

NEW ISSUES  
BOOK ENTRY ONLY

**RATINGS:**  
R1 Notes:  
N2 Notes, B3 Bonds and T4 Bonds:  
(See “*Ratings*” herein.)

**Moody’s**  
“MIG1”  
“Aa3”

**Standard & Poor’s**  
“SP-1+”  
“AA”

**Fitch**  
“F1+”  
“AA”

*In the opinion of Katten Muchin Rosenman LLP, and of Hurtado Zimmerman SC, Bond Counsel, in connection with the issuance of the Revenue Anticipation Notes, Series 2015 R1, the General Obligation Promissory Notes, Series 2015 N2, and the General Obligation Corporate Purpose Bonds, Series 2015 B3 (collectively, the “Tax-Exempt Obligations”) under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Tax-Exempt Obligations will not be includable in gross income for federal income tax purposes. The Tax-Exempt Obligations are not “private activity bonds” and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate “alternative minimum taxable income.” However, interest on the Tax-Exempt Obligations is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the General Obligation Corporate Purpose Bonds, Series 2015 T4 (the “T4 Bonds”) is includable in the gross income of the owners for federal income tax purposes. Interest on the Tax-Exempt Obligations and the T4 Bonds (collectively, the “Offered Obligations”) is not exempt from Wisconsin income taxes.*



**CITY OF MILWAUKEE, WISCONSIN**  
**\$125,000,000 Revenue Anticipation Notes, Series 2015 R1**  
**\$131,270,000 General Obligation Promissory Notes, Series 2015 N2**  
**\$27,565,000 General Obligation Corporate Purpose Bonds, Series 2015 B3**  
**\$21,490,000 Taxable General Obligation Corporate Purpose Bonds, Series 2015 T4**

**Dated:** May 28, 2015

**Due:** As shown herein

The \$125,000,000 Revenue Anticipation Notes, Series 2015 R1 (the “RANs” or the “R1 Notes”) are limited obligations of the City of Milwaukee, Wisconsin (the “City”) payable from State Aid Payments and also secured by a pledge of all other general fund revenues included in the budget for the current year which are due to the City and have not been received as of the date of delivery of the RANs and are not otherwise pledged or assigned. The RANs are not general obligations of the City and no separate debt service tax will be levied to pay the RANs.

\$131,270,000 General Obligation Promissory Notes, Series 2015 N2 (the “N2 Notes”), the \$27,565,000 General Obligation Corporate Purpose Bonds, Series 2015 B3 (the “B3 Bonds”) and the \$21,490,000 Taxable General Obligation Corporate Purpose Bonds, Series 2015 T4 (the “T4 Bonds”) are direct general obligations of the City, payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount.

The RANs will be dated May 28, 2015 (the “Dated Date”), and will be payable on December 23, 2015. The RANs are being issued for the public purpose of financing the City’s operating budget on an interim basis in anticipation of the receipt of State of Wisconsin (the “State”) shared revenue payments. Interest on the RANs shall be payable at maturity. The RANs are not subject to optional redemption prior to maturity.

The N2 Notes, B3 Bonds and the T4 Bonds will be dated the Dated Date, will bear interest payable semi-annually on March 15 and September 15 of each year, commencing September 15, 2015 at the rates, and will mature on March 15, in the years and amounts, as detailed herein. The N2 Notes and B3 Bonds are being issued for the purpose of financing various public improvements and fiscal requirements of the City, and for the purpose of refunding outstanding commercial paper and other debt of the City. The N2 Notes are not subject to optional redemption. The B3 Bonds and the T4 Bonds are subject to optional redemption on any date on or after March 15, 2025 as described herein.

The R1 Notes, the N2 Notes, the B3 Bonds and the T4 Bonds (collectively, the “Offered Obligations”) were offered for sale by competitive bid in accordance with the Official Notices of Sale dated May 7, 2015 and other conditions specified in the Official Notices of Sale. The Offered Obligations are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado Zimmerman SC, Wauwatosa, Wisconsin, Bond Counsel to the City. It is expected that the Offered Obligations will be delivered through the facilities of The Depository Trust Company (“DTC”), New York, New York on or about May 28, 2015.

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:**

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

May 14, 2015

## MATURITY SCHEDULES

### \$125,000,000 REVENUE ANTICIPATION NOTES, SERIES 2015 R1

The R1 Notes will be dated the Dated Date, and will mature on December 23, 2015 without the option of prior redemption. Interest will be payable at maturity, at the rate or rates shown below.

Amount	Interest Rate	Yield	CUSIP (1)
\$125,000,000	1.00%	0.139%	602366SV9

### \$131,270,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2015 N2

The N2 Notes will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on March 15 and September 15 of each year, commencing September 15, 2015 and will mature on March 15 in the years and in the amounts shown below. The N2 Notes are **not** subject to optional redemption.

Maturing (March 15)	Amount	Interest Rate	Yield	CUSIP (1)
2016	\$31,885,000	2.00%	0.21%	602366TP1
2017	24,935,000	3.00	0.60	602366TQ9
2018	15,085,000	4.00	1.15	602366TR7
2019	10,990,000	4.00	1.43	602366TS5
2020	10,930,000	4.00	1.65	602366TT3
2021	8,395,000	4.00	1.88	602366TU0
2022	7,420,000	4.00	2.05	602366TV8
2023	7,460,000	4.00	2.25	602366TW6
2024	7,490,000	4.00	2.43	602366TX4
2025	6,680,000	4.00	2.64	602366TY2

### \$27,565,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2015 B3

The B3 Bonds will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on March 15 and September 15 of each year, commencing September 15, 2015 and will mature on March 15 in the years and in the amounts shown below. The B3 Bonds are subject to optional redemption on any date on or after March 15, 2025, as provided herein.

Maturing (March 15)	Amount	Interest Rate	Yield	CUSIP (1)
2026	\$5,330,000	4.00%	2.97%	602366TZ9
2027	5,340,000	4.00	3.19	602366UA2
2028	5,355,000	4.00	3.40	602366UB0
2029	5,370,000	4.00	3.53	602366UC8
2030	5,385,000	4.00	3.61	602366UD6
2031	385,000	4.00	3.67	602366UE4
2032	400,000	4.00	3.73	602366UF1

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(1) The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Offered Obligations. The City is not responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Offered Obligations, or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Offered Obligations.

## MATURITY SCHEDULES-CONTINUED

### \$21,490,000 TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2015 T4

The T4 Bonds will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on March 15 and September 15 of each year, commencing September 15, 2015 and will mature on March 15 in the years and in the amounts shown below. The T4 Bonds maturing on or after March 15, 2026 are subject to optional redemption on any date on or after March 15, 2025, as provided herein.

Maturing (March 15)	Amount	Interest Rate	Yield	CUSIP (1)
2016	\$1,295,000	2.50%	0.550%	602366SW7
2017	1,295,000	2.50	0.875	602366SX5
2018	1,295,000	2.50	1.250	602366SY3
2019	1,295,000	2.50	1.600	602366SZ0
2020	1,855,000	2.50	1.900	602366TA4
2021	1,865,000	2.50	2.150	602366TB2
2022	1,880,000	2.50	2.400	602366TC0
2023	1,890,000	2.60	2.600	602366TD8
2024	1,905,000	2.80	2.800	602366TE6
2025	1,925,000	3.00	3.000	602366TF3
2026	645,000	3.20	3.200	602366TG1
2027	665,000	3.40	3.400	602366TH9
2028	685,000	3.60	3.600	602366TJ5
2029	710,000	3.70	3.700	602366TK2
2030	735,000	3.80	3.800	602366TL0
2031	760,000	3.90	3.900	602366TM8
2032	790,000	4.00	4.000	602366TN6

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(1) The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Offered Obligations. The City is not responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Offered Obligations, or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Offered Obligations.

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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:

\$125,000,000 Revenue Anticipation Notes, Series 2015 R1 (the “RAN” or “R1 Notes”)  
\$131,270,000 General Obligation Promissory Notes, Series 2015 N2 (the “N2 Notes”)  
\$27,565,000 General Obligation Corporate Purpose Bonds, Series 2015 B3 (the “B3 Bonds”)  
\$21,490,000 Taxable General Obligation Corporate Purpose Bonds, Series 2015 T4 (the “T4 Bonds”)

*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 – RANs

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$125,000,000 Revenue Anticipation Notes, Series 2015 R1
Dated Date:	May 28, 2015.
Maturity:	December 23, 2015
Principal:	\$125,000,000
Interest Payment Date:	Payable at maturity. Interest is calculated on the basis of 30-day months and a 360-day year (term of 205 days assuming a May 28, 2015 delivery date).
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The RANs are issued for the purpose of financing the City’s operating budget on an interim basis in anticipation of the receipt of State shared revenue payments (“State Aid Payments”).
Security:	<p>The City has pledged and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the RANs. The City has also pledged all other general fund revenues included in the budget for the current calendar year which are due the City, which have not been received as of the date of delivery of the RANs and which are not otherwise pledged or assigned. (See “The RANs – Security for the RANs” herein).</p> <p>The RANs are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City’s constitutional debt limitation, and no tax shall be levied to pay the RANs or interest thereon.</p>
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the RANs in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.12(1)(a) of the Wisconsin Statutes.

Form of Issuance: The RANs 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 RANs. (See “**BOOK-ENTRY-ONLY SYSTEM**” herein).

Tax Status of Interest: Bond Counsel are of the opinion that under existing law, interest on the RANs is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), Bond Counsel are of the opinion that interest on the RANs will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the RANs is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includable in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the RANs is not exempt from Wisconsin income taxes. (See “**TAX MATTERS**” herein).

Redemption Feature: The RANs are not subject to redemption prior to maturity.

Official Statement: The City will provide the original purchaser of the RANs with an electronic copy and up to 50 copies of this Official Statement within seven business days following the award of the RANs.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP  
Chicago, Illinois  
Hurtado Zimmerman SC  
Wauwatosa, Wisconsin  
Financial Advisor: Public Financial Management, Inc.  
Milwaukee, Wisconsin  
Paying Agent: City of Milwaukee, Comptroller’s Office  
Milwaukee, Wisconsin

Record Date: December 15, 2015.

Delivery: Delivery of the RANs will be on or about May 28, 2015 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price(s) or yield(s) of the RANs will be 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 RAN’s the City will provide an executed copy of its Continuing Disclosure Certificate. (See “**CONTINUING DISCLOSURE**” herein).

## Summary Statement – N2 Notes

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$131,270,000 General Obligation Promissory Notes, Series 2015 N2
Dated Date:	May 28, 2015.
Principal Due Date:	March 15 of the years 2016 through 2025.
Interest Payment Date:	Interest on the N2 Notes is due each March 15 and September 15 commencing September 15, 2015. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The N2 Notes are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects and fiscal requirements of the City.
Security:	Principal and interest on the N2 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 N2 Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The N2 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 “ <b>BOOK-ENTRY-ONLY SYSTEM</b> ” herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), Bond Counsel are of the opinion that interest on the N2 Notes will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the N2 Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but is includable in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the N2 Notes is not exempt from Wisconsin income taxes. (See “ <b>TAX MATTERS</b> ” herein).
Redemption Feature:	The N2 Notes are <b>not</b> subject to redemption prior to maturity.
Official Statement:	The City will provide the original purchaser of the N2 Notes and B3 Bonds with an electronic copy and up to 50 copies of this Official Statement within seven business days following the award of the N2 Notes.



## Summary Statement – B3 Bonds

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$27,565,000 General Obligation Corporate Purpose Bonds, Series 2015 B3
Dated Date:	May 28, 2015.
Principal Due Dates:	March 15 of the years 2026 through 2032.
Interest Payment Dates:	Interest on the B3 Bonds is due each March 15 and September 15 commencing September 15, 2015. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The B3 Bonds are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects of the City.
Security:	Principal and interest on the B3 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 B3 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 B3 Bonds. (See “ <b>BOOK-ENTRY-ONLY SYSTEM</b> ” herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the B3 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “ <i>Code</i> ”), Bond Counsel are of the opinion that interest on the B3 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the B3 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includable in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the B3 Bonds is not exempt from Wisconsin income taxes. (See “ <b>TAX MATTERS</b> ” herein).
Redemption Feature:	The B3 Bonds are subject to optional redemption on any date on or after March 15, 2025. (See “ <b>Redemption Provisions</b> ” herein.)
Official Statement:	The City will provide the original purchaser of the N2 Notes and B3 Bonds with an electronic copy and up to 50 copies of this Official Statement within seven business days following the award of the B3 Bonds.



## Summary Statement – T4 Bonds

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$21,490,000 Taxable General Obligation Corporate Purpose Bonds, Series 2015 T4
Dated Date:	May 28, 2015.
Principal Due Dates:	March 15 of the years 2016 through 2032.
Interest Payment Dates:	Interest on the T4 Bonds is due each March 15 and September 15 commencing September 15, 2015. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The T4 Bonds are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects of the City.
Security:	Principal and interest on the T4 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 T4 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 T4 Bonds. (See “ <b>BOOK-ENTRY-ONLY SYSTEM</b> ” herein).
Tax Status of Interest:	Interest on the T4 Bonds <i>IS</i> includable in the gross income of the owners thereof for federal income tax purposes and is not exempt from State of Wisconsin income or franchise taxes. In addition, the Internal Revenue Code of 1986, as amended, contains a number of other provisions relating to the taxation of the T4 Bonds (including, but not limited, to the treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. <b>PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE T4 BONDS.</b> (See “ <b>TAX MATTERS</b> ” herein).
Redemption Feature:	The T4 Bonds maturing on or after March 15, 2026 are subject to optional redemption on any date on or after March 15, 2025. (See “ <b>Redemption Provisions</b> ” herein.)
Official Statement:	The City will provide the original purchaser of the T4 Bonds with an electronic copy and up to 50 copies of this Official Statement within seven business days following the award of the T4 Bonds.



## THE RANs

### Authority and Purpose

The Common Council of the City has authorized the issuance and sale of the RANs for the public purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments, by the adoption of an authorizing Resolution on January 21, 2015 in accordance with the provisions of Section 67.12(1) of the Wisconsin Statutes, which reads as follows:

**“67.12 Temporary borrowing and borrowing on promissory notes. (1) BORROWING IN ANTICIPATION OF REVENUES. (a)** Except for school districts and technical college districts, any municipality that becomes entitled to receive federal or state aids, taxes levied or other deferred payments may, in the same fiscal year it is entitled to receive the payments, issue municipal obligations in anticipation of receiving the payments. The municipal obligations issued under this paragraph shall not exceed 60% of the municipality's total actual and anticipated receipts in that fiscal year and shall be repaid no later than 18 months after the first day of that fiscal year.”

### Security for the RANs

The RANs are not a general obligation of the City, do not constitute debt for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the RANs or the interest thereon.

### Statutory Borrowing Limitation

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the RANs to sixty percent (60%) of the Estimated General Fund Revenues for fiscal year. The limitation is calculated as follows:

Total Amount of Estimated General Fund Revenues for 2015	\$739,119,475
Statutory Borrowing Limit (60% of Estimated Revenues)	\$443,471,685
Borrowing - Revenue Anticipation Notes, Series 2015 R1	<u>\$125,000,000</u>
Unused Amount Following this Issue	<u>\$318,471,685</u>
Percentage of Borrowing Limit Used	28%
Percentage of Borrowing to Estimated Revenues	17%

## THE N2 NOTES, B3 BONDS AND T4 BONDS

### Authority and Purpose

The N2 Notes, B3 Bonds and T4 Bonds are being issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes to finance various public improvement projects, and fiscal requirements of the City, to refund outstanding commercial paper and other long-term debt of the City, and to pay the associated financing costs. The Common Council of the City adopted Resolutions on January 19, 2011, December 20, 2011, February 5, 2013, January 22, 2014, April 22, 2014, November 25, 2014, January 21, 2015 and April 21, 2015 which authorize the issuance of the N2 Notes, B3 Bonds and T4 Bonds. In

addition, various initial Resolutions have been adopted authorizing purposes for the B3 Bonds and T4 Bonds that have been combined into the corporate purpose bond issues.

Proceeds of the sale of the N2 Notes, B3 Bonds and T4 Bonds are anticipated to be used for various public improvements of the City as follows:

Estimated Purposes (including commercial paper to be refunded)	
Streets.....	\$ 28,912,458
Public Buildings.....	15,431,019
Bridges.....	9,315,555
Fire.....	3,562,917
Tax Incremental Districts.....	12,922,475
Police.....	8,268,754
Sanitation.....	12,823,172
Parking.....	1,748,390
Renewal and Development.....	14,785,659
Library.....	5,946,348
Parks.....	511,166
Harbor.....	220,410
Schools (Refunding of RACM Bonds).....	3,512,636
Financing Receivables.....	29,190,265
Damages and Claims.....	6,500,000
Refunding GO Debt.....	36,060,000
Less: Premium applied to Purposes.....	(9,386,224)
Total.....	<u><u>\$180,325,000</u></u>

The purposes shown in the table reflect the refunding of \$41,700,000 of Commercial Paper.

### Plan of Refunding

In addition to providing long-term financing for \$41,700,000 of outstanding Commercial Paper, the City is also refunding the following bonds:

#### City Bonds to be Refunded

<u>Dated Date</u>	<u>Series</u>	<u>Amount</u>	<u>Maturities</u>	<u>Redemption Date</u>
3/23/2005	2005 B2	\$4,135,000	2016-2017	2/15/2015
6/7/2005	2005 A5	\$29,325,000	2015-2020	3/1/2015
12/1/2005	2005 B10	\$7,635,000	2016-2018	8/15/2015

#### Redevelopment Authority of the City of Milwaukee Bonds to be Refunded

Redevelopment Lease Revenue Bonds, Series 2005A  
(Milwaukee Public Schools – Congress Craig and Fratney Schools)

<u>Dated Date</u>	<u>Amount</u>	<u>Maturities</u>	<u>Redemption Date</u>
11/17/2005	\$4,375,000	2022-2025	8/1/2015

Cash on hand will be used to reduce the amount of refunding bonds issued. Commercial Paper has been used to provide interim financing between the Redemption Date and the Delivery Date of the N2 Notes and B3 Bonds.

## **Security for the N2 Notes, B3 Bonds and T4 Bonds**

The N2 Notes, B3 Bonds and T4 Bonds will 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 N2 Notes, B3 Bonds and T4 Bonds.

Under and by virtue of Sections 67.05(10) and 67.12(12)(ee), 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 the N2 Notes, B3 Bonds and T4 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 N2 Notes, B3 Bonds and T4 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 N2 Notes, B3 Bonds and T4 Bonds are to be dated May 28, 2015, and will bear interest from that date at the rates, and shall mature each March 15 in the amounts and on the dates as set forth on the inside front cover pages of this Preliminary Official Statement. Interest on the N2 Notes, B3 Bonds and T4 Bonds will be payable commencing September 15, 2015 and thereafter semiannually on March 15 and September 15 of each year and is calculated on the basis of 30-day months and a 360-day year.

