-</u>
 Fund Balance - Ending	 <u>\$ 74,573</u>	 <u>\$ 72,392</u>	 <u>\$ 87,036</u>	 <u>\$ 14,644</u>

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 to budget basis is \$16,870 million at January 1, 2004. In addition, budgeted expenditures do not include capital lease payments as public safety expenditures.

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.

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APPENDIX B

Draft Forms of Legal Opinions

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HAWKINS DELAFIELD & WOOD LLP
67 Wall Street
New York, New York 10005

QUARLES & BRADY LLP
411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4497

Mr. W. Martin Morics
City Comptroller of the City
of Milwaukee
Room 404, City Hall
Milwaukee, Wisconsin 53202

Dear Sir:

**CITY OF MILWAUKEE, WISCONSIN,
GENERAL OBLIGATION PROMISSORY NOTES,
SERIES 2005 N9, \$22,400,000**

At your request, we have examined into the validity of an issue of \$22,400,000 General Obligation Promissory Notes, Series 2005 N9 (the "Notes"), of the City of Milwaukee, Wisconsin (the "City"), dated as of their date of issuance, in fully registered form, of the denomination of \$5,000 each or any integral multiple thereof, numbered R-1 upwards, payable without option of prior redemption on February 15 in each of the years and in the principal amounts set forth below, and bearing interest payable on February 15, 2006, and semiannually on each August 15 and February 15 thereafter at the rates per annum as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2007	\$1,915,000	5.00%	2011	\$2,545,000	5.00%
2008	2,480,000	5.00	2012	2,570,000	5.00
2009	2,500,000	5.00	2013	2,595,000	5.00
2010	2,520,000	5.00	2014	2,625,000	5.00
			2015	2,650,000	5.00

The Notes recite that they are issued to provide funds for the purpose of financing various public improvement projects of the City and fiscal requirements of the City, pursuant to and in all respects in compliance with the provisions of Chapters 65 and 67, including particularly Section 67.12(12), of the Wisconsin Statutes, acts supplementary thereto, the Charter of the City and resolutions duly adopted by the Common Council of the City. We have examined the Constitution and statutes of the State of Wisconsin, the Charter of the City and a certified transcript of proceedings relating to the authorization and issuance of the Notes, also a

specimen Note. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto.

In our opinion, the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City, and the City has power and is obligated to levy ad valorem taxes for the payment of the Notes and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount.

It is to be understood that the rights of the holders of the Notes, and the enforceability thereof, may be subject to judicial discretion, to the exercise of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Notes, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Notes. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes.

Very truly yours,

HAWKINS DELAFIELD & WOOD LLP
67 Wall Street
New York, New York 10005

QUARLES & BRADY LLP
411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4497

Mr. W. Martin Morics
City Comptroller of the City
of Milwaukee
Room 404, City Hall
Milwaukee, Wisconsin 53202

Dear Sir:

**CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION CORPORATE PURPOSE BONDS
SERIES 2005 B10, \$16,600,000**

At your request, we have examined into the validity of an issue of \$16,600,000 General Obligation Corporate Purpose Bonds, Series 2005 B10 (the “Bonds”), of the City of Milwaukee, Wisconsin (the “City”), dated as of their date of issuance, in fully registered form, of the denomination of \$5,000 each or any integral multiple thereof, numbered R-1 upwards, payable on February 15 in each of the years and in the principal amounts set forth below, and bearing interest payable on February 15, 2006 and semiannually on each August 15 and February 15 thereafter at the rates per annum as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$2,510,000	5.00%
2017	2,545,000	5.00
2018	2,580,000	5.00
2019	2,615,000	5.00
2020	2,655,000	5.00
2021	2,695,000	5.00
2022	1,000,000	5.00

The Bonds are subject to redemption prior to maturity on any date on and after August 15, 2015 upon the terms and conditions set forth therein.

The Bonds recite that they are issued for the purpose of financing certain improvements pursuant to and in all respects in compliance with Chapters 65 and 67 of the

Wisconsin Statutes, and acts supplementary thereto, the Charter of the City and resolutions duly adopted by the Common Council of the City and the Commissioners of the Public Debt of the City. We have examined the Constitution and statutes of the State of Wisconsin, the Charter of the City and a certified transcript of proceedings relating to the authorization and issuance of the Bonds, also a specimen Bond. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

In our opinion, the Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City, and the City has power and is obligated to levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount.