## **Redemption Provisions**

The N2 Notes are **not** subject to call and redemption prior to maturity. B3 Bonds will be subject to redemption prior to their maturity, at the option of the City, on any date on or after March 15, 2025 at a price of par plus accrued interest to the date fixed for their redemption. T4 Bonds maturing on or after March 15, 2026 will be subject to redemption prior to their maturity, at the option of the City, on any date on or after March 15, 2025 at a price of par plus accrued interest to the date fixed for their redemption.

If less than all outstanding B3 Bonds or T4 Bonds are called for redemption, the B3 Bonds or T4 Bonds, as applicable, shall be called in such order of maturity as shall be determined by the City. If less than all of the B3 Bonds or T4 Bonds of the same series and maturity are called for redemption, the particular B3 Bonds or T4 Bonds of such series and maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, no earlier than 60 days and no later than 30 days prior to the redemption date, to the owners of any B3 Bonds or T4 Bonds to be redeemed in whose name such B3 Bonds or T4 Bonds are registered as of the date of the notice. Any defect in the notice shall not invalidate the notice. The record date for receiving payment of the redemption price shall be the 15<sup>th</sup> calendar day (whether or not a business day) prior to the redemption date. While in Book Entry Form, as the Registered Owner, DTC will receive the Redemption Notice. The City is not responsible for DTC's notification of redemption to Participants and Beneficial Owners.

## **Statutory Borrowing Limitation**

Wisconsin Statutes limit direct general obligation debt the City may issue. The N2 Notes, B3 Bonds and T4 Bonds do not cause these limitations to be exceeded. (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 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 ("LGIP") as a subset of the State Investment Fund (the "Fund"). The LGIP 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 LGIP portion of the Fund is additionally secured as to credit risk.

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "money market" account. When other investment options provide more favorable returns, such options are utilized. As of December 31, 2014, the City had approximately 44% (\$252 million) of its and Milwaukee Public Schools' investments deposited in the LGIP.

SWIB invests the assets of the Fund, which includes assets of the LGIP. 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. Given 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 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 595,993 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("MSA") includes the principal cities of Milwaukee, Waukesha and West Allis; the counties of Milwaukee, Ozaukee, Waukesha and Washington; and has a population of nearly 1.6 million.

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

**As of April 1, 2015**  
(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	Martin Matson	(2012)
City Treasurer	Spencer Coggs	(2012)

### Common Council

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	Jose G. Perez	(2012)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Russell W. Stamper, II	(2014)
Robert G. Donovan	(2000)		

\* The terms of all the above elected positions expire in April 2016.

## Public Services and Facilities

The City 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 borrow directly and issue 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 the City to issue debt for Milwaukee Public Schools. The other governmental units listed each have the statutory authority to issue general obligation debt.

Two special purpose governmental units exist with the ability to borrow and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball Park District (the “*SWPBP District*”), a public entity created by State legislation, encompassing southeastern Wisconsin counties, including Milwaukee County, 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 SWPBP 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 issued by the SWPBP District to finance acquisition and installation of facility equipment, scoreboards, etc.

The second special purpose governmental unit is the Wisconsin Center District (“*WC District*”), a public entity created by the City pursuant to Section 229.42, Wisconsin Statutes, which oversees construction and operation of the Wisconsin Center, the City’s major convention complex. This complex also includes the UW-Milwaukee Panther and the Milwaukee Theater facilities, formerly known as “*MECCA*.” The Wisconsin Center, was financed by \$185 million of revenue bonds issued by the WC District and secured by a pledge of dedicated sales tax revenues from lodging, restaurant, and vehicle rentals collected in the WC District. Phase One of the Wisconsin Center was completed during 1998. Phase Two was completed in 1999. In 2001, the WC District issued \$30 million of bonds to renovate the Milwaukee Theatre.

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

On the lakefront is the Milwaukee Art Museum, which combines art, dramatic architecture and landscape design. The 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 University and the Milwaukee School of Engineering.

## Employee Relations

The City has approximately 6,400 full-time employees. 2,700 employees are part of three public safety unions and 15 employees are in one non-public safety union. The remaining employees do not have collective bargaining representation.

The agreements covering the three public safety unions expired on December 31, 2012, and the agreement covering the non-public safety union expired on December 31, 2014. The City is in negotiations with the unions.

Pursuant to Wisconsin Statutes, non-public safety unions' right to collective bargaining is limited solely to employee wages. Wisconsin Statutes does not limit the ability of public safety unions to collectively bargain on most issues.

## GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

### General

Based on 2010 census results, the City's population is 594,833. Population in the four county area surrounding the City is estimated at 1,619,429 and represents 28% of the population of the State of Wisconsin.

#### City of Milwaukee Selected Economic Data

Year	Population		Adjusted Gross Income Per Return
	Department of Administration	U.S. Census	
2014	595,993		Not Available
2013	596,500		\$37,300
2012	595,425		35,770
2011	595,525		34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
2008	590,870		33,160
2007	590,190		33,240
2000	605,572	596,974	32,370

Sources: U.S. Census and the Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis. The Division's population estimates are used in the distribution of State Shared Revenues.

## Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2010 through December 2014.

### General Total

Year	Value	Permits Issued
2014	\$539,753,288	2,443
2013	269,010,398	2,217
2012	254,896,334	2,297
2011	269,386,167	2,340
2010	283,026,280	2,065

### Residential Building

Year	Single Family		Multi-Family		Total		Permits Issued
	Value	# Of Units	Value	# Of Units	Value	# Of Units	
2014	\$ 4,423,531	31	\$16,096,831	300	\$20,520,362	331	39
2013	5,429,015	43	46,923,592	430	52,352,607	473	53
2012	4,408,472	44	30,455,000	281	34,863,472	325	60
2011	17,892,282	139	42,327,598	364	60,219,880	503	222
2010	8,400,090	84	91,179,501	726	99,579,591	810	118

### Commercial Building

Year	Value	Permits Issued
2014	\$320,611,159	49
2013	83,584,379	42
2012	52,952,469	51
2011	58,518,315	47
2010	53,319,884	67

### Public Building

Year	Value	Permits Issued
2014	\$31,118,208	314
2013	24,248,685	147
2012	43,046,652	211
2011	49,456,901	256
2010	22,238,704	129

### Alterations and Additions

Year	Value	Permits Issued
2014	\$167,503,559	2,041
2013	108,824,727	1,975
2012	124,033,741	1,975
2011	101,191,071	1,815
2010	107,888,101	1,751

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.

## Leading Business and Industrial Firms Located Within Milwaukee County

The listing of large employers in the Milwaukee County area that 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. The Employment Estimates can include employees located in counties contiguous to Milwaukee County.

Company	Business Description	Approximate Employment
Aurora Health Care Inc.	Health Care System	24,462
Wheaton Franciscan Healthcare	Health Care System	10,687
Froedert & Community Health	Health Care System	9,028
Roundy's Supermarkets Inc.	Retail Supermarkets	9,000
The Medical College of Wisconsin	Private Medical School	5,400
Columbia St. Mary's Health System	Health Care System	5,400
Northwestern Mutual	Insurance, Investment Products	5,000
ProHealth Care Inc	Health Care System	4,700
Children's Hospital	Health Care System	4,471
Goodwill Industries	Training Programs, Retail, & Food Service	4,055
US Bank NA	Banking Services	3,639
BMO Harris Bank	Bank Holding Company	3,390
Rockwell Automation Inc	Industrial Automation Products	3,100
Johnson Controls Inc.	Control Systems, Batteries & Auto Interiors	3,094
The Marcus Corp	Theaters and Hotel Properties	3,044
Wisconsin Energy Corp	Electric & Natural Gas Utility	3,029
(FIS) Fidelity National Info. Services	Banking and Payments Technology	2,800
Marquette University	University	2,766
Harley-Davidson Inc	Motorcycles & Accessories	2,736
Potawatomi Bingo Casino	Casino	2,730
Wells Fargo	Banking & Financial Services	2,390
Bon-Ton Department Stores	Department Stores	2,244
Extendicare Health Services	Skilled Nursing Homes	1,680
Rexnord Corp	Power Transmission Equipment	1,600
Briggs & Stratton Corp	Small Gasoline Engines	1,400
Journal Communications Inc	Diversified Media Company	1,363
Cargill Meat Solutions	Meat Processor	1,355
MillerCoors LLC	Beer Brewery	1,350
Chase	Global Financial Services	1,310
Robert W Baird	Asset Management and Capital Markets	1,287
Assurant Health	Health Insurance	1,281
Joy Global Inc.	Manufactures & Distributes Mining Equip	1,233
Caterpillar Inc., (Bucyrus)	Manufactures & Distributes Mining Equip	1,165
Patrick Cudahy Inc.	Manufacturer of Processed Meats	1,150
Brady Corp	Manufacturer of Identification Materials	1,109

Source: *The Business Journal of Greater Milwaukee*, as of July 11, 2014.

## EMPLOYMENT AND INDUSTRY

During 2014, the City’s unemployment rate averaged approximately 8.1%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2010 through 2014.

<b>Annual Unemployment Rates</b> (Not Seasonally Adjusted)				
Year	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2014	8.1%	6.0%	5.5%	6.2%
2013	10.0	7.3	6.8	7.4
2012	10.2	7.5	7.0	8.1
2011	10.9	8.0	7.8	8.9
2010	11.9	8.9	8.7	9.6

*Source: U.S. Department of Labor, Bureau of Labor Statistics.*

<b>Recent Monthly Unemployment Rates</b> (Not Seasonally Adjusted)				
Month	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
February, 2015	7.4%	5.6%	5.5%	5.8%

*Source: U.S. Department of Labor, Bureau of Labor Statistics. Not Seasonally Adjusted*

The City’s economic structure reveals a diversified economy with strong service and manufacturing sectors. In Milwaukee County, service sector (service, finance, insurance, real estate and retail trade) employs 80% of the workforce. Construction and Manufacturing firms employ 14% of the workforce. 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.

### Ten Largest Taxpayers With 2014 Estimated Equalized Valuations

US Bank Corp	\$243,293,069
Northwestern Mutual Life Ins.	180,146,436
Mandel Group	127,121,319
Marcus Corp/Milw City Center/Pfister	110,326,536
Metropolitan Associates	97,806,164
Forest County Potawatomi Community	84,891,055
100 E Wisconsin – CW Wisconsin Ave. LLC	79,805,410
411 East Wisconsin LLC	77,628,058
Gorman & Co.	68,816,801
Towne Realty	66,007,728
Riverbend Place	61,534,768

*Source: City of Milwaukee, Assessor’s Office January 2015.*

## 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.

#### Debt Margin (Includes the Offered Obligations to be issued by the City)

Equalized Value of Taxable Property in the City.....	\$26,138,108,100
<b>Legal Debt Limitation for City Borrowing</b>	
5% of Equalized Value.....	\$1,306,905,405
General Obligation Debt Outstanding subject to 5% Limit as of 05/01/15.....	\$780,320,000
Plus: 2015 N2, B3 and T4 .....	180,325,000
Less: Provision for current year maturities .....	(44,505,000)
Less: General Obligation Debt to be refunded.....	(36,060,000)
Net General Obligation Debt Outstanding subject to the 5% Limit as of 05/01/15 .....	\$880,080,000
Total Debt Margin for City Borrowing (in Dollars) .....	\$426,825,405
As a percentage .....	32.7%
including Extendable Municipal Commercial Paper (1).....	27.7%
<b>Legal Debt Limitation for School Purpose Borrowing</b>	
2% of Equalized Value.....	\$522,762,162
General Obligation Debt Outstanding subject to 2% Limit as of 05/01/15.....	\$12,141,179
Less: Provision for current year maturities .....	-
Net General Obligation Debt Outstanding subject to the 2% Limit as of 05/01/15 .....	\$12,141,179
Total Debt Margin for School Purpose Borrowing (in Dollars) .....	\$510,620,983
(As a percentage).....	97.7%

(1) Excludes EMCP to be refunded by this Issue, and EMCP issued for Cash Flow purposes.

### Debt Refunded

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

\$113,430,000 General Obligation Promissory Notes, Series 2012 N2 and \$8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3, for the purpose of refunding portions of five general obligation issues, with a final escrow payment in August 2015, with The Bank of New York Mellon Trust Company, N.A. as escrow agent.

None of the refunded debt is reflected in the “*Debt Margin*” presentation above.

**Analysis of General Obligation Debt  
Outstanding as of May 1, 2015**

Tax Increment Districts.....	\$159,660,906
Streets.....	155,163,886
Public Buildings.....	115,093,371
Schools (5% City Borrowing).....	85,725,297
Schools (2% School Purpose Borrowing).....	14,774,150
Municipal Expenses.....	61,900,000
Finance Real & Personal Property Tax Receivables.....	35,743,000
Bridges.....	35,364,514
Blight Elimination/Urban Renewal.....	23,550,047
Police.....	23,365,998
Sewers.....	20,788,107
Fire.....	17,487,066
Water.....	12,609,206
Library.....	11,796,154
Parking.....	10,727,431
Playground/Recreational Facilities.....	5,219,605
Harbor.....	2,242,735
Local Improvement Projects/Special Assessments.....	1,241,478
Miscellaneous.....	8,228
Total.....	\$792,461,179

## 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 5/1/15 (1)		Series 2015 N2, B3 and T4		Total Requirements After Issuance
	Principal (2)	Interest (3)	Principal	Interest	
2015	\$ 42,845,000	\$ 21,525,906		\$ 1,806,942	\$ 66,177,847
2016	86,568,434	32,198,590	\$ 33,180,000	5,744,393	157,691,417
2017	70,745,239	29,110,590	26,230,000	5,019,143	131,104,971
2018	129,563,544 (4)	25,271,628	16,380,000	4,311,043	175,526,215
2019	67,011,727	22,345,005	12,285,000	3,757,168	105,398,899
2020	59,656,322	19,856,480	12,785,000	3,279,393	95,577,194
2021	52,893,148	17,231,992	10,260,000	2,846,393	83,231,533
2022	44,039,005	15,998,787	9,300,000	2,483,280	71,821,072
2023	40,463,761	14,050,705	9,350,000	2,137,610	66,002,076
2024	34,215,000	8,964,014	9,395,000	1,787,370	54,361,384
2025	29,585,000	7,620,267	8,605,000	1,448,425	47,258,692
2026	22,605,000	6,419,650	5,975,000	1,169,030	36,168,680
2027	18,895,000	4,676,182	6,005,000	934,005	30,510,187
2028	11,250,000	3,158,954	6,040,000	696,470	21,145,424
2029	5,160,000	2,844,989	6,080,000	456,505	14,541,494
2030	835,000	2,744,561	6,120,000	214,305	9,913,866
2031	370,000	2,722,815	1,145,000	70,120	4,307,935
2032	30,390,000	518,211	1,190,000	23,800	32,122,011
	<u>\$747,091,179</u>	<u>\$237,259,326</u>	<u>\$180,325,000</u>	<u>\$38,185,392</u>	<u>\$1,202,860,897</u>

(1) Excludes debt to be refunded.

(2) Assumes Sinking Fund Deposits in year due.

(3) Assumes: the maximum interest rate of 9.0% on \$30,000,000 of variable rate debt (the tax levy requirement).

(4) Includes \$62 million for Series 2013 T6 that were issued to permit payment in advance to the City's retirement system. If the program is not repeated, the amount will be repaid from the amount normally budgeted for the annual contribution, thus returning the contribution to a payment made in arrears.

### Trends of General Obligation Debt

(Thousands of Dollars)

Year 12/31	Total GO Debt	Self-Sustaining GO Debt*	Levy Supported GO Debt
2010	\$916,034	\$342,400	\$573,634
2011	934,004	373,059	560,945
2012	846,299	319,662	526,637
2013	872,014	295,522	576,492
2014	863,465	276,231	587,234

\* General Obligation debt whose debt service requirements are paid by non-Citywide property tax revenues.

**Trends of Self-Sustaining General Obligation Debt**  
(Thousands of Dollars)

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes (1)	Water (2)	Sewer (2)	Total Self-Sustaining
2010	\$167,944	\$11,753	\$11,623	\$47,575	\$13,453	\$90,052	\$342,400
2011	192,838	12,170	10,462	52,728	22,053	82,807	373,059
2012	189,351	11,684	9,505	56,201	18,727	34,194	319,662
2013	179,475	11,443	2,286	58,033	15,791	28,494	295,522
2014	171,810	11,533	1,242	55,927	12,670	23,049	276,231

General Obligation debt whose debt service requirements are paid by non-Citywide property tax revenues.

- (1) Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.  
(2) Years 2010-2012 include temporary borrowing pending refunding with revenue bonds.

**Ratio of General Obligation Debt  
to Equalized and Assessed Values and to Per Capita**

Year 12/31	Population (1)	Net Equalized Valuation	Assessed Valuation	Total GO Debt	GO Debt/Net EV	GO Debt/AV	GO Debt/capita
2010	580,500	\$29,520,783,200	\$28,048,464,348	\$916,034,150	3.10%	3.27%	\$1,578
2011	595,525	27,954,669,900	27,917,642,983	934,004,150	3.34	3.35	1,568
2012	595,425	26,421,932,000	25,322,100,578	846,299,150	3.20	3.34	1,421
2013	596,500	26,089,611,100	25,034,158,099	872,014,150	3.34	3.48	1,462
2014	595,993	26,138,108,100	25,024,542,439	863,464,646	3.30	3.45	1,449

- (1) Population estimate from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.  
Note: There is a material difference in the 2010 Department of Revenue estimate and the 594,833 US Census estimate.

The Public Debt Amortization Fund may be used to purchase and prepay City GO Debt. Assuming the unsegregated fund balance is used to prepay City GO Debt at year-end, the following results would have occurred:

Year 12/31	PDAF Unsegregated Balance	GO Debt /Net EV	GO Debt /capita
2010	55,453,164	2.92%	1,482
2011	57,046,631	3.14%	1,473
2012	57,413,536	2.99%	1,325
2013	56,790,600	3.12%	1,367
2014 (1)	56,790,600	3.09%	1,353

- (1) 12/31/14 balance is unknown at this time. Assumes balance is unchanged for the year.

**Computation of Net Direct and Overlapping Debt  
May 1, 2015**

Governmental Unit	Debt Outstanding As of May 1, 2015	Percentage Applicable	Share of Debt As of May 1, 2015
City of Milwaukee (1) .....	\$ 792,461,179	100.00%	\$ 792,461,179
Area Board of Vocational, Technical and Adult Education, District No. 9 .....	115,920,000	36.37	42,158,061
County of Milwaukee .....	685,012,910	44.85	307,199,552
Milwaukee Metropolitan Sewerage District..	923,728,418	45.71	422,242,414
<b>Total Net Direct and Overlapping Debt.....</b>	<b>\$2,517,122,507</b>		<b>\$1,564,061,206</b>

(1) Includes \$100.5 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue, and excludes debt to be refunded and provisions for current year maturities.

**Future Financing**

Prior to the issuance of the Offered Obligations, the City has \$513 million authorized unissued general obligation debt for various corporate and capital improvement purposes, which can be issued at any time. The City also has \$400 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes.

The City has \$140.2 million of Extendable Municipal Commercial Paper outstanding which can be refinanced with General Obligation Debt. \$41.7 million for new capital purposes and \$33.5 million for refunding purposes will be refinanced with this issue, and \$65.0 million are anticipated to be permanently financed with Sewer Revenue Bonds.

In addition to refunding the Extendable Municipal Commercial Paper, the authorized unissued general obligation debt includes \$101 million for sewer purposes and \$26 million for water purposes. The sewer purpose debt is anticipated to be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund Program. The water purpose debt is anticipated to be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Safe Drinking Water Loan Program.

The authorized, unissued general obligation debt includes \$38 million for School Purposes as Qualified School Construction Bonds.

See “**FINANCIAL INFORMATION – City Capital Improvement Plan**” herein for information on potential future capital needs.

**City Capital Improvement Plan**

The City’s 2013-2018 Draft Capital Improvement Plan (“CIP”) outlines planned capital improvement projects and programs. Some school purpose improvements are financed by the City for Milwaukee Public School, but are not included in the CIP.

The six-year CIP plan totals \$1,045 million. About \$727 million, or 70% of the planned spending, is intended to preserve the City’s existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). Approximately 57% (\$594 million) is anticipated to be borrowed with General Obligation debt, 28% (\$290 million) being borrowed with revenue debt.

Purpose	Amount (\$ Millions)
Transportation .....	\$326
Environment.....	457
Economic Development..	140
Public Safety .....	65
Miscellaneous.....	57
Total .....	\$1,045

The CIP has not yet been updated for the following projects:

Milwaukee City Hall is a 120-year-old building built on a wood piling foundation. A portion of the wood pilings have begun to decay and are in need of replacement. It is estimated that \$60 million may be spent over the next 10 years to repair the foundation. Actual costs could be higher or lower. Other than for preliminary engineering, no amounts have yet been budgeted for the project and the foundation and building are currently being monitored.

The City has approved an estimated \$98.8 million for phase I of a streetcar project. Phase I includes 3.8 miles of track with a one-way route length of 2.1 miles. A Federal grant of \$54.9 million has been received for the project. The City has approved \$43.9 million of Tax Incremental District borrowing to fund the remaining estimated construction and equipment costs.

### **Extendable Municipal Commercial Paper Program and other Liquidity**

The City has authorized the issuance of EMCP with the Extendable Municipal Commercial Paper Notes, 2012 Program, Series C6, Series R7, and Series T8 (Taxable) (the “*Series C6 Notes*”, “*Series R7 Notes*”, and “*Series T8 Notes*” respectively, and together, the “*EMCP Notes*”). Any combination of Series C6 Notes, Series R7 Notes, and Series T8 Notes, up to an aggregate total of \$200,000,000, is authorized to be outstanding at any time. The EMCP Notes are not general obligation debt of the City, however they are issued in anticipation of the issuance of general obligation promissory notes, which can be issued at any time. The EMCP Notes are authorized to be outstanding until May 22, 2017.

The EMCP Notes may be issued at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the EMCP Note program is to provide interim financing for expenditures pending the City’s next long-term financing and short-term cash flow needs. As of May 1, 2015, the City had \$140.2 million of Series C6 Notes outstanding, of which \$75.2 million will be refinanced with the Offered Obligations.

The City has a taxable General Obligation Promissory Line of Credit Note with PNC Bank (the “*Line*”) in the amount of \$50,000,000. The Line may be drawn upon at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the Line is to provide interim financing for expenditures pending the City’s next long-term financing and short-term cash flow needs. The Line is authorized to be outstanding until April, 2023. As of May 1, 2015, no debt was outstanding under the Line.

## Other Variable Rate Exposure

The City has no outstanding Auction Rate securities. The City has \$30 million of multi-modal general obligation bonds (the “*MMB*”) that are authorized to be outstanding through February 15, 2032, are currently in two variable rate modes, and are anticipated to remain variable rate until redeemed. \$15 million of the *MMBs* are Floating Rate Notes (the “*FRN*”) tied to the SIFMA index through a January 1, 2016 mandatory purchase date. The *FRNs* are anticipated to be remarketed by the City on or before the mandatory purchase date. \$15 million of the *MMBs* are Rolling Tender Variable Rate Bonds (the “*RTV*”). The *RTVs* have an interest rate that is set weekly by a remarketing agent. An Owner of an *RTV* may tender an *RTV* on 7-days’ notice. If the tendered *RTV* is not remarketed, the tendered *RTV* enters a 173-day Extension period (total of 180 days from the tender date), during which time the City makes its best efforts to remarket into another mode, including fixed rate mode.

It is anticipated that, over time, up to 15-25% of the tax levy supported long-term general obligation debt will be in the form of variable rate debt.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the Milwaukee Public Schools, issued \$130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds (“*IB*”) whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The *IB* bond owners do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays Milwaukee Public Schools 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by Milwaukee Public Schools, effectively converting the *IB* to a fixed rate with no basis risk.

## REVENUE BONDING

The City has issued revenue bonds for its Water and Sewerage Systems and has issued industrial revenue bonds on behalf of borrowers for eligible projects. Additionally, the Housing Authority of the City (the “*Housing Authority*”), the Redevelopment Authority of the City (the “*Redevelopment Authority*”), the Milwaukee Economic Development Corporation and related entities also have outstanding obligations. Collectively, the programs of the Housing and Redevelopment Authorities and Milwaukee Economic Development Corporation complement the City-financed economic development projects and foster the same development objectives.

Water System Revenue Bonds – Beginning in 1998, the City and the State of Wisconsin entered into loan agreements 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 May 1, 2015, the outstanding balance was \$15 million.

Sewerage System Revenue Bonds – In 2001, the City created the Sewerage System Revenue Bonds with the issuance of \$29,095,000 of Sewerage System Revenue Bonds, and has periodically issued debt under the Resolution. As of May 1, 2015, total outstanding Sewerage System Revenue Bonds was \$84 million with a final maturity in 2033.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of May 1, 2015, the City had \$87 million outstanding under the Program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See “**Future Financing**”).

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 to create 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 limited obligations of the Housing Authority and are neither 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 1983 and December 1, 2012, the Housing Authority issued revenue bonds of approximately \$149 million, of which approximately \$8.3 million are still outstanding.

*Redevelopment Authority of the City of Milwaukee* – The Redevelopment 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 Redevelopment 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 Redevelopment 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 Redevelopment 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 Redevelopment Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power.

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 Redevelopment 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 Redevelopment Authority and/or the City.

As of May 1, 2015, the Redevelopment Authority had outstanding: one bond issue with \$22 million outstanding that has a Moral Obligation Pledge of the City; and \$222 million in four bond issues for Milwaukee Public Schools, one secured by a lease, and three secured by loan agreement, 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. The loan agreements with MBSD includes a pledge of certain state aid payable to MBSD.

The Redevelopment Authority has also issued debt payable from tax increment revenues. (See “**TAX INCREMENT DISTRICT FINANCING**” herein).

Milwaukee Economic Development Corporation – As of December 31, 2014, the Milwaukee Economic Development Corporation, itself, or through a related entity, funded loans for 1,161 small businesses and redevelopment projects utilizing \$324 million to leverage a total of \$1.53 billion in investment. 949 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$55 million.

## **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”) of the City. 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 December 31, 2014, \$172 million general obligation bonds for TID purposes were outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$7 million of debt secured by tax increment revenues. The 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. 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 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 City’s 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 a 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 28<sup>th</sup> 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 30<sup>th</sup> 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 limits with respect to General Obligation Debt Service.

## Adopted Budget – Combined Revenues – 2015

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
<b>Taxes</b>						
Property Tax – General.....	\$114,264,667	–	\$57,832,996	\$1,137,000	–	\$173,234,663
Provision for Empl Retirement (1) .....	78,532,396					78,532,396
Common Council Cont.....	5,000,000					5,000,000
<b>Total Taxes .....</b>	<b>\$197,797,063</b>	<b>–</b>	<b>\$57,832,996</b>	<b>\$1,137,000</b>	<b>–</b>	<b>\$256,767,059</b>
<b>Revenues</b>						
Taxes and PILOT.....	\$ 18,028,400					\$ 18,028,400
Licenses and Permits .....	15,277,000					15,277,000
Intergovernmental Revenues .....	262,941,000	\$ 49,759,391				312,700,391
Charges for Service.....	163,836,412					163,836,412
Fines and Forfeitures .....	4,506,000					4,506,000
Miscellaneous Revenues.....	2,673,600	10,530,000				13,203,600
Fringe benefits (2).....	24,300,000					24,300,000
Parking .....	17,000,000		\$ 3,300,000	\$ 5,000,000	\$ 17,596,600	42,896,600
Water Works .....	–		4,584,335	14,214,000	74,686,665	93,485,000
Sewer Maintenance Fund ....	16,060,000		6,800,326	4,550,000	34,611,600	62,021,926
Retained Earnings.....					35,644,717	35,644,717
Delinquent Taxes .....			31,607,885			31,607,885
Tax Incremental Districts ....			24,122,361			24,122,361
Other Self Supporting Debt .....			32,897,937			32,897,937
Cash Flow borrowings.....			125,000,000			125,000,000
Special Assessments .....		11,100,755		2,440,000		13,540,755
Capital Revenue.....				19,455,000		19,455,000
<b>Total Revenues .....</b>	<b>\$524,622,412</b>	<b>\$71,390,146</b>	<b>\$228,312,844</b>	<b>\$45,659,000</b>	<b>\$162,539,582</b>	<b>\$1,032,523,984</b>
<b>Tax Stabilization Fund</b>						
Transfer from Reserves .....	\$ 16,700,000					\$ 16,700,000
<b>Sale of Bonds and Notes</b>						
General City .....				\$106,921,000		106,921,000
Enterprise Funds .....				52,678,000		52,678,000
<b>Grand Total.....</b>	<b>\$739,119,475</b>	<b>\$71,390,146</b>	<b>\$286,145,840</b>	<b>\$206,395,000</b>	<b>\$162,539,582</b>	<b>\$1,465,590,043</b>

(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 – 2015

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
<b>Expenditures</b>						
Administration, Dept of .....	\$ 11,809,011			\$ 3,260,000		\$ 15,069,011
Assessor's Office .....	4,417,671			555,000		4,972,671
City Attorney.....	7,545,443					7,545,443
City Treasurer .....	3,024,974					3,024,974
Common Council – Clerk .....	8,644,053			150,000		8,794,053
Municipal Court.....	3,426,963			504,000		3,930,963
Comptroller .....	4,965,882					4,965,882
Dept of City Development .....	3,851,206			26,350,000		30,201,206
Election Commission .....	1,393,678			1,530,000		2,923,678
Employee Relations, Dept of....	4,657,953					4,657,953
Fire and Police Commission .....	1,575,664					1,575,664
Fire Department .....	101,020,306			1,898,000		102,918,306
Health Department .....	12,861,865			366,000		13,227,865
Library Board.....	22,062,409			8,750,000		30,812,409
Mayor's Office.....	1,231,173					1,231,173
Neighborhood Services.....	20,006,144			2,244,000		22,250,144
Police Department.....	248,574,534			8,200,000		256,774,534
Port of Milwaukee.....	4,812,849			1,000,000		5,812,849
DPW–Administration .....	3,544,819					3,544,819
DPW–Infrastructure.....	39,051,738			54,549,000		93,600,738
DPW–Operations .....	82,265,675			11,010,000		93,275,675
Water Works .....			\$ 4,584,335	24,950,000	\$105,950,068	135,484,403
Sewer Maintenance Fund.....			6,800,326	44,200,000	36,945,164	87,945,490
Special Purpose Accounts.....	169,281,799					169,281,799
Pension Funds .....	120,517,939					120,517,939
Debt Service – City.....			132,507,499			132,507,499
Debt Service – Schools.....			13,953,680			13,953,680
Debt Service – Cash Flow .....			125,000,000			125,000,000
Contingency .....	5,000,000					5,000,000
Delinquent Tax Fund .....		\$10,530,000				10,530,000
Parking .....			3,300,000	7,292,000	19,644,350	30,236,350
Grant & Aid Fund .....		49,759,391				49,759,391
Special Capital Projects .....				9,587,000		9,587,000
Economic Development.....		11,100,755				11,100,755
Fringe Benefit Offset .....	(146,424,273)					(146,424,273)
<b>Grand Total.....</b>	<b>\$739,119,475</b>	<b>\$71,390,146</b>	<b>\$286,145,840</b>	<b>\$206,395,000</b>	<b>\$162,539,582</b>	<b>\$1,465,590,043</b>

**Budgetary Comparison Schedule – General Fund**  
**For The Years Ending December 31, 2009 Through 2013**  
(Thousands of Dollars)

	2009	2010	2011	2012	2013
<b>Revenues:</b>					
Property Taxes .....	156,410	168,031	166,841	167,927	172,594
Other Taxes.....	3,504	5,097	4,371	3,363	3,544
Licenses and Permits .....	12,186	12,948	13,289	14,410	15,030
Intergovernmental.....	272,337	270,939	273,240	260,141	259,735
Charges for Services .....	91,057	97,146	103,493	108,190	111,881
Fines and Forfeitures .....	4,802	5,422	5,076	5,042	4,492
Other .....	19,967	20,323	13,387	23,483	35,378
<b>Total General Fund Revenues .....</b>	<b>560,263</b>	<b>579,906</b>	<b>579,697</b>	<b>582,556</b>	<b>602,654</b>
Tax Stabilization Fund Withdrawals.....	22,379	13,070	14,600	13,767	14,900
Other Financing Sources and Equity.....					
Transfers (Net).....	46,896	49,640	46,199	47,470	107,770 (2)
<b>Total General Fund Revenues Tax Stabilization Fund Withdrawals and Other Financing Sources .....</b>	<b>629,538</b>	<b>642,616</b>	<b>640,496</b>	<b>643,793</b>	<b>725,324</b>
<b>Expenditures:</b>					
General Government.....	202,066	253,328	229,556	208,013	313,667 (2)
Public Safety.....	276,060	264,067	258,994	265,900	270,680
Public Works .....	97,093	94,482	96,557	93,421	99,907
Health .....	10,446	9,996	8,872	8,656	9,147
Culture and Recreation .....	17,329	15,656	15,566	15,912	15,900
Conservation and Development.....	4,230	3,747	3,991	4,320	3,379
<b>Total Expenditures .....</b>	<b>607,224</b>	<b>641,276</b>	<b>613,536</b>	<b>596,222</b>	<b>712,680</b>
Sources Over (Under) Expenditures .....	22,314	1,340	26,960	47,571	12,644
Fund Balance - January 1 (excludes reserved for use during the year).....	49,042	58,286	45,026	58,219	90,890
Fund Balance - December 31.....	71,356	59,626	71,986	105,790	103,534
<b>Fund Balance Components:</b>					
Reserved for Encumbrances & Carryovers.....	21,919	8,144			
Reserved for Inventory .....	6,827	7,220			
Reserved for Mortgage Trust.....	141	135			
Reserved for Environmental Remediation .....	303	303			
Reserved for Next Year's Budget (1).....	13,070	14,600			
Reserved for Subsequent Years' Budget (1).....	29,096	29,224			
New presentation as of FY 2011					
Nonspendable .....			15,044	15,721	15,389
Restricted .....			0	0	0
Committed .....			2,995	1,835	1,741
Assigned .....			26,778	35,915	43,172
Unassigned.....			27,169	52,319	43,232
<b>Total Fund Balance .....</b>	<b>71,421</b>	<b>71,356</b>	<b>71,986</b>	<b>105,790</b>	<b>103,534</b>

- (1) Amounts in years 2011 and later are for informational purposes only. Amounts are included in the balances below.  
(2) \$62 million was borrowed in 2013 for a pension early payment program.

Tax Stabilization Fund (free fund balance)					
Reserved for Next Year's Budget.....	13,070	14,600	13,767	14,900	20,000
Reserved for Subsequent Years' Budget .....	29,096	29,224	34,937	59,800	49,947

**City of Milwaukee**  
**General Fund – Projected Cashflow Summary**  
(Millions of Dollars)  
**January 1, 2015 to December 31, 2015**

Projections 2015	January	February	March	April	May	June	July	August	September	October	November	December	Total
<b>Beginning Balance</b>	103,037,000	73,785,000	7,671,000	(13,189,000)	(38,619,000)	87,155,000	20,077,000	87,197,000	77,569,000	57,514,000	42,689,000	200,758,000	
<b>Receipts</b>													
Property Taxes	6,812,000	2,365,000	17,224,000	8,555,000	9,873,000	18,978,000	66,491,000	15,799,000	20,322,000	17,849,000	3,816,000	68,227,000	256,311,000
State Aids													
Shared Revenue							41,659,000				186,048,000		227,707,000
Highway Aids	6,356,000			6,356,000			7,202,000			6,356,000			26,270,000
Payment Muni Services		2,514,000											2,514,000
Computer Exemption Aid							4,500,000						4,500,000
Other	28,580,000	6,994,000	10,554,000	8,128,000	8,106,000	8,122,000	6,554,000	13,763,000	6,260,000	5,999,000	11,675,000	19,355,000	134,090,000
Pension Fees	2,367,000	2,503,000	–	–	2,712,000	2,250,000	1,299,000	2,636,000	2,245,000	962,000	1,212,000	14,493,000	32,679,000
City services	3,286,000	2,854,000	2,397,000	2,347,000	2,776,000	2,238,000	2,337,000	2,635,000	2,502,000	3,850,000	4,608,000	4,797,000	36,627,000
City PILOTS (major)	–	–											14,165,000
Parking & Water Transfers						8,500,000			360,000				8,500,000
Summerfest													1,582,000
Street sweeping fee						7,879,000			925,000				7,879,000
Vehicle Registration Fee	427,000	422,000	528,000	663,000	622,000	550,000	560,000	577,000	516,000	540,000	540,000	401,000	6,346,000
Potawatomi PILOT								5,300,000					5,300,000
Year End Transfers	44,686,000												44,686,000
Delinquent Tax Borrowing					29,190,000								29,190,000
Cashflow Borrowing					125,000,000								125,000,000
<b>Total Receipts</b>	<b>92,514,000</b>	<b>17,652,000</b>	<b>30,703,000</b>	<b>26,049,000</b>	<b>178,279,000</b>	<b>48,517,000</b>	<b>130,602,000</b>	<b>40,710,000</b>	<b>33,130,000</b>	<b>35,556,000</b>	<b>207,899,000</b>	<b>139,399,000</b>	<b>981,010,000</b>
<b>Disbursements</b>													
Salaries & Benefits	(39,723,000)	(41,570,000)	(40,925,000)	(40,549,000)	(40,284,000)	(40,186,000)	(54,350,000)	(40,047,000)	(40,848,000)	(40,770,000)	(40,442,000)	(54,150,000)	(513,844,000)
Services & Supplies	(22,043,000)	(9,571,000)	(10,638,000)	(10,930,000)	(12,221,000)	(10,179,000)	(9,132,000)	(10,291,000)	(12,337,000)	(9,611,000)	(9,388,000)	(4,560,000)	(130,901,000)
Employer Pension Contribution	(60,000,000)												(60,000,000)
General Fund Purchase Delinquents		(32,625,000)											(32,625,000)
Contractual Tax Payment						(65,230,000)							(65,230,000)
Year End Transfers												(44,686,000)	(44,686,000)
Repay Cashflow Borrowing												(125,000,000)	(125,000,000)
<b>Total Disbursements</b>	<b>(121,766,000)</b>	<b>(83,766,000)</b>	<b>(51,563,000)</b>	<b>(51,479,000)</b>	<b>(52,505,000)</b>	<b>(115,595,000)</b>	<b>(63,482,000)</b>	<b>(50,338,000)</b>	<b>(53,185,000)</b>	<b>(50,381,000)</b>	<b>(49,830,000)</b>	<b>(228,396,000)</b>	<b>(972,286,000)</b>
Ending Balance	73,785,000	7,671,000	(13,189,000)	(38,619,000)	87,155,000	20,077,000	87,197,000	77,569,000	57,514,000	42,689,000	200,758,000	111,761,000	111,761,000

**City of Milwaukee  
General Fund  
Schedule of Cash Receipts and Disbursements  
for the Year Ended December 31, 2014**  
(Millions of Dollars)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)
January	\$128.648	\$ 72.450	\$142.146	\$58.952
February	58.952	14.518	81.339	(7.869)
March	(7.869)	30.860	49.598	(26.607)
April	(26.607)	26.905	53.279	(52.981)
May	(52.981)	193.059 (1)	50.452	89.626
June	89.626	47.880	110.716	26.790
July	26.790	129.115	65.423	90.482
August	90.482	40.158	49.691	80.949
September	80.949	34.265	53.249	61.965
October	61.965	34.976	47.259	49.682
November	49.682	207.757	47.940	209.499
December (3)	209.499	140.326	246.788 (2)	103.037
		<u>\$972.269</u>	<u>\$997.880</u>	

- (1) \$110 million of CFNs and \$25 million of EMCP was issued.  
(2) \$110 million of CFNs and \$25 million of EMCP was repaid in December.  
(3) Estimated.