It is to be understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to judicial discretion, to the exercise of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming compliance with certain tax covenants, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Very truly yours,

APPENDIX C

Master Continuing Disclosure Certificate

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MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "Certificate") dated as of March 1, 2004 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the "City") and pursuant to resolution 031384 duly adopted by the Common Council of the City on February 10, 2004 (the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

ARTICLE I - Definitions

Section 1.1. Definitions. The following capitalized terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data as described in an Addendum Describing Annual Report (Exhibit B); and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a new Addendum Describing Annual Report shall be executed describing the information to be provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the City may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification, other than modifications prescribed by GASB, shall be provided to each NRMSIR and the SID, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) "Counsel" means a nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the City.

(4) "GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

(5) "GASB" means the Governmental Accounting Standards Board.

(6) "Material Event" means any of the following events with respect to the Offered Obligations, whether relating to the City or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Offered Obligations;
- (vii) modifications to rights of Security Holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations; and
- (xi) rating changes.

(7) "Material Event Notice" means notice of a Material Event.

(8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

(9) "NRMSIR" means, at any time, a then existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs and filing information relating to such NRMSIR's are set forth in the Addendum Describing NRMSIRs (Exhibit A) as may be revised from time to time.

(10) "Offered Obligations" means an issue of municipal securities of the City in connection with which the City has executed and delivered a Supplemental Certificate (Exhibit C).

(11) "Official Statement" means the "final official statement" as defined in paragraph (f)(3) of the Rule.

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

- (13) "SEC" means the United States Securities and Exchange Commission.
- (14) "Security Holders" means the holders from time to time of Offered Obligations.
- (15) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.
- (16) "State" means the State of Wisconsin.
- (17) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been unaudited.
- (18) "Underwriters" means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II - The Undertaking

Section 2.1. Purpose. This Certificate shall apply to Offered Obligations, and shall constitute a written undertaking for the benefit of the Security Holders, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each fiscal year of the City, by no later than nine months after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to each NRMSIR and the SID.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR and (ii) the SID.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) the SID, which notice shall state whether the Offered Obligations to be defeased have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 2.7. No Previous Non-Compliance. The City represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE III - Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from the MSRB.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Offered Obligations.

Section 3.4. Transmission of Information and Notices. Unless otherwise required by law and, in the City's sole determination, subject to technical and economic feasibility, the City shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the City's information and notices.

ARTICLE IV - Termination, Amendment and Enforcement

Section 4.1. Termination. (a) The City's obligations under this Certificate with respect to an Offered Obligation shall terminate upon legal defeasance, prior redemption or payment in full of the Offered Obligation.

(b) This Certificate or any provision hereof, shall be null and void in the event that the City (1) delivers to the City an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require the provisions of this Certificate or any of such provisions, do not or no longer apply to the Offered Obligations, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to each NRMSIR and the SID.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the Security Holders, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate; (2) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and (3) the City shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, other than changes prescribed by GASB, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the City to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the Security Holders. Beneficial owners of Offered Obligations shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subparagraph (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the Security Holders, including beneficial owners of Offered Obligations. The Security Holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Offered Obligations pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Security Holders for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING NRMSIRs

This Addendum Describing NRMSIRs (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission.

Repositories and Contact Information

Pursuant to the Securities and Exchange Commission interpretive letter to the Texas Municipal Advisory Council (the "MAC") dated September 7, 2004, the Issuer elects to transmit filings to the MAC as provided at <http://www.disclosureusa.org> for submission to the NRMSIRs and any applicable SID.

Disclosure USA
www.disclosureusa.org

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2005.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER**

This Addendum Describing Annual Report for General Obligation Debt (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the content of Annual Financial Information prepared with respect to general obligation debt of the Issuer. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Content of Annual Financial Information for Issuer:

Audited Financial Statements, if available, or Unaudited Financial Statements of the Issuer.

In addition to the financial statements, unaudited operating data concerning the following matters shall be presented: (i) revenues received by the Issuer, (ii) expenditures made by the Issuer, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning interfund borrowings, (vi) pertinent information on significant pending litigation, (vii) balances, debt limit, and trends of outstanding Issuer obligations, and (viii) statistical information on the economic condition of the City of Milwaukee.

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

\$22,400,000 General Obligation Promissory Notes, Series 2005 N9
\$16,600,000 General Obligation Corporate Purpose Bonds, Series 2005 B10

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR GENERAL OBLIGATION DEBT OF THE ISSUER

Date of Issues:

December 1, 2005

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this 1st day of December, 2005.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

WMM:RSL

APPENDIX D

Specimen of Financial Guaranty Insurance Policy-AMBAC

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Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee

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