**City of Milwaukee  
General Fund  
Projected Schedule of Cash Receipts and Disbursements  
for the Year Ended December 31, 2015**  
(Millions of Dollars)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Excluding Borrowing of \$125 Million
January	\$103.037	\$92.514	\$121.766	\$73.785	\$73.785
February	73.785	17.652	83.766	7.671	7.671
March	7.671	30.703	51.563	(13.189)	(13.189)
April	(13.189)	26.049	51.479	(38.619)	(38.619)
May	(38.619)	178.279 (1)	52.505	87.155	(37.845)
June	87.155	48.517	115.595	20.077	(104.923)
July	20.077	130.602	63.482	87.197	(37.803)
August	87.197	40.710	50.338	77.569	(47.431)
September	77.569	33.130	53.185	57.514	(67.486)
October	57.514	35.556	50.381	42.689	(82.311)
November	42.689	207.899	49.830	200.758	75.758
December	200.758	139.399	228.396 (2)	111.761	111.761
		<u>\$981.010</u>	<u>\$972.286</u>		

- (1) Amount includes the RANs.  
(2) Amount includes repayment of the RANs.

**City of Milwaukee**  
**Schedule of Cash and Investment Balances – All Funds – 2014**  
(Millions of Dollars)

	General Fund (1)	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds (2)	Total
January	\$58.952	\$285.815	\$69.788	\$105.634	\$520.184
February	(7.869)	221.495	69.927	132.624	416.177
March	(26.607)	221.800	76.689	246.899	518.781
April	(52.981)	214.418	82.055	198.383	441.875
May	89.626	208.320	77.823	(99.299)	276.470
June	26.790	205.656	70.693	120.010	423.149
July	90.482	205.430	71.166	1.363	368.441
August	80.949	184.895	77.732	(89.240)	254.336
September	61.965	145.706	77.972	(19.138)	266.505
October	49.682	132.538	80.570	58.619	321.409
November	209.499	116.745	83.384	14.488	424.116
December (estimate)	103.037	269.040	41.701	226.883	640.661

- (1) Balances includes proceeds from the sale of the Series 2014 Notes and their repayment.  
(2) Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

**City of Milwaukee**  
**Projected Schedule of Cash and Investment Balances – All Funds – 2015**  
(Millions of Dollars)

	General Fund (1)	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds (2)	Total
January	\$73.785	\$256.686	\$47.322	\$104.463	\$482.256
February	7.671	226.463	51.209	134.102	419.445
March	(13.189)	218.729	55.389	249.896	510.825
April	(38.619)	221.097	57.930	200.449	440.857
May	87.155	220.038	56.790	(98.005)	265.978
June	20.077	221.595	70.220	121.919	433.811
July	87.197	216.094	75.969	2.038	381.298
August	77.569	196.408	78.207	(89.094)	263.090
September	57.514	162.103	79.261	(18.972)	279.906
October	42.689	165.922	76.379	60.085	345.075
November	200.758	146.417	67.210	15.243	429.628
December	111.761	246.700	50.270	300.722	709.453

- (1) Balances include proceeds from the sale of the RANs and subsequent principal repayment.  
(2) Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

**City of Milwaukee  
Assessed and Equalized Valuations**

	Year 2010 For 2011 Purposes	Year 2011 For 2012 Purposes	Year 2012 For 2013 Purposes	Year 2013 For 2014 Purposes	Year 2014 For 2015 Purposes
<b>Real Property</b>					
Residential .....	\$17,156,626,561	\$17,069,535,250	\$14,750,294,600	\$14,265,490,669	\$14,198,159,000
Industrial (Manufacturing) .....	732,279,700	746,955,100	707,123,600	709,328,200	707,900,800
Mercantile (Commercial) .....	9,202,213,459	9,191,348,932	8,992,762,442	9,195,173,876	9,178,216,405
<b>Total Real Property .....</b>	<b>\$27,091,119,720</b>	<b>\$27,007,839,282</b>	<b>\$24,450,180,642</b>	<b>\$24,169,992,745</b>	<b>\$24,084,276,205</b>
Personal Property .....	957,344,628	909,803,701	871,919,936	864,165,354	940,266,234
<b>Total Assessed Valuations .....</b>	<b>\$28,048,464,348</b>	<b>\$27,917,642,983</b>	<b>\$25,322,100,578</b>	<b>\$25,034,158,099</b>	<b>\$25,024,542,439</b>
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 .....	\$29,520,783,200	\$27,954,669,900	\$26,421,932,000	\$26,089,611,100	\$26,138,108,100
Ratio of Assessed to Equalized Valuation.....	95.01%	99.87%	95.84%	95.95%	95.74%

**City of Milwaukee  
Assessed Tax Rates  
(Per \$1,000 of Assessed Valuation)**

	2011	2012	2013	2014	2015
Unit of Government					
City Government .....	\$9.25	\$9.25	\$10.25	\$10.58	\$10.71
Milwaukee Public Schools.....	11.11	11.11	12.31	12.47	12.62
Milwaukee County.....	4.89	4.89	5.44	5.53	5.50
Milwaukee Area Technical College.....	1.95	1.95	2.21	2.22	1.33
Milwaukee Metropolitan Sewerage District .....	1.51	1.51	1.70	1.78	1.79
Gross Tax Rate Per \$1,000 .....	\$28.71	\$28.71	\$31.91	\$32.58	\$31.95
Less: State Tax Credit.....	(\$1.81)	(\$1.81)	(\$1.96)	(1.96)	(1.98)
<b>Net Tax Rate.....</b>	<b>\$26.90</b>	<b>\$26.90</b>	<b>\$29.95</b>	<b>\$30.62</b>	<b>\$29.97</b>

**City of Milwaukee  
Property Tax Levies and Collections  
(\$ Amounts in Thousands)**

Budget Year	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
	Levy	Collections	% of Levy	Amount	% Collected
2009	276,186	265,691	96.20	9,955	99.80
2010	291,943	281,196	96.32	9,424	99.55
2011	295,967	284,690	96.19	8,536	99.07
2012	301,051	288,294	95.76	6,027	97.92
2013	304,700	292,692	96.06	0	96.06

## **Collection Procedures**

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

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 Chapter 74 of the Wisconsin Statutes 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 Section 75.521 of the Wisconsin Statutes, 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.

## **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 maintains 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.

# **PENSION SYSTEM SUMMARY**

## **Employees' Retirement System**

The Employees' Retirement System (ERS) of the City is established pursuant to Section 36 of the Milwaukee City Charter provides retirement, disability and survivor benefits to the City and other agency employees and their beneficiaries. Membership in the ERS includes some classes of part-time employees, all full-time employees, and elected officials.

**Active Members by Employee Groups**  
As of December 31, 2013

	Active Members	Covered Compensation
General City.....	3,321	\$169,812,091
Water Department.....	309	16,106,315
Policemen .....	1,846	131,487,451
Firemen.....	835	58,344,740
<b>Total City of Milwaukee .....</b>	<b>6,311</b>	<b>\$375,750,597</b>
School Board .....	3,693	\$104,577,158
Milwaukee Technical College .....	1	56,642
Milwaukee Metro Sewer Dist.....	216	16,418,069
Veolia .....	65	4,873,602
Wisconsin Center District.....	86	3,997,248
Housing Authority .....	182	10,803,105
Redevelopment Authority.....	18	1,277,238
<b>Total .....</b>	<b>10,572</b>	<b>\$517,753,659</b>

**ERS Membership**  
As of December 31, 2013

Class	Vested	Non-Vested	Inactive	Retired
General & Elected....	6,067	1,926		8,949
Police .....	1,737	110		2,252
Firefighters.....	728	107		1,267
Certain pre-1996 .....				19
<b>Total.....</b>	<b>8,532</b>	<b>2,143</b>	<b>3,643</b>	<b>12,487</b>

Source: Tables 1c and 5 of the Actuarial Valuation Report as of January 1, 2014.

The primary benefit of the ERS is a defined benefit plan with eligible employees earning a Retirement Allowance for each year of service. Funding for the ERS is derived from Member and actuarially required employer contributions. Current Retirement Allowance accrual rates and Member contributions to the system (expressed as a percentage of compensation) are as follows:

**Basic Benefit Accrual Rates and Member Contributions**

Class	Retirement Allowance	Maximum Allowance	Member Contribution
General and Mayor hired prior to 1/1/2014 .....	2.0%	70%	5.5%
General hired after 12/31/2013 .....	1.6%	70%	4.0%
Other Elected Officials enrolled prior to 1/1/2014....	2.5%	70%	7.0%
Elected Officials first enrolled after 12/13/2013.....	2.0%	70%	4.0%
Police .....	2.5%	90%	7.0%
Firefighters.....	2.5%	90%	7.0%

**Schedule of Funding Progress**  
(\$ amounts in thousands)

Valuation As of Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2013	\$4,580,729	\$4,831,689	\$250,960	94.8%	\$521,651	48.1%
2012	4,259,889	4,689,814	429,925	90.8	523,738	81.1
2011	4,404,635	4,587,915	183,280	96.0	525,181	34.9
2010	4,641,425	4,447,548	-	104.4	538,218	0.0
2009	4,814,402	4,269,324	-	112.8	553,846	0.0
2008	4,076,297	4,113,089	36,792	99.1	536,558	6.9
2007	5,192,000	3,958,061	-	131.2	532,412	0.0

Source: Table 11a of the Actuarial Valuation Report as of January 1, 2014.

**Schedule of Employer Contributions**  
(\$ amounts in thousands)

Year Ended Dec 31	Annual Actuarially Required Contribution	Percentage Contributed
2013	\$93,294	85%
2012	73,298	100
2011	31,402	0
2010	1,450	0
2009	60,098	100
2008	-	n/a
2007	-	n/a

Source: Table 11b of the Actuarial Valuation Report as of January 1, 2014.

Actuarial Assumptions and Methods for the latest valuation include:

- Actuarial Cost Method: Projected Unit Credit
- Amortization Method: Closed; Level Percent of Pay; Pay assumed to grow 3% per year
- Remaining Amortization Period: 20 years as of 1/1/14
- Asset Valuation Method: 5-year smoothed market, 20% corridor
- Investment Rate of Return: 8.25% for 2013-2017, 8.5% prior to 2013 and after 2017
- Projected Salary Increases: General: 3.0 – 7.5%; Police and Fire: 3.0-14.4%
- Inflation Assumption: 3.0%
- Cost of Living Adjustments: Varies by Employee Group

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see <http://www.cmers.com>. The Employees' Retirement System Actuarial Valuation Report as of January 1, 2014 is available from EMMA and is hereby incorporated by reference. (See "CONTINUING DISCLOSURE" herein).

**Policemen's Annuity and Benefit Fund**

Membership in the Policemen's Annuity and Benefit Fund (PABF) consists of all Police Department employees whose service commenced prior to July 29, 1947. As of December 31, 2013, there were 13 members and 40 spouses receiving benefits under the fund program.

Current funding is derived from employer contributions. Chapter 35 of the City Charter provides that annual contributions consist of: 1) an amount sufficient to amortize the unfunded actuarial liability

over a ten-year period with a series of level dollar payments; and 2) budgeted administrative expenses for the year.

For copies of the PABF actuarial reports, see <http://www.cmers.com>

**Schedule of Funding and Contributions**  
(\$ amounts in thousands)

Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Percent Contributed
2013	\$ 412	\$1,778	\$1,366	23.2%	\$228	100%
2012	651	2,152	1,501	30.2	222	100
2011	1,008	2,451	1,444	41.1	209	100
2010	1,584	2,946	1,362	53.8	269	100
2009	1,936	3,687	1,751	52.5	330	100
2008	2,147	4,296	2,148	50.0	041	100

*Source: Policemen's Annuity and Benefit Fund, Actuarial Valuation Reports as of January 1, 2014 (and each prior year). Summary of Principal Results.*

**Other Post-Employment Benefits**

The City provides other post-employment benefits (OPEB) to its retirees for health and life insurance. A single-employer defined benefit healthcare plan and life insurance plan are sponsored by the City and administered by ERS. The City provides medical insurance benefits for substantially all retirees. Retiree coverage begins at age 55 with at least 15 years of service for General City employees, at any age with at least 25 years of service for Police employees, and at age 49 with at least 22 years of service for Fire employees. In addition, the City allows employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees.

Until age 65, for retirees with at least 15 years of creditable service, the majority of the cost of the health benefit plan is paid by the City. After attaining the age of 65, and having completed a minimum of 15 years of creditable service, the City pays 25% of the base rate (0% of the major medical rate) of the City's Basic Plan.

Eligible retirees are able to continue coverage under the City's Group Life Insurance Plan, and pay the same rate as active employees. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching age 65, their coverage will be reduced in accordance with a reduction schedule, with the City assuming all future premiums.

The required contribution for medical and life insurance for retirees is based upon pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2013, the City paid approximately \$36 million and \$1 million, respectively, towards medical and life insurance for retirees.

The actuarial cost of health benefits and life insurance for retirees exceeds the average amount paid by retirees, therefore, the additional cost is paid by the City and is the basis for the OPEB obligation account for under GASB 45.

### Funding Status and Funding Progress

(\$ amounts in thousands)

Annual Required Contribution (ARC)	\$ 70,422
Interest on Net OPEB	11,408
Adjustment to ARC	(10,341)
	71,489
Annual OPEB Cost	71,489
Contributions Made	37,552
	33,937
Increase in net OPEB Obligation	33,937
Net OPEB Obligation – beginning of year	253,552
	287,490
Net OPEB Obligation – end of year	\$287,460

Source: City's 2013 CAFR.

### Annual Cost and Net OPEB Liability

(\$ amounts in thousands)

Year Ended Dec 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$71,489	52.5%	\$287,460
2012	76,156	46.6	253,523
2011	73,071	47.3	212,886
2010	81,311	41.8	174,360
2009	77,389	37.1	127,074
2008	73,100	45.0	78,400

Source: City's 2013 and prior years CAFRs.

### Schedule of Funding Progress

(\$ amounts in thousands)

Valuation As of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Jan 1, 2013	\$0	\$ 888,983	\$ 888,983	0.0%	\$382,795	218%
Jan 1, 2012	0	946,857	946,857	0.0	409,572	231
Jan 1, 2011	0	916,383	916,383	0.0	407,840	225
Jan 1, 2010	0	1,007,573	1,007,573	0.0	413,648	244
Jan 1, 2009	0	959,562	959,562	0.0	419,811	229
July 1, 2008	0	880,700	880,700	0.0	425,400	207

Source: City's 2013 and prior years CAFRs.

Actuarial Assumptions and Methods for the most recent valuation include:

The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method produces an explicit normal cost and actuarial accrued liability. The normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay.

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-terms investment rate of return. The healthcare cost trends rate is 8.0% initially, and reduced by decrements to the ultimate rate of 4.5% after 9 years. The actuarial assumption for wage inflation is 3%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

## 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 does not carry a blanket policy of insurance against tort liability. In addition, Section 893.80 of the Wisconsin Statutes 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 May 1, 2015.

*Amoco Oil, et al. v. City of Milwaukee.* Amoco, BP, Marathon, and US Oil are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessments is consistent with the law because they run with the property. The four separate cases have been consolidated in Judge Foley's court for trial in November 2015. An appeal by the losing party is likely. Each of the terminals was permitted to add tax years 2009, 2010, 2011, 2012 and 2013 to the original claim for tax year 2008. Approximately \$5 million of property taxes are being disputed.

*Section 74.37 Litigation.* Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings. The first of these lawsuits was brought in 2009 for the 2008 tax year. The 2009, 2010, 2011, 2012 and 2013 tax years have now been added to most of these cases. The Circuit Court branches have begun to schedule trials in 2015. Appeals by the losing parties are likely in many of these cases. The city estimates that up to \$9 million of property taxes are being disputed. Clear Channel Outdoor has challenged the assessment of its billboards in a Section 74.37 action. Lamar Outdoor has filed a similar claim for 2009, 2010, 2011, 2012 and 2013. The Circuit Court has granted summary judgment in the City's favor on the major issue in the case. The plaintiff will likely appeal. The City's potential liability is \$7.6 million.

*William Avery, et al. v. City of Milwaukee, et al.* In this 2011 civil rights action, the plaintiffs claim that William Avery was wrongly convicted in 2005 of the 1998 murder of a woman. Avery spent six years in prison until DNA testing in 2010 linked the murder victim to another individual who has been convicted of murdering a number of other women. Avery claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Avery also claims that supervisors in the police department permitted such alleged misconduct to occur as a matter of practice. The matter is set for trial beginning on June 1, 2015.

***Robert Lee Stinson v. City of Milwaukee, et al.*** In this 2009 civil rights action, Mr. Stinson claims that he was wrongly convicted in 1984 of the murder of a 67-year-old woman. Stinson spent more than 20 years in prison until recent DNA testing of the victim's clothing produced no DNA matching Stinson's and new techniques of examining bite marks on the victim indicating that the marks did not match Stinson's teeth. Stinson claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and conspired with two dental experts to produce false evidence. The defendants have all filed dispositive motions seeking to have the court dismiss the case. The trial court denied all defendants' motions. All defendants have appealed the denial to the court of appeals and the appeal remains pending.

***Estate of James F. Perry, et al. v. Wenzel, et al.*** This case stems from the September 13, 2010 death of James F. Perry, while he was in custody at the Milwaukee County Criminal Justice Facility (County CJF). According to the complaint, Mr. Perry was in the custody of members of the City of Milwaukee Police Department (City MPD) when he apparently experienced a seizure. Medical personnel were called to the City MPD jail. They treated Mr. Perry and transported him to a local hospital for further treatment and evaluation. Mr. Perry was released from the hospital and was returned to the City MPD jail. His processing there was completed, and he was then transferred to the County CJF, where he later suffered a heart attack and died. Mr. Perry's estate and his minor son brought suit, raising constitutional and state-law claims against the City, the Police Department, the County of Milwaukee, its Sheriff's Department, and various employees thereof. Plaintiffs' claims center around the allegation that all of the City and County employees who came into contact with Mr. Perry that day were deliberately indifferent to his alleged serious medical condition. Plaintiffs also allege direct failure-to-train and failure-to-supervise claims against the City and the County. Plaintiffs claim compensatory and punitive damages, along with attorneys' fees and costs. All City defendants have been served and have filed answers to the complaint. The parties are currently engaged in discovery.

## LEGAL OPINIONS

The legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado Zimmerman SC, Wauwatosa, 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**.

## RATINGS

The City has requested ratings on the Offered Obligations from Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

Fitch Ratings has assigned a rating of "F1+" on the RANs and "AA" on the N2 Notes, B3 Bonds and T4 Bonds. Moody's Investors Service, Inc. has assigned a rating of "MIG1" on the RANs and "Aa3" on the N2 Notes, B3 Bonds and T4 Bonds. Standard & Poor's Ratings Group has assigned a rating of "SP-1+" on the RANs and "AA" on the N2 Notes, B3 Bonds and T4 Bonds.

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.

# TAX MATTERS

## TAX-EXEMPT OBLIGATIONS

### Summary of Bond Counsel Opinion in connection with the Tax-Exempt Obligations

Bond Counsel are of the opinion that, under existing law, interest on the Tax-Exempt Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), Bond Counsel are of the opinion that interest on the Tax-Exempt Obligations will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that interest on the Tax-Exempt Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includable in corporate earnings and profits and, therefore, must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Tax-Exempt Obligations is not exempt from Wisconsin income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Tax-Exempt Obligations in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Obligations. These requirements relate to the use and investment of the proceeds of the Tax-Exempt Obligations, the payment of certain amounts to the United States, the security and source of payment of the Tax-Exempt Obligations and the use of the property financed with the proceeds of the Tax-Exempt Obligations.

### Tax-Exempt Obligations Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Tax-Exempt Obligations is sold to the public (the “Offering Price”) and the principal amount payable at maturity of such Tax-Exempt Obligations is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Tax-Exempt Obligation, the difference between the two is known as “bond premium;” if the Offering Price is lower than the maturity value of a Tax-Exempt Obligation, the difference between the two is known as “original issue discount.”

Bond premium and original issue discount are amortized over the term of a Tax-Exempt Obligation on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Tax-Exempt Obligations for federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Tax-Exempt Obligations at a price other than the Offering Price after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Tax-Exempt Obligations. In addition, owners of Tax-Exempt Obligations should consult their tax advisors with respect to the state and local tax consequences of owning the Tax-Exempt Obligations; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

## **Exclusion from Gross Income: Requirements**

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Obligations. Among these requirements are the following:

***Limitations on Private Use.*** The Code includes limitations on the amount of proceeds of the Tax-Exempt Obligations that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

***Investment Restrictions.*** Except during certain “*temporary periods*,” proceeds of the Tax-Exempt Obligations and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a “*minor portion*”) may generally not be invested in investments having a yield that is “*materially higher*” (1/8 of one percent) than the yield on the Tax-Exempt Obligations.

***Rebate of Arbitrage Profit.*** Unless the City qualifies for an exemption, earnings from the investment of the “*gross proceeds*” of the Tax-Exempt Obligations in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Tax-Exempt Obligations are required to be paid to the United States at periodic intervals. For this purpose, the term “*gross proceeds*” includes the original proceeds of the Tax-Exempt Obligations, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Tax-Exempt Obligations.

## **Covenants to Comply**

The City has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Obligations.

## **Risks of Non-Compliance**

In the event that the City fails to comply with the requirements of the Code, interest on the Tax-Exempt Obligations may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the City’s agreements with the owners of the Tax-Exempt Obligations require neither acceleration of payment of principal of, or interest on, the Tax-Exempt Obligations, nor payment of any additional interest or penalties to the owners of the Tax-Exempt Obligations.

## **Federal Income Tax Consequences in connection with the Tax-Exempt Obligations**

Pursuant to Section 103 of the Code, interest on the Tax-Exempt Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Tax-Exempt Obligations that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE TAX-EXEMPT OBLIGATIONS.

***Cost of Carry.*** Owners of the Tax-Exempt Obligations will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax

purposes as incurred or continued to purchase or carry the Tax-Exempt Obligations. As discussed below, special allocation rules apply to financial institutions.

**Corporate Owners.** Interest on the Tax-Exempt Obligations is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Tax-Exempt Obligations is taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

**Individual Owners.** Receipt of interest on the Tax-Exempt Obligations may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

**Certain Blue Cross or Blue Shield Organizations.** Receipt of interest on the Tax-Exempt Obligations may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

**Property or Casualty Insurance Companies.** Receipt of interest on the Tax-Exempt Obligations may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

**Financial Institutions.** Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Tax-Exempt Obligations.

**Foreign Personal Holding Company Income.** A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Tax-Exempt Obligations held by such a company is properly allocable to the shareholder.

The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Tax-Exempt Obligations are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Tax-Exempt Obligations are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Tax-Exempt Obligations.

## **SERIES 2015 T4 BONDS**

Interest on the T4 Bonds will be **included** in gross income for federal income tax purposes.

## **STATE TAX MATTERS**

Interest on the Tax-Exempt Obligations and the T4 Bonds 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 promulgated by the Securities and Exchange Commission (the “*Commission*”), pursuant to the Securities Exchange Act of 1934 (the “*Rule*”), the City shall covenant pursuant to a Resolution adopted by the Governing Body 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 annually to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the “*MSRB*”), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access (“*EMMA*”) system as the system to be used for continuing disclosures to investors. 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 Continuing Disclosure Certificate to be executed and delivered by the City at the time the Offered Obligations are delivered. Such Certificate will be in substantially the form attached hereto as *Appendix C*. The City intends to fully comply with the Undertaking relating to the Offered Obligations.

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.

Prior to August of 2003 the City entered into continuing disclosure undertakings (the “*Pre-2003 Undertakings*”) which contained a six-month filing requirement for Annual Financial Information. Due to the complexity and size of the City’s operations, the City had difficulty meeting that timing requirement and subsequently modified its continuing disclosure undertakings (the “*Post-2003 Undertakings*”) to use a nine-month filing requirement for Annual Filing Information. Except as discussed below, within the previous five years, the City has not failed to comply in any material respect with regards to the Post-2003 Undertakings. With regards to the Pre-2003 Undertakings the City has failed to strictly comply with the 6-month time period for filing its Annual Financial Information and updating certain information on the sewerage system that does not significantly change from year to year.

The City has endeavored to report rating changes which would impact any of its outstanding debt due to bond insurer downgrades. However, since the Nationally Recognized Statistical Rating Organizations (NRSRO) and bond insurers do not notify the City of any such rating changes, no assurance can be provided that notices of all rating changes were reported.

## FINANCIAL ADVISOR

Public Financial Management, Inc. has been retained as Financial Advisor to the City in connection with the issuance of the Offered Obligations.

## UNDERWRITING

The Offered Obligations will be purchased at competitive bidding conducted on May 14, 2015.

The award of the R1 Notes was made to TD Securities, its co-managers and associates.

The award of the N2 Notes and B3 Bonds was made to Bank of America Merrill Lynch, its co-managers and associates.

The award of the T4 Bonds was made to BOSC, Inc., its co-managers and associates.

The public reoffering yields of the Offered Obligations are detailed on the inside front cover pages 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) signature and no litigation certificates;
- (2) tax certificates;
- (3) certificates 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 on the Offered Obligations for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado Zimmerman SC, Wauwatosa, Wisconsin, Co-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) Continuing Disclosure Certificates; 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.

Martin Matson, City Comptroller  
City of Milwaukee, Public Debt Commission  
City Hall, Room 404  
200 East Wells Street  
Milwaukee, Wisconsin 53202  
(414) 286-3321

/s/ Martin Matson

---

Martin Matson  
City Comptroller and Secretary  
City of Milwaukee, Wisconsin

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## **APPENDIX A**

### **Audited Annual Financial Report of the City of Milwaukee, Wisconsin for the Year Ended December 31, 2013**

#### **Selected Sections of the Comprehensive Annual Financial Report**

The City's Comprehensive Annual Financial Report for the year ended December 31, 2013, is available from EMMA and is hereby incorporated by reference.

The independent auditor has not been engaged to perform, and has not performed since the date of its report (a portion of which is included herein), any procedures on the financial statements addressed in the report nor on this Official Statement, nor has the independent auditor been asked to give consent to the inclusion of this appendix in this Official Statement.

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## **INTRODUCTORY SECTION**

Pages 2-14 Omitted

## INDEPENDENT AUDITORS' REPORT

The Honorable Members  
Common Council  
City of Milwaukee, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee, Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Authority of the City of Milwaukee, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress on pages 18 - 30, 96 and 97, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee, Wisconsin's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the statistical section, and the miscellaneous financial data have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of City of Milwaukee, Wisconsin'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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Milwaukee, Wisconsin's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Milwaukee, Wisconsin  
July 30, 2014

CITY OF MILWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(unaudited)

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City of Milwaukee's (City's) management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes the MD&A. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

## FINANCIAL HIGHLIGHTS

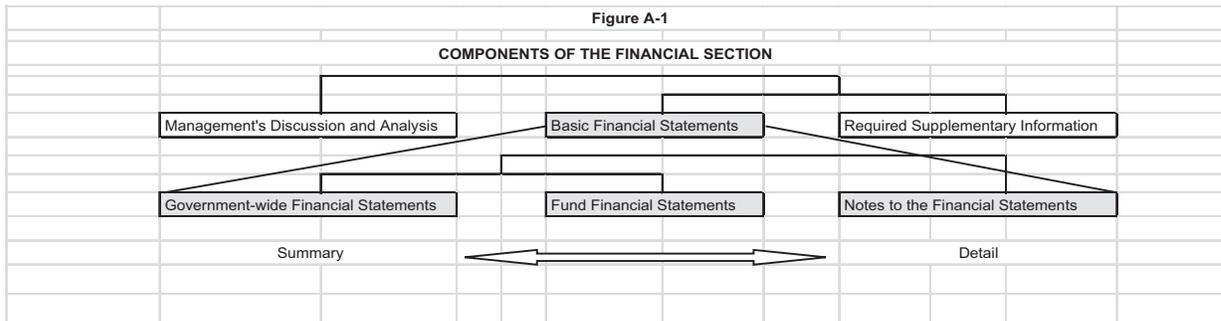
- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2013 by \$923 million (net position); \$199 million in governmental activities and \$724 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of \$724 million. The City regularly makes significant investments in private purpose developments which do not produce any direct financial return to the City. The City also finances certain long-term liabilities as they come due rather than when they are incurred. The City's net position decreased 7% compared to the previous year of \$993 million.
- The vast majority of the City's net position are capital assets, most of which do not generate revenues by their use or sale. Total net position comprise the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation – \$1.3 billion.
  - Restricted net position, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – \$217 million.
  - Unrestricted net deficit – \$(649) million.
- The City's total 2013 year-end other post-employment benefits (OPEB) obligation is \$287 million; an increase of 13% from the 2012 obligation of \$254 million. The obligation is based on an actuarial valuation as of January 1, 2013, which indicates the 2013 actuarial accrued liability for benefits was \$889 million over a 30-year amortization period.
- Total liabilities of the City decreased by \$175 million to \$1.8 billion. The long-term portion of total liabilities (\$1.6 billion) consists of \$287 million for OPEB, \$1.1 billion for outstanding debt and \$73 million for compensated absences, claims, and judgments.
- City governmental expenses exceeded combined program revenues by \$743 million. General revenues and transfers of \$660 million resulted in a \$83 million decrease of net position for the year. Business-type activities produced an increase of net position of 2% over 2012, generating a net change of \$13 million in 2013.
- For governmental activities, program revenue supported 20% of the total expenses for 2013. Property taxes and other taxes financed 30% of the primary government's governmental activities' expenses, state aids for the General Fund funded 28%, and miscellaneous revenues and transfers supported 13% of the expenses. Expenses were greater than total revenues and transfers by 9% in 2013.
- For business-type activities, program revenue supported 129% of the expenses for 2013; and, in total exceeded the expenses by \$53 million. Miscellaneous revenue and transfers reduced this excess by \$40 million to result in a \$13 million increase for the year.
- The City's total governmental funds reported total ending fund balances of \$346 million this year. Compared to the prior year ending fund balance of \$339 million, an increase of \$7 million resulted by year end 2013; a 2% increase.
- The General Fund balance at year-end 2013 totaled \$104 million – a \$2 million decrease compared to 2012. This ending Fund Balance is about 12% of combined General Fund expenditures and transfers disbursed for the year.
- The operating expenditures of the General Fund were \$10 million less than budgeted. The change in 2012 to self-insured health care for City employees, that included a higher cost to employees with a combination of deductible and coinsurance components, has resulted in budgetary savings of \$6 million in 2013. In addition, departmental salary accounts realized a positive budget variance of \$1 million. Unrealized contingencies' budget variance for 2013 resulted in an additional savings in the General Fund of \$1 million. These most significant items, that total \$8 million, account for 80% of the total positive budget variance for the year 2013.

CITY OF MILWAUKEE  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 (unaudited)

- Outstanding General Obligation bonds and notes payable increased by \$32 million during the current fiscal year from \$829 million to \$861 million. This increase results from early retirement of General Obligation debt of \$228 million and issuance of \$260 million in new General Obligation bonds and notes for the continued funding of City capital projects as well as debt issued on behalf of the Milwaukee Public Schools. In addition, revenue bonds of \$99 million, extendable municipal commercial paper of \$92 million and state loans of \$83 million were outstanding at year end for a total of \$1.1 billion.
- The City issued General Obligation Cash-flow Promissory Notes for \$100 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



The basic financial statements include two kinds of statements.

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

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

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**FIGURE A-2**  
**MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

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

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

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### **Fund Financial Statements**

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant financial components of the municipality as opposed to the City as a whole. These individual funds are established for the purpose of executing specific activities and objectives in accordance with Federal, State and local laws and regulations. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses.

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

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

### **Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data**

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

### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Current and other assets .....	\$ 942,426	\$ 962,360	\$ 122,647	\$ 118,382	\$ 1,065,073	\$ 1,080,742
Capital assets .....	1,002,919	1,018,488	885,951	921,280	1,888,870	1,939,768
Total assets .....	<u>1,945,345</u>	<u>1,980,848</u>	<u>1,008,598</u>	<u>1,039,662</u>	<u>2,953,943</u>	<u>3,020,510</u>
Loss on refunding.....	-	-	-	726	-	726
Long-term obligations .....	1,176,287	1,279,301	270,528	283,290	1,446,815	1,562,591
Other liabilities .....	487,237	215,172	26,726	32,970	513,963	248,142
Total liabilities .....	<u>1,663,524</u>	<u>1,494,473</u>	<u>297,254</u>	<u>316,260</u>	<u>1,960,778</u>	<u>1,810,733</u>
Subsequent years property taxes.....	-	287,666	-	-	-	287,666
Net position:						
Net investment in capital assets.....	686,492	706,111	623,909	648,594	1,310,401	1,354,705
Restricted .....	211,440	216,314	-	770	211,440	217,084
Unrestricted .....	(616,111)	(723,716)	87,435	74,764	(528,676)	(648,952)
Total net position .....	<u>\$ 281,821</u>	<u>\$ 198,709</u>	<u>\$ 711,344</u>	<u>\$ 724,128</u>	<u>\$ 993,165</u>	<u>\$ 922,837</u>

Net position of the City's governmental activities decreased 29% to \$199 million for 2013. The portion of net position restricted as to use totaled \$216 million. Net position invested in capital facilities (buildings, roads, bridges, etc.) totaled \$706 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net position deficit of \$724 million at the end of 2013 does not imply that the City has inadequate financial resources available to meet its current obligations. For example, the City's annual budgets do not include the full amounts needed to meet future liabilities arising from property-casualty claims, unused employee vacation-sick leave and outstanding debt. The City will include the amounts needed in future years' budgets as these obligations come due.

The net position of business-type activities increased 2% to \$724 million in 2013. The City generally can only use net position to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 9% and for business-type activities increased 5% from 2012 due primarily to the issuance and retirement of long-term debt and the recording of OPEB.

Total assets including capital assets increased \$67 million or 3% from 2012. Capital assets of the primary government increased 2% from the previous year due to several completed major street projects by the State of Wisconsin. For 2013, capital assets of the Water Works and the Sewer Maintenance Funds comprise 94% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise (business-type) funds. The Water Works capital assets (45%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (49%) includes local sewer mains and connections.

**Changes in net position.** Total annual City revenues less expenses yield the change in net position. The City's program and general revenues totaled \$807 million for governmental activities. Forty-two percent of governmental purpose revenues are intergovernmental revenues (State aids, Federal and State grants) while 34% is derived from property and other taxes. Charges for services represent 14% of total revenues, and the remaining 10% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with \$320 million (34%) related to public safety (fire and police, neighborhood services). General government expenditures total \$306 million (33%) while public works expenditures total \$169 million (18%). Program specific revenues (charges for services) generated only about one-eighth of the revenue

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needed to support the cost of governmental activities. General revenues (taxes, State aids, and miscellaneous) provide the remaining funds.

Total governmental activities expenditures exceeded revenues and transfers by \$83 million. For business-type activities revenues exceeded its expenditures and transfers by \$13 million however, prior to the transfer of \$42 million from business type funds to governmental funds, business type funds showed a \$53 million excess of revenues over expenses while governmental activities showed a \$125 million gap of revenues below expenses. Chart 1, *Expenses and Program Revenues – Governmental Activities*, and Chart 2, *Expenses and Program Revenues – Business-type Activities* depict this comparison by major function.

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

**Table 2**  
**Changes in Net Position**  
*(Thousands of Dollars)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services .....	\$ 108,190	\$ 111,881	\$ 240,096	\$ 234,480	\$ 348,286	\$ 346,361
Operating grants and contributions .....	100,060	75,747	-	-	100,060	75,747
Capital grants and contributions .....	18,809	1,536	5,133	3,852	23,942	5,388
General revenues:						
Property taxes and other taxes .....	279,588	276,193	-	-	279,588	276,193
State aids for General Fund .....	260,141	259,735	-	-	260,141	259,735
Miscellaneous .....	81,153	82,059	750	1,443	81,903	83,502
Total revenues .....	<u>847,941</u>	<u>807,151</u>	<u>245,979</u>	<u>239,775</u>	<u>1,093,920</u>	<u>1,046,926</u>
Expenses						
General government .....	221,740	305,744	-	-	221,740	305,744
Public safety .....	328,677	320,317	-	-	328,677	320,317
Public Works .....	158,527	169,250	-	-	158,527	169,250
Health .....	22,020	19,743	-	-	22,020	19,743
Culture and recreation .....	20,512	20,348	-	-	20,512	20,348
Conservation and development .....	56,872	45,605	-	-	56,872	45,605
Capital contribution to						
Milwaukee Public Schools .....	4,853	278	-	-	4,853	278
Contributions .....	22,803	22,331	-	-	22,803	22,331
Interest on long-term debt .....	31,105	28,275	-	-	31,105	28,275
Water .....	-	-	66,571	68,728	66,571	68,728
Sewer Maintenance .....	-	-	41,430	44,795	41,430	44,795
Parking .....	-	-	26,101	24,248	26,101	24,248
Port of Milwaukee .....	-	-	3,940	3,855	3,940	3,855
Metropolitan Sewerage District User Charges .....	-	-	43,804	43,737	43,804	43,737
Total expenses .....	<u>867,109</u>	<u>931,891</u>	<u>181,846</u>	<u>185,363</u>	<u>1,048,955</u>	<u>1,117,254</u>
Increase in net position before transfers .....	(19,168)	(124,740)	64,133	54,412	44,965	(70,328)
Transfers .....	44,643	41,628	(44,643)	(41,628)	-	-
Increase in net position .....	25,475	(83,112)	19,490	12,784	44,965	(70,328)
Net position – Beginning (Restated) .....	256,346	281,821	691,854	711,344	948,200	993,165
Net position – Ending .....	<u>\$ 281,821</u>	<u>\$ 198,709</u>	<u>\$ 711,344</u>	<u>\$ 724,128</u>	<u>\$ 993,165</u>	<u>\$ 922,837</u>

**Governmental Activities**

Revenues for the City's governmental activities totaled \$807 million, while total expenses totaled \$932 million for 2013. Total revenues, excluding transfers, supported 87% of total expenses; 91% with transfers. Comparable data for 2012 indicates 98% of all revenues, excluding transfers supported the 2012 expenses and, 103% including transfers.

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Property taxes represent 33% of the total revenues for 2013 and 2012. The total actual property tax revenues decreased 1% over the previous year. The City of Milwaukee's share of the Tax Rate increased one dollar from \$9.25 in 2012 to \$10.25 in 2013 (per \$1,000 of Assessed Value), due mainly to a decrease in assessed property value. State aids for the General Fund was \$260 million both in 2012 and 2013. The combined property taxes and State aids comprised approximately 64% of the total revenues for governmental funds in 2013 compared to 65% in 2012. Charges for services equaled 13% of the total revenues in 2013, the same as 2012. Operating grants, capital grants, and contributions decreased \$42 million, to a total \$77 million or 10% of total revenues in 2013 compared to 13% in 2012. During 2012 and 2013, non-cash capital grants were recorded to represent the State contribution of completed major street projects on behalf of the City of \$2 million.

The total 2013 governmental activity expenditures increased by \$65 million (7%) over 2012. A \$62 million total employer contribution to Employees' Retirement System (ERS) in 2013 was the major reason for the \$65 million growth in governmental activity expenses. The City borrowed \$62 million in order to pay earlier the employer required contribution due to the retirement system in 2014. The 5-year borrowing will allow the City to pay on a current basis the amount that has historically been paid one year in arrears. The cost of borrowing was 2.1%, well below the 8% interest charge by ERS on the arrears payment. The City worked with the ERS' actuary to develop a stable employer contribution policy with the objectives of funding obligations responsibly while decreasing year-to-year contribution volatility.

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

**Table 3**  
**Governmental Activities**  
*(Thousand of Dollars)*

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
General government .....	\$ 221,740	\$ 305,744	\$ 208,546	\$ 293,204
Public safety .....	328,677	320,317	282,005	279,908
Public works .....	158,527	169,250	61,980	88,996
Health .....	22,020	19,743	8,612	9,192
Culture and recreation .....	20,512	20,348	16,620	16,551
Conservation and development .....	56,872	45,605	25,352	25,863
Contributions .....	27,656	22,609	5,830	738
Interest on long-term debt .....	31,105	28,275	31,105	28,275
<b>Total Governmental Activities .....</b>	<b>\$ 867,109</b>	<b>\$ 931,891</b>	<b>\$ 640,050</b>	<b>\$ 742,727</b>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2013 to \$743 million from \$640 million in 2012 or 16% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total costs of service must be funded by general City taxes and State aids.

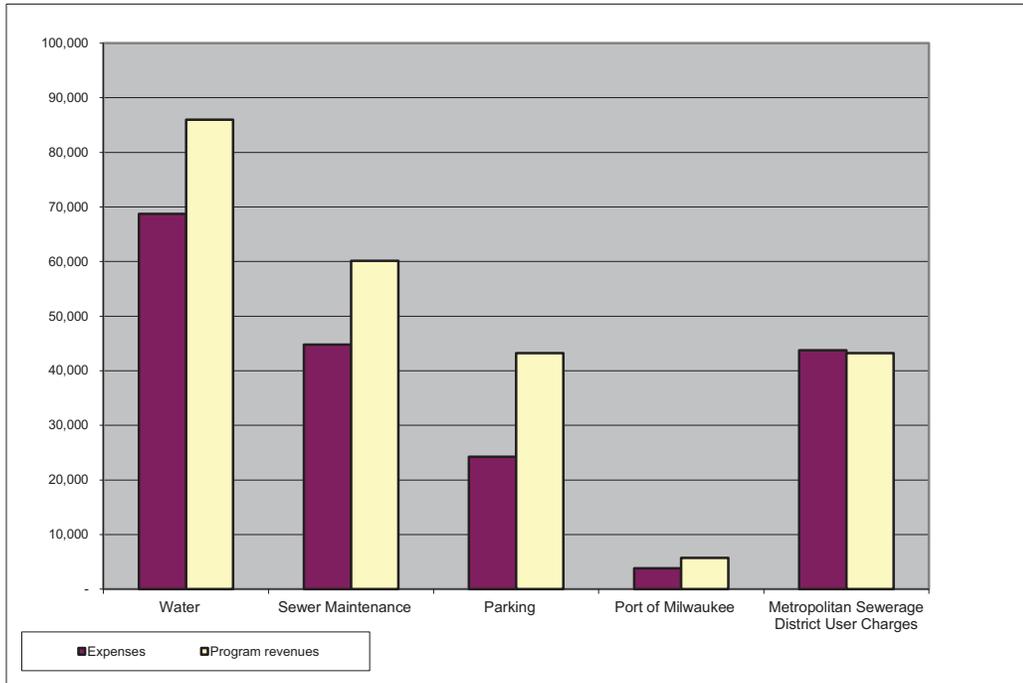
**Business-type Activities**

The two major enterprises or business-type activities for the City of Milwaukee are water services and sewer maintenance. The Water Works had operating expenses of \$68 million and net operating income of \$17 million. The Sewer Maintenance produced a net operating income of \$35 million after incurring expenses of \$22 million.

Business-type revenues on Table 2 decreased by \$6 million in 2013 compared to 2012, or 2%. Total expenses and transfers of all enterprise funds of the City remained the same in 2013 compared to 2012. Overall, 2013 year-end Total Net Position increased by \$13 million to \$724 million, or 2%.

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**Chart 1**  
**2013 Expenses and Program Revenues - Business-type Activities**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental Funds**

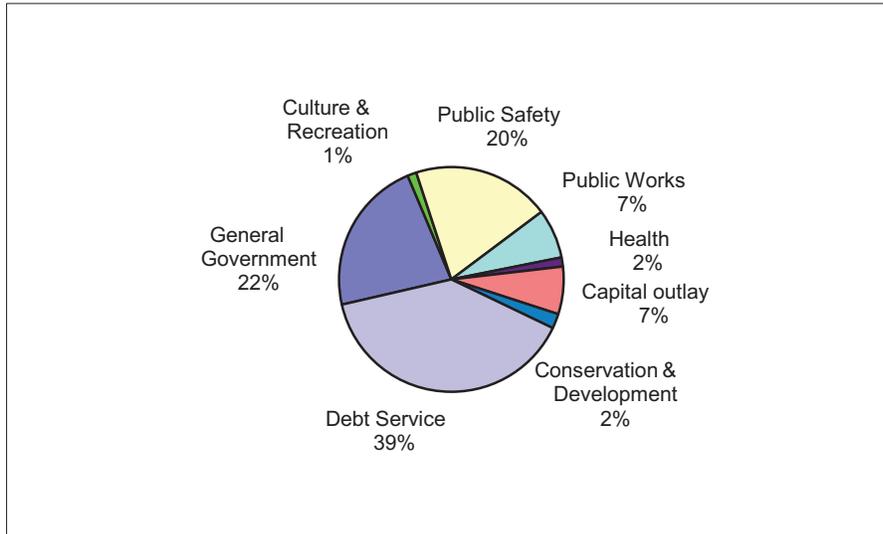
Governmental Funds are reported in the fund based financial statements with a focus on the annual inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with the succeeding year's requirements. Types of Governmental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

As the City completed 2013, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$345 million, an increase of \$7 million or 2% over 2012. The Capital Projects Fund balance increased to \$5 million. The City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects. This practice minimizes City borrowing costs and facilitates compliance with Federal Internal Revenue Service (IRS) regulations. Debt issued for capital projects totaled \$83 million in 2013 compared to \$68 million in 2012. The General Obligation Debt Service Fund incurred a positive net change in fund balance of \$8 million due to a combination of revenues and other financing sources greater than debt service expenditures and other financing uses, with the major emphasis on the net overall increase in the refinancing of debt during the year compared to the prior year. The General Fund decreased by \$2 million to \$104 million.

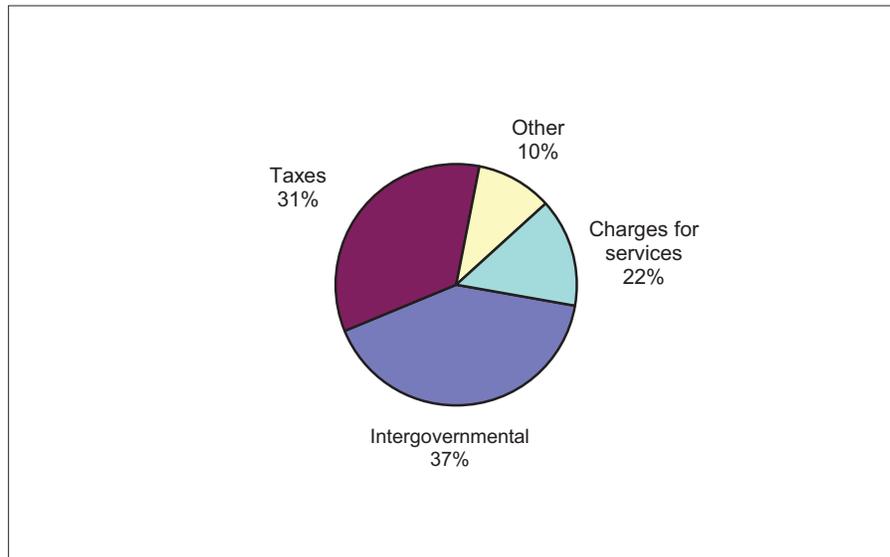
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Chart 2 and 3 illustrate spending by function and revenues by source for all governmental funds.

**Chart 2**  
**2013 City Spending by Function - Governmental Funds**



**Chart 3**  
**2013 Revenues by Source - Governmental Funds**



Revenues for governmental functions overall totaled \$805 million in the fiscal year ended December 31, 2013. Expenditures for governmental funds totaled \$1.4 billion. Expenditures exceeded revenues by \$643 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of \$7 million for the year compared to an increase of \$38 million in 2012. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

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*Major Governmental Funds*

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund decreased by \$2 million or 2%. Revenues and other financing sources totaled approximately \$841 million and expenditures and other financing uses totaled approximately \$843 million - detailed in Table 4 below. Revenues increased by \$2 million over 2012 and expenditures increased by \$98 million over 2012, with expenditures exceeding revenues by 18%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by \$108 million. This excludes the budgeted use of funds from the fund balance. Nearly \$15 million was budgeted from the fund balance to fund the 2013 General Fund budget. This was a decrease of \$1 million from 2012.

Total General Fund revenues for 2013 totaled \$606 million. The largest revenue category is intergovernmental at \$260 million with 41% of the total revenue. The second largest revenue source is Property Taxes with \$173 million or 28%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 18% or \$112 million. These three categories combined comprise 87% of the total revenues for 2013.

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

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

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2012	2013	% Change	Expenditures:	2012	2013	% Change
Property taxes .....	\$ 167,927	\$ 172,594	2.8%	General government.....	\$ 230,532	\$ 317,356	37.7%
Other taxes .....	3,363	3,544	5.4%	Public safety.....	265,900	270,680	1.8%
Licenses and permits .....	14,410	15,030	4.3%	Public works.....	93,421	99,907	6.9%
Intergovernmental .....	260,141	259,735	-0.2%	Health.....	8,656	9,147	5.7%
Charges for services .....	108,190	111,881	3.4%	Culture and recreation .....	15,912	15,900	-0.1%
Fines and forfeits .....	5,042	4,492	-10.9%	Conservation and development .....	4,320	3,379	-21.8%
Contributions received .....	21,826	21,871	0.2%		-	-	
Other .....	23,483	16,978	-27.7%	Total Expenditures .....	618,741	716,369	15.8%
<b>Total Revenues .....</b>	<b>604,382</b>	<b>606,125</b>	<b>0.3%</b>				
<b>Other Financing Sources</b>				<b>Other Financing Uses</b>			
Debt proceeds .....	102,000	188,860	85.2%	Transfers out .....	102,119	127,119	24.5%
Transfers in .....	48,282	46,247	-4.2%	Total Expenditures and other Financing Uses .....	<u>\$ 720,860</u>	<u>\$ 843,488</u>	17.0%
<b>Total Revenues and Other Financing Sources .</b>	<b><u>754,664</u></b>	<b><u>841,232</u></b>	<b>11.5%</b>				
Excess of Revenues over Expenditures .....	<u>(14,359)</u>	<u>(110,244)</u>	-667.8%				
Net Change in Fund Balance .....	<u>\$ 33,804</u>	<u>\$ (2,256)</u>	-106.7%				

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes (rather than Revenue Anticipation Notes) in advance of receipt of the State Shared Revenues. For 2013, \$100 million was issued.

The City maintains two separate debt service funds. The General Obligation Debt Service Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance by \$8 million to \$142 million or 6%. Revenues combined with *Other Financing Sources* totaled \$582 million; expenditures combined with *Other Financing Uses* totaled \$574 million; resulting in a *net increase in Fund Balance* for year end 2013 of \$8 million.

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(unaudited)

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2013 showed a fund balance of \$5 million (an increase in the fund balance of \$10 million compared to a fund balance deficit of \$5 million in 2012). In 2013, total debt proceeds amounted to \$83 million as compared to \$68 million in 2012, a 22% increase. Total revenues increased by \$13 million from 2012; expenditures increased from \$87 million to \$98 million or 13%. The issuance of bonds and notes during 2013 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and, as a result, increased the year-end fund balance by \$10 million.

### **Proprietary Funds**

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

At the end of the fiscal year, the total unrestricted net position for all enterprise funds was \$75 million. This was a decrease from \$88 million at December 31, 2012. This net decrease consists of \$7 million in Water Works, and \$6 million decrease in the Sewer Maintenance fund.

In 2013, operating revenues of the enterprise funds totaled \$234 million (2% decrease); total operating expenses increased \$1 million to \$161 million. The Water Works is the largest enterprise activity for the City, comprising approximately 36% of the total operating revenues. The Sewer Maintenance Fund comprises 24% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2013, Water Works operating revenues decreased 3% while Sewer Maintenance operating revenues increased 5%; all other enterprise funds combined decreased about 5% compared to 2012. Water Works non-operating revenues for 2013 are mainly composed of interest income and other miscellaneous revenues.

The Water Works incurred total expenses of \$68 million for 2013 compared to \$65 million for 2012. Excluding depreciation expense, operating expenses decreased over the previous year by \$2 million. The non-operating interest expense of the Water Works decreased by \$195,000 due to the scheduled principal maturing on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds decreased 1% over 2012.

### **General Fund Budgetary Highlights**

For the fiscal year ended December 31, 2013, the General Fund budgetary basis revenues were lower than budgeted revenues by \$5 million. Revenue categories for property taxes, other taxes, and fines/forfeitures had an unfavorable variance compared to budget of \$9 million; however, all other categories of licenses/permits, intergovernmental, charges for services and other exceed the final budgeted amounts by \$4 million. Actual 2013 revenues increased from that of the prior year by \$20 million. Intergovernmental revenues remained constant at \$260 million. This category includes financing from the State for shared taxes, local street aids, and payment for municipal services. The operating expenditures were \$10 million less than budgeted. This favorable variance is a result of savings from general government departments of \$9 million, and a combined savings of \$1 million in other classifications.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2012 less the encumbrances carried over to 2014. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2012 by the Common Council less those appropriations authorized for carryover to 2014. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this account to specific departments during the year to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in the Required Supplementary Information Section, Exhibit E-1 shows both the original 2013 General Fund expenditure budget of \$656 million and the final budget of \$723 million. This is a 17% increase over the final 2012 budget of \$618 million. The original revenue budget totaled \$607 million with the final budget remaining approximately same. This is a 6% increase over the final 2012 revenue budget of \$575 million.

The General Fund Schedule of Expenditures-Budget and Actual (Exhibit I-9) details current year expenditures by department. The City's General Fund's beginning Fund Balance of \$106 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary Fund Balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Fund Balance of \$15 million.

CITY OF MILWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(unaudited)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for governmental and business-type activities as of December 31, 2013 total \$1.9 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$50 million or 2%. Governmental activities' capital assets increased \$15 million or a 1% increase from 2012. Business-type activities' capital assets increased \$35 million or 4% at the end of 2013. A schedule comparing the assets by type for 2012 and 2013 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$26 million and deletions were \$11 million for 2013 for governmental activities. The two largest business-type activities are the Sewer Maintenance Fund and the Water Works Fund. The Sewer Maintenance Fund had a net change in capital assets that resulted in a net increase of \$28 million. Of the Sewer Maintenance Fund's net assets at year end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 66% of its total net assets with 28% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of \$8 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Capital assets not being depreciated:						
Land .....	\$ 164,628	\$ 164,660	\$ 19,049	\$ 19,096	\$ 183,677	\$ 183,756
Construction in progress .....	41,898	44,241	13,229	12,096	55,127	56,337
Intangible right of ways .....	1,342	1,342	-	-	1,342	1,342
Capital assets being depreciated:.....						
Buildings .....	285,421	291,942	94,018	95,805	379,439	387,747
Infrastructure .....	1,503,036	1,540,926	925,263	967,395	2,428,299	2,508,321
Improvements other than buildings .....	11,891	11,909	8,025	8,025	19,916	19,934
Machinery and equipment .....	185,968	193,770	231,357	242,638	417,325	436,408
Intangible software.....	2,605	2,605	-	-	2,605	2,605
Nonutility property .....	-	-	3,654	3,654	3,654	3,654
Accumulated depreciation .....	<u>(1,193,870)</u>	<u>(1,232,907)</u>	<u>(408,644)</u>	<u>(427,429)</u>	<u>(1,602,514)</u>	<u>(1,660,336)</u>
 Total .....	 <u>\$ 1,002,919</u>	 <u>\$ 1,018,488</u>	 <u>\$ 885,951</u>	 <u>\$ 921,280</u>	 <u>\$ 1,888,870</u>	 <u>\$ 1,939,768</u>

**Debt**

At year-end, the City had \$861 million in general obligation bonds and notes, \$83 million in State loans, \$99 million in revenue bonds, and \$92 million in extendable municipal commercial paper outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled \$259 million, of which \$2 million related to Port and Parking Enterprises.

The City continues to maintain high investment grade ratings from the two major rating agencies. A rating of "AA" from Standard and Poor's Corporation, and "Aa3" from Moody's Investors Service, Inc, were received on the City's general obligation bonds.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,207 at the end of 2012 and \$1,275 at the end of 2013; a 6% increase from the prior year. As of December 31, 2013, the City's outstanding net general obligation debt for governmental activities was 2.87% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has used about 50% of this limit. The City issues

CITY OF MILWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(unaudited)

general obligation notes to purchase a portion of General Fund delinquent taxes. During 2013, notes were issued in the amount of approximately \$34.1 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
General obligation bonds and notes (backed by the City) .....	\$ 785,867	\$ 822,046	\$ 43,318	\$ 39,334	\$ 829,185	\$ 861,380
Extendable Municipal Commercial Paper.....	20,536	46,400	72,464	45,600	93,000	92,000
State loans .....	-	-	77,083	82,736	77,083	82,736
Revenue bonds (backed by specific fee revenues) .....	-	-	65,579	98,871	65,579	98,871
<b>Total .....</b>	<b>\$ 806,403</b>	<b>\$ 868,446</b>	<b>\$ 258,444</b>	<b>\$ 266,541</b>	<b>\$ 1,064,847</b>	<b>\$ 1,134,987</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE**

The average unemployment rate within the City of Milwaukee for 2013 is 8.7%, compared to 10.1% for 2012. The City of Milwaukee per capita income for the most recent fiscal year available (2012) was \$40,628, compared to \$39,390 for 2011. Table 13 contains demographic and economic statistics for the last ten calendar years.

The 2014 adopted City Budget is about \$1.44 billion with a General Fund budget of \$718 million. The General Fund budget increased nearly 1.4% over the 2013 budget of \$708 million. In 2014, the City should expend \$110 million for health insurance and related costs compared to \$119 million budgeted for 2013, a decrease of 8%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments increased by 100 FTE with Police increasing 32, Public Works increasing 48 and all other departments with a net aggregate increase of 20 FTE. The City will maintain mandatory furlough days of three for 2014.

Total property taxes levied for all funds of the City in 2013 for 2014 purposes increased \$.33 per thousand dollars of assessed valuation to a rate of \$10.58 (3.2%). The 2012 for 2013 rate increased \$1.00 (from \$9.25 to \$10.25 or 10.8%).

The total City property tax levy increased to \$254 million from \$250 million in 2012. While the rate for 2013 increased, the assessed valuation decreased 1.1%; thus providing roughly the same amount in total property tax revenue in all funds. The property tax levy will provide \$95.7 million for general City purposes in 2014. This represents a decrease of \$1.1 million from 2013 or 1%. Property Tax Levy for Employee Retirement Purposes will increase \$6.3 million for 2014. The 2014 General City Purpose budget includes \$117 million in estimated revenue for City charges for services rendered, an increase of \$5 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate \$37 million for 2014. This fee represents 31% of the total charges for services in the 2014 budget. The Street Sweeping-Leaf Collection and Tree Pruning Fee is expected to generate \$15 million for 2014, a \$.5 million increase over 2013. This Fee comprises 12% of the total charges for services in both 2014 and 2013.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total \$259.9 million; an increase of \$0.3 million from 2013.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**BASIC  
FINANCIAL  
STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE  
**STATEMENT OF NET POSITION**  
 December 31, 2013  
 (Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments .....	\$ 374,711	\$ 52,561	\$ 427,272	\$ 27,726
Receivables (net):				
Taxes .....	252,753	-	252,753	-
Accounts .....	36,677	44,242	80,919	306
Unbilled accounts .....	156	17,729	17,885	-
Special assessments .....	7,447	-	7,447	-
Notes and loans .....	108,001	-	108,001	40,200
Accrued interest .....	370	39	409	931
Due from component units .....	25,317	-	25,317	-
Due from primary government .....	-	-	-	159
Due from other governmental agencies .....	148,127	263	148,390	944
Inventory of materials and supplies .....	7,919	2,809	10,728	-
Inventory of property for resale .....	26	-	26	6,709
Prepaid items .....	856	731	1,587	390
Other assets .....	-	8	8	-
Total Noncapital Assets .....	<u>962,360</u>	<u>118,382</u>	<u>1,080,742</u>	<u>77,365</u>
Capital assets:				
Capital assets not being depreciated:				
Land .....	164,660	19,096	183,756	12,013
Construction in progress .....	44,241	12,096	56,337	-
Intangible right of ways .....	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings .....	291,942	95,805	387,747	85,310
Infrastructure .....	1,540,926	967,395	2,508,321	333
Improvements other than buildings .....	11,909	8,025	19,934	4,092
Machinery and equipment .....	193,770	242,638	436,408	159
Intangible software.....	2,605	-	2,605	565
Nonutility property .....	-	3,654	3,654	-
Accumulated depreciation .....	<u>(1,232,907)</u>	<u>(427,429)</u>	<u>(1,660,336)</u>	<u>(14,330)</u>
Total Capital Assets .....	<u>1,018,488</u>	<u>921,280</u>	<u>1,939,768</u>	<u>88,142</u>
Total Assets .....	<u>1,980,848</u>	<u>1,039,662</u>	<u>3,020,510</u>	<u>165,507</u>
Deferred Outflows of Resources:				
Loss on refunding.....	-	726	726	-

CITY OF MILWAUKEE  
**STATEMENT OF NET POSITION**  
 December 31, 2013  
 (Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Accounts payable .....	\$ 44,328	\$ 19,337	\$ 63,665	\$ 2,515
Accrued expenses .....	35,542	2,202	37,744	2,552
Accrued interest payable .....	9,762	1,182	10,944	-
Internal balances .....	(9,984)	9,984	-	-
Due to component units .....	159	-	159	-
Due to other governmental agencies .....	1,578	-	1,578	2,896
Unearned revenues.....	3,787	265	4,052	-
Revenue anticipation notes payable .....	130,000	-	130,000	-
Other liabilities .....	-	-	-	3,108
Due to primary government:				
Due within one year .....	-	-	-	3,897
Due in more than one year .....	-	-	-	21,420
Long-term obligations:				
Due within one year .....	164,158	63,106	227,264	565
Due in more than one year .....	<u>1,115,073</u>	<u>220,184</u>	<u>1,335,257</u>	<u>81,519</u>
<b>Total Liabilities .....</b>	<b><u>1,494,403</u></b>	<b><u>316,260</u></b>	<b><u>1,810,663</u></b>	<b><u>118,472</u></b>
Deferred Inflows of Resources:				
Gain on refunding.....	70	-	70	-
Subsequent years property taxes.....	<u>287,666</u>	<u>-</u>	<u>287,666</u>	<u>877</u>
<b>Total Deferred Inflows of Resources .....</b>	<b><u>287,736</u></b>	<b><u>-</u></b>	<b><u>287,736</u></b>	<b><u>877</u></b>
<b>NET POSITION</b>				
Net investment in capital assets.....	706,111	648,594	1,354,705	23,622
Restricted for:				
Debt service .....	205,078	770	205,848	-
Other purposes .....	11,236	-	11,236	9,086
Unrestricted .....	<u>(723,716)</u>	<u>74,764</u>	<u>(648,952)</u>	<u>13,450</u>
<b>Total Net Position .....</b>	<b><u>\$ 198,709</u></b>	<b><u>\$ 724,128</u></b>	<b><u>\$ 922,837</u></b>	<b><u>\$ 46,158</u></b>

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, 2013  
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government .....	\$ 305,744	\$ 10,131	\$ 2,409	\$ -
Public safety .....	320,317	23,759	16,650	-
Public works .....	169,250	75,968	2,750	1,536
Health .....	19,743	877	9,674	-
Culture and recreation .....	20,348	1,137	2,660	-
Conservation and development .....	45,605	9	19,733	-
Capital contribution to Milwaukee Public				
Schools .....	278	-	-	-
Contributions .....	22,331	-	21,871	-
Interest on long-term debt .....	28,275	-	-	-
<b>Total Governmental Activities .....</b>	<b>931,891</b>	<b>111,881</b>	<b>75,747</b>	<b>1,536</b>
Business-type Activities:				
Water .....	68,728	85,034	-	958
Sewer Maintenance .....	44,795	57,270	-	2,849
Parking .....	24,248	43,256	-	-
Port of Milwaukee .....	3,855	5,686	-	45
Metropolitan Sewerage District				
User Charges .....	43,737	43,234	-	-
<b>Total Business-type Activities .....</b>	<b>185,363</b>	<b>234,480</b>	<b>-</b>	<b>3,852</b>
<b>Total Primary Government .....</b>	<b>\$ 1,117,254</b>	<b>\$ 346,361</b>	<b>\$ 75,747</b>	<b>\$ 5,388</b>
<b>Component units:</b>				
Redevelopment Authority .....	\$ 21,760	\$ 7,189	\$ 4,750	\$ 1,307
Neighborhood Improvement Development Corporation .....	994	199	361	84
Century City Redevelopment Corporation .....	762	393	-	-
<b>Total Component Units .....</b>	<b>\$ 23,516</b>	<b>\$ 7,781</b>	<b>\$ 5,111</b>	<b>\$ 1,391</b>
General revenues:				
Property taxes and other taxes .....				
State aids for General Fund .....				
Miscellaneous .....				
Transfers .....				
<b>Total General Revenues and Transfers .....</b>				
Change in Net Position .....				
Net Position - Beginning, as restated (note 14) .....				
<b>Net Position - Ending .....</b>				

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

<b>Net (Expenses) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (293,204)		\$ (293,204)	
(279,908)		(279,908)	
(88,996)		(88,996)	
(9,192)		(9,192)	
(16,551)		(16,551)	
(25,863)		(25,863)	
(278)		(278)	
(460)		(460)	
<u>(28,275)</u>		<u>(28,275)</u>	
<u>(742,727)</u>		<u>(742,727)</u>	
-	\$ 17,264	17,264	
-	15,324	15,324	
-	19,008	19,008	
-	1,876	1,876	
-	<u>(503)</u>	<u>(503)</u>	
-	52,969	52,969	
<u>(742,727)</u>	<u>52,969</u>	<u>(689,758)</u>	
			\$ (8,514)
			(350)
			<u>(369)</u>
			<u>(9,233)</u>
276,193	-	276,193	-
259,735	-	259,735	-
82,059	1,443	83,502	738
<u>41,628</u>	<u>(41,628)</u>	<u>-</u>	<u>-</u>
<u>659,615</u>	<u>(40,185)</u>	<u>619,430</u>	<u>738</u>
(83,112)	12,784	(70,328)	(8,495)
<u>281,821</u>	<u>711,344</u>	<u>993,165</u>	<u>54,653</u>
<b><u>\$ 198,709</u></b>	<b><u>\$ 724,128</u></b>	<b><u>\$ 922,837</u></b>	<b><u>\$ 46,158</u></b>

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**FUND  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 DECEMBER 31, 2013  
 (Thousands of Dollars)

Exhibit A-1

	<b>General</b>
<b>ASSETS</b>	
Assets:	
Cash and investments .....	\$ 131,796
Receivables (net):	
Taxes .....	146,261
Accounts .....	46,601
Unbilled accounts .....	156
Special assessments .....	-
Notes and loans .....	10
Accrued interest .....	231
Due from other funds .....	26,099
Due from component units .....	-
Due from other governmental agencies .....	565
Advances to other funds .....	6,715
Inventory of materials and supplies .....	7,919
Inventory of property for resale .....	26
Prepaid items .....	602
<b>Total Assets</b> .....	<b><u>\$ 366,981</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable .....	\$ 29,573
Accrued expenses .....	34,714
Due to other funds .....	2,512
Due to component units .....	49
Due to other governmental agencies .....	6
Unearned revenue.....	1,001
Revenue anticipation notes payable .....	-
Advances from other funds .....	-
<b>Total Liabilities</b> .....	<b><u>67,855</u></b>
Deferred Inflows of Resources:.....	<u>195,592</u>
Fund Balances:	
Nonspendable .....	15,389
Restricted.....	-
Committed.....	1,741
Assigned .....	43,172
Unassigned.....	<u>43,232</u>
<b>Total Fund Balances</b> .....	<b><u>103,534</u></b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b> .....	<b><u>\$ 366,981</u></b>

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
\$ 182,253	\$ 35,806	\$ 22,698	\$ 2,158	\$ 374,711
56,166	-	5,264	33,217	240,908
-	-	1,420	24	48,045
-	-	-	-	156
-	-	7,447	-	7,447
67,585	27,010	-	13,396	108,001
15	124	-	-	370
-	-	-	-	26,099
22,661	-	2,634	22	25,317
130,477	-	9,432	8,130	148,604
-	-	-	-	6,715
-	-	-	-	7,919
-	-	-	-	26
-	-	254	-	856
<b><u>\$ 459,157</u></b>	<b><u>\$ 62,940</u></b>	<b><u>\$ 49,149</u></b>	<b><u>\$ 56,947</u></b>	<b><u>\$ 995,174</u></b>
\$ 105	\$ -	\$ 11,084	\$ 3,566	\$ 44,328
-	-	397	431	35,542
3,890	-	1,405	8,308	16,115
-	-	-	110	159
-	-	-	1,572	1,578
-	-	1,523	1,263	3,787
130,000	-	-	-	130,000
-	-	6,715	-	6,715
<u>133,995</u>	<u>-</u>	<u>21,124</u>	<u>15,250</u>	<u>238,224</u>
<u>183,024</u>	<u>-</u>	<u>23,637</u>	<u>9,212</u>	<u>411,465</u>
-	-	254	-	15,643
142,138	62,940	14,328	11,236	230,642
-	-	-	21,249	22,990
-	-	-	-	43,172
-	-	(10,194)	-	33,038
<u>142,138</u>	<u>62,940</u>	<u>4,388</u>	<u>32,485</u>	<u>345,485</u>
<b><u>\$ 459,157</u></b>	<b><u>\$ 62,940</u></b>	<b><u>\$ 49,149</u></b>	<b><u>\$ 56,947</u></b>	<b><u>\$ 995,174</u></b>

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CITY OF MILWAUKEE  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 DECEMBER 31, 2013  
*(Thousands of Dollars)*

Exhibit A-2

Fund balances - total governmental funds (Exhibit A-1) \$ 345,485

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 164,660	
Buildings, net of \$97,385 accumulated depreciation	194,557	
Infrastructure, net of \$1,003,794 accumulated depreciation	537,132	
Improvements other than buildings, net of \$8,894 accumulated depreciation	3,015	
Machinery and equipment, net of \$121,637 accumulated depreciation	72,133	
Intangible assets net of \$1,197 accumulated depreciation	2,750	
Construction in progress	<u>44,241</u>	
		1,018,488

Some revenues are unavailable in the funds because they are not available to pay current period's expenditures.

Taxes to be collected	15,908	
Grant revenues to be collected	7,925	
Special assessments to be collected	6,607	
Notes and loans receivable to repay long-term bonds and notes	<u>93,359</u>	
		123,799

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Accrued interest payable	(9,762)	
Bonds and notes payable	(868,446)	
Gain on refunding	(70)	
Unamortized premiums	(55,150)	
Compensated absences	(50,461)	
Net other postemployment benefits obligation	(279,370)	
Claims and judgments	<u>(25,804)</u>	
		<u>(1,289,063)</u>

Total net position of governmental activities (Exhibit 1) **\$ 198,709**

*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, 2013  
 (Thousands of Dollars)

Exhibit A-3

	<b>General</b>
<b>Revenues:</b>	
Property taxes .....	\$ 172,594
Other taxes .....	3,544
Special assessments .....	-
Licenses and permits .....	15,030
Intergovernmental .....	259,735
Charges for services .....	111,881
Fines and forfeits .....	4,492
Contributions received .....	21,871
Other .....	16,978
Total Revenues .....	<u>606,125</u>
<b>Expenditures:</b>	
Current:	
General government .....	317,356
Public safety .....	270,680
Public works .....	99,907
Health .....	9,147
Culture and recreation .....	15,900
Conservation and development .....	3,379
Capital outlay .....	-
Debt Service:	
Principal retirement .....	-
Interest .....	-
Bond issuance costs .....	-
Total Expenditures .....	<u>716,369</u>
Excess (Deficiency) of Revenues over Expenditures .....	<u>(110,244)</u>
<b>Other Financing Sources (Uses):</b>	
General obligation bonds and notes issued .....	188,860
Proceeds from debt refundings .....	-
Loans receivable activities .....	-
Issuance premium .....	-
Transfers in .....	46,247
Transfers out .....	(127,119)
Total Other Financing Sources and Uses .....	<u>107,988</u>
Net Change in Fund Balances .....	(2,256)
Fund Balances - Beginning .....	<u>105,790</u>
<b>Fund Balances - Ending .....</b>	<b><u>\$ 103,534</u></b>

*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
\$ 67,772	\$ -	\$ 4,888	\$ -	\$ 245,254
24,542	3,070	-	-	31,156
-	-	1,986	-	1,986
-	-	-	-	15,030
907	-	14,572	54,678	329,892
4,932	-	-	-	116,813
-	-	-	-	4,492
-	-	-	-	21,871
<u>1,182</u>	<u>1,692</u>	<u>7,631</u>	<u>11,094</u>	<u>38,577</u>
<u>99,335</u>	<u>4,762</u>	<u>29,077</u>	<u>65,772</u>	<u>805,071</u>
627	-	-	4,448	322,431
-	-	-	16,650	287,330
-	-	-	2,750	102,657
-	-	-	9,674	18,821
-	-	-	2,660	18,560
-	-	-	27,237	30,616
-	-	98,913	-	98,913
531,243	-	-	-	531,243
36,887	-	-	-	36,887
755	-	-	-	755
<u>569,512</u>	<u>-</u>	<u>98,913</u>	<u>63,419</u>	<u>1,448,213</u>
<u>(470,177)</u>	<u>4,762</u>	<u>(69,836)</u>	<u>2,353</u>	<u>(643,142)</u>
104,845	-	83,095	34,145	410,945
182,341	-	-	-	182,341
-	-	-	635	635
14,345	-	-	-	14,345
181,751	2,454	-	-	230,452
<u>(4,663)</u>	<u>(12,247)</u>	<u>(4,270)</u>	<u>(40,525)</u>	<u>(188,824)</u>
<u>478,619</u>	<u>(9,793)</u>	<u>78,825</u>	<u>(5,745)</u>	<u>649,894</u>
8,442	(5,031)	8,989	(3,392)	6,752
<u>133,696</u>	<u>67,971</u>	<u>(4,601)</u>	<u>35,877</u>	<u>338,733</u>
<b><u>\$142,138</u></b>	<b><u>\$ 62,940</u></b>	<b><u>\$ 4,388</u></b>	<b><u>\$ 32,485</u></b>	<b><u>\$ 345,485</u></b>

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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, 2013  
*(Thousands of Dollars)*

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3)		6,752
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 (\$78,454) less additions from Construction-in-Progress (\$10,773) exceeded depreciation expense (\$51,701) in the current period less loss on disposals (\$411)</p>		15,569
Notes and loans receivable to repay long-term bonds and notes		3,090
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		
Taxes accrued in prior years	\$ (217)	
Capital grants and contributions	(5,276)	
Special assessments beginning of the year \$6,849 less \$6,607 at year end	(242)	
		(5,735)
<p>The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of discounts, 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.</p>		
Debt issued:		
Bonds and notes issued	(593,286)	
Issuance premiums	(14,345)	
Gain on refunding	(117)	
Repayments:		
Principal retirement	531,243	
Amortization:		
Premiums	11,167	
Gain/Loss on refunding	(402)	
		(65,740)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.</p>		
Compensated absences	(2,056)	
Net other postemployment benefits obligation	(33,198)	
Claims and judgments	(2,020)	
Accrued interest on bonds and notes	226	
		(37,048)
Changes in net position of governmental activities (Exhibit 2)		<b><u>\$ (83,112)</u></b>

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

CITY OF MILWAUKEE  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUNDS**  
 DECEMBER 31, 2013  
 (Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents .....	\$ 8,293	\$ 16,435	\$ 18,170	\$ 42,898
Restricted cash and cash equivalents .....	770	8,893	-	9,663
Receivables (net):				
Accounts .....	16,408	15,692	12,142	44,242
Unbilled accounts .....	12,402	2,517	2,810	17,729
Accrued interest .....	-	39	-	39
Due from other funds .....	6,402	1,118	877	8,397
Due from other governmental agencies .....	-	263	-	263
Advances to other fund .....	218	-	-	218
Inventory of materials and supplies .....	2,650	159	-	2,809
Prepaid items .....	712	1	18	731
Other assets .....	8	-	-	8
<b>Total Current Assets .....</b>	<b><u>47,863</u></b>	<b><u>45,117</u></b>	<b><u>34,017</u></b>	<b><u>126,997</u></b>
Noncurrent assets:				
Capital assets:				
Capital assets not being depreciated:				
Land .....	2,065	-	17,031	19,096
Construction in progress .....	7,747	-	4,349	12,096
Capital assets being depreciated:				
Buildings .....	29,055	-	66,750	95,805
Infrastructure .....	366,897	582,865	17,633	967,395
Improvements other than buildings .....	-	-	8,025	8,025
Machinery and equipment .....	225,138	4,880	12,620	242,638
Nonutility property .....	3,654	-	-	3,654
Accumulated depreciation .....	<u>(222,261)</u>	<u>(135,262)</u>	<u>(69,906)</u>	<u>(427,429)</u>
<b>Net Capital Assets .....</b>	<b><u>412,295</u></b>	<b><u>452,483</u></b>	<b><u>56,502</u></b>	<b><u>921,280</u></b>
<b>Total Noncurrent Assets .....</b>	<b><u>412,295</u></b>	<b><u>452,483</u></b>	<b><u>56,502</u></b>	<b><u>921,280</u></b>
<b>Total Assets .....</b>	<b><u>460,158</u></b>	<b><u>497,600</u></b>	<b><u>90,519</u></b>	<b><u>1,048,277</u></b>
Deferred Outflows of Resources:				
Loss on refunding.....	-	712	14	726

CITY OF MILWAUKEE  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUNDS**  
 DECEMBER 31, 2013

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable .....	\$ 6,120	\$ 2,330	\$ 10,887	\$ 19,337
Accrued expenses .....	1,397	372	433	2,202
Accrued interest payable .....	179	149	174	502
Compensated absences .....	1,251	221	315	1,787
Advances from other funds .....	-	-	218	218
Due to other funds .....	16,685	-	1,696	18,381
Unearned revenue.....	-	263	2	265
Extendable Municipal Commercial Paper .....	-	44,000	1,600	45,600
General obligation debt payable - current .....	3,121	701	2,030	5,852
Total Current Liabilities .....	<u>28,753</u>	<u>48,036</u>	<u>17,355</u>	<u>94,144</u>
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable .....	1,264	8,603	-	9,867
Accrued interest payable .....	-	680	-	680
Total Current Liabilities Payable from Restricted Assets .....	<u>1,264</u>	<u>9,283</u>	<u>-</u>	<u>10,547</u>
Noncurrent Liabilities:				
General obligation debt payable .....	12,761	8,687	12,158	33,606
Revenue bonds & State loans payable .....	9,572	168,916	-	178,488
Other post employment benefits obligation .....	4,659	1,809	1,622	8,090
Total Noncurrent Liabilities .....	<u>26,992</u>	<u>179,412</u>	<u>13,780</u>	<u>220,184</u>
Total Liabilities .....	<u>57,009</u>	<u>236,731</u>	<u>31,135</u>	<u>324,875</u>
<b>NET POSITION:</b>				
Net investment in capital assets.....	385,577	221,576	40,728	647,881
Restricted for Debt Service .....	770	-	-	770
Unrestricted .....	16,802	40,005	18,670	75,477
<b>Total Net Position .....</b>	<b><u>\$ 403,149</u></b>	<b><u>\$ 261,581</u></b>	<b><u>\$ 59,398</u></b>	<b><u>\$ 724,128</u></b>

*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 NET POSITION**  
**ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales .....	\$ 70,257	\$ -	\$ -	\$ 70,257
Statutory sewer user fee .....	-	-	41,936	41,936
Sewer maintenance fee .....	-	57,270	-	57,270
Rent .....	-	-	12,948	12,948
Fire protection service .....	7,256	-	-	7,256
Parking meters .....	-	-	4,982	4,982
Parking permits .....	-	-	4,282	4,282
Vehicle towing .....	-	-	5,386	5,386
Parking forfeitures .....	-	-	21,344	21,344
Other .....	7,521	-	1,298	8,819
<b>Total Operating Revenues .....</b>	<b>85,034</b>	<b>57,270</b>	<b>92,176</b>	<b>234,480</b>
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges ..	-	-	39,208	39,208
Employee services .....	-	6,971	8,396	15,367
Administrative and general .....	8,898	-	-	8,898
Depreciation .....	14,482	6,600	3,360	24,442
Transmission and distribution .....	19,068	-	-	19,068
Services, supplies, and materials .....	-	8,902	20,188	29,090
Water treatment .....	14,721	-	-	14,721
Water pumping .....	7,899	-	-	7,899
Billing and collection .....	2,680	-	-	2,680
<b>Total Operating Expenses .....</b>	<b>67,748</b>	<b>22,473</b>	<b>71,152</b>	<b>161,373</b>
<b>Operating Income .....</b>	<b>17,286</b>	<b>34,797</b>	<b>21,024</b>	<b>73,107</b>
Nonoperating Revenues (Expenses):				
Investment income .....	8	30	-	38
Grant revenue .....	-	2,818	45	2,863
Interest expense .....	(980)	(5,092)	(688)	(6,760)
Other .....	290	(17,230)	1,115	(15,825)
<b>Total Nonoperating Revenues (Expenses) .....</b>	<b>(682)</b>	<b>(19,474)</b>	<b>472</b>	<b>(19,684)</b>
<b>Income before Contributions and Transfers.....</b>	<b>16,604</b>	<b>15,323</b>	<b>21,496</b>	<b>53,423</b>
Capital contributions .....	958	31	-	989
Transfers in .....	-	-	849	849
Transfers out .....	(12,395)	(6,228)	(23,854)	(42,477)
<b>Change in Net Position .....</b>	<b>5,167</b>	<b>9,126</b>	<b>(1,509)</b>	<b>12,784</b>
<b>Total Net Position - Beginning, as restated (note 14) ....</b>	<b>397,982</b>	<b>252,455</b>	<b>60,907</b>	<b>711,344</b>
<b>Total Net Position - Ending .....</b>	<b>\$ 403,149</b>	<b>\$ 261,581</b>	<b>\$ 59,398</b>	<b>\$ 724,128</b>

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, 2013  
 (Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users .....	\$ 80,857	\$ 56,863	\$ 93,961	\$ 231,681
Receipts from interfund services provided .....	4,944	-	-	4,944
Payments to suppliers .....	(22,882)	(9,021)	(59,338)	(91,241)
Payments to employees .....	(20,842)	(6,731)	(8,044)	(35,617)
Payments from other funds .....	-	-	(1,272)	(1,272)
Payments to other funds .....	<u>(1,068)</u>	<u>-</u>	<u>382</u>	<u>(686)</u>
Net Cash Provided by Operating Activities.....	<u>41,009</u>	<u>41,111</u>	<u>25,689</u>	<u>107,809</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Miscellaneous nonoperating revenue .....	290	2,994	45	3,329
Other nonoperating expenses .....	-	(17,309)	-	(17,309)
Transfers to other funds .....	<u>(12,395)</u>	<u>(6,228)</u>	<u>(23,044)</u>	<u>(41,667)</u>
Net Cash (Used) Provided by Noncapital Financing Activities .....	<u>(12,105)</u>	<u>(20,543)</u>	<u>(22,999)</u>	<u>(55,647)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of bonds and notes .....	5,342	71,350	3,099	79,791
Acquisition of property, plant, and equipment .....	(21,984)	(35,189)	(1,611)	(58,784)
Retirement of bonds, notes, and revenue bonds .....	(7,951)	(60,429)	(3,314)	(71,694)
Interest paid .....	(1,084)	(2,335)	(713)	(4,132)
Other .....	<u>-</u>	<u>-</u>	<u>819</u>	<u>819</u>
Net Cash Used for Capital and Related Financing Activities .....	<u>(25,677)</u>	<u>(26,603)</u>	<u>(1,720)</u>	<u>(54,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>				
Investment income (loss) .....	<u>10</u>	<u>13</u>	<u>-</u>	<u>23</u>
Net Increase (Decrease) in Cash and Cash Equivalents .....	3,237	(6,022)	970	(1,815)
Cash and Cash Equivalents - Beginning .....	<u>5,826</u>	<u>31,350</u>	<u>17,200</u>	<u>54,376</u>
<b>Cash and Cash Equivalents - Ending .....</b>	<b><u>\$ 9,063</u></b>	<b><u>\$ 25,328</u></b>	<b><u>\$ 18,170</u></b>	<b><u>\$ 52,561</u></b>

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2013  
*(Thousands of Dollars)*

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash .....	\$ 8,293	\$ 16,435	\$ 18,170	\$ 42,898
Restricted Cash .....	<u>770</u>	<u>8,893</u>	<u>-</u>	<u>9,663</u>
	<u>\$ 9,063</u>	<u>\$ 25,328</u>	<u>\$ 18,170</u>	<u>\$ 52,561</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income .....	\$ 17,286	\$ 34,797	\$ 21,024	\$ 73,107
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation .....	14,482	6,600	3,360	24,442
Changes in assets and liabilities:				
Receivables .....	464	(173)	1,833	2,124
Due from other funds .....	6,812	(234)	124	6,702
Inventories .....	(42)	184	-	142
Prepaid items .....	(156)	-	-	(156)
Other assets .....	4	-	-	4
Accounts payable .....	1,474	(303)	165	1,336
Accrued liabilities .....	260	77	124	461
Net other postemployment benefits obligation .....	425	163	120	708
Due to other funds .....	-	-	(1,013)	(1,013)
Unearned revenue .....	<u>-</u>	<u>-</u>	<u>(48)</u>	<u>(48)</u>
Net Cash Provided by Operating Activities .....	<u>\$ 41,009</u>	<u>\$ 41,111</u>	<u>\$ 25,689</u>	<u>\$ 107,809</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$958,268.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$172,873 with a net value of \$0, and received donated assets in the amount of \$30,961.

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



CITY OF MILWAUKEE  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
*(Thousands of Dollars)*

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members .....	\$ 3,079	\$ -
Private donations .....	-	645
Total Contributions .....	<u>3,079</u>	<u>645</u>
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest .....	-	6
Total Additions .....	<u>3,079</u>	<u>651</u>
Deductions		
Benefits .....	2,910	-
Fees remitted from Trust .....	-	806
Other .....	-	1,015
Total Deductions .....	<u>2,910</u>	<u>1,821</u>
Change in Net Position .....	169	(1,170)
Net Position - Beginning .....	<u>671</u>	<u>4,023</u>
Net Position - Ending .....	<u>\$ 840</u>	<u>\$ 2,853</u>

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
 DECEMBER 31, 2013  
 (Thousands of Dollars)

Exhibit D-1

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
<b>ASSETS</b>				
Current Assets:				
Cash and investments.....	\$ 13,141	\$ 1,331	\$ 178	\$ 14,650
Restricted cash and investments .....	11,123	1,953	-	13,076
Receivables (net):				
Accounts .....	101	51	154	306
Notes and loans .....	39,793	407	-	40,200
Accrued interest .....	775	156	-	931
Due from primary government .....	149	10	-	159
Due from other governmental agencies .....	944	-	-	944
Inventory of property for resale .....	5,497	1,212	-	6,709
Prepaid items .....	<u>372</u>	<u>-</u>	<u>18</u>	<u>390</u>
Total Noncapital Assets .....	<u>71,895</u>	<u>5,120</u>	<u>350</u>	<u>77,365</u>
Capital assets:				
Capital assets not being depreciated:				
Land and land improvements .....	10,904	-	1,109	12,013
Capital assets being depreciated:				
Buildings .....	75,222	-	10,088	85,310
Infrastructure .....	333	-	-	333
Improvements other than buildings .....	4,092	-	-	4,092
Machinery and equipment .....	6	-	153	159
Intangible assets.....	565	-	-	565
Accumulated depreciation .....	<u>(13,554)</u>	<u>-</u>	<u>(776)</u>	<u>(14,330)</u>
Total Capital Assets, Net of Depreciation .....	<u>77,568</u>	<u>-</u>	<u>10,574</u>	<u>88,142</u>
Total Assets .....	<u>149,463</u>	<u>5,120</u>	<u>10,924</u>	<u>165,507</u>

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
 DECEMBER 31, 2013  
 (Thousands of Dollars)

Exhibit D-1 (Continued)

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
Current Liabilities:				
Accounts payable .....	\$ 2,473	\$ 17	\$ 24	\$ 2,514
Accrued expenses .....	2,520	15	17	2,552
Due to other governmental agencies .....	2,687	-	209	2,896
Other liabilities .....	<u>2,444</u>	<u>664</u>	<u>-</u>	<u>3,108</u>
Total Current Liabilities .....	<u>10,124</u>	<u>696</u>	<u>250</u>	<u>11,070</u>
Due to primary government:				
Due within one year .....	3,875	22	-	3,897
Due in more than one year .....	<u>21,421</u>	<u>-</u>	<u>-</u>	<u>21,421</u>
Total Due to Primary Government .....	<u>25,296</u>	<u>22</u>	<u>-</u>	<u>25,318</u>
Long-term obligations:				
Due within one year .....	565	-	-	565
Due in more than one year .....	<u>61,139</u>	<u>1,530</u>	<u>18,850</u>	<u>81,519</u>
Total Noncurrent Liabilities .....	<u>61,704</u>	<u>1,530</u>	<u>18,850</u>	<u>82,084</u>
Total Liabilities .....	<u>97,124</u>	<u>2,248</u>	<u>19,100</u>	<u>118,472</u>
Deferred Inflows of Resources:				
Unavailable revenue.....	<u>630</u>	<u>247</u>	<u>-</u>	<u>877</u>
Total Deferred Inflows of Resources.....	<u>630</u>	<u>247</u>	<u>-</u>	<u>877</u>
Total Liabilities, Deferred Inflows of Resources .....	<u>97,754</u>	<u>2,495</u>	<u>19,100</u>	<u>118,472</u>
<b>NET POSITION:</b>				
Net investment in capital assets.....	24,398	-	(776)	23,622
Restricted .....	8,292	794	-	9,086
Unrestricted .....	<u>19,019</u>	<u>1,831</u>	<u>(7,400)</u>	<u>13,450</u>
Total Net Position .....	<u>\$ 51,709</u>	<u>\$ 2,625</u>	<u>\$ (8,176)</u>	<u>\$ 46,158</u>

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 (Thousands of Dollars)

Exhibit D-2

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Redevelopment Authority</b>				
Prevention and elimination of blight .....	\$ 21,760	\$ 7,189	\$ 4,750	\$ 1,307
<b>Neighborhood Improvement Development Corp.</b>				
Housing improvements .....	994	199	361	84
<b>Century City Redevelopment Corporation</b>				
Rental income .....	<u>762</u>	<u>393</u>	<u>-</u>	<u>-</u>
Total Component Units .....	<u>\$ 23,516</u>	<u>\$ 7,781</u>	<u>\$ 5,111</u>	<u>\$ 1,391</u>

General revenues:	
Miscellaneous .....	
Total General Revenues .....	
Change in Net Position .....	
Net Position (Deficit) - Beginning, as restated (note 14).....	
Net Position (Deficit) - Ending .....	

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

Net (Expense) Revenue and Changes in Net Position				
Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total	
\$ (8,514)	\$ -	\$ -	\$ (8,514)	
-	(350)	-	(350)	
<u>-</u>	<u>-</u>	<u>(369)</u>	<u>(369)</u>	
<u>(8,514)</u>	<u>(350)</u>	<u>(369)</u>	<u>(9,233)</u>	
<u>502</u>	<u>86</u>	<u>150</u>	<u>738</u>	
<u>502</u>	<u>86</u>	<u>150</u>	<u>738</u>	
(8,012)	(264)	(219)	(8,495)	
<u>59,721</u>	<u>2,889</u>	<u>(7,957)</u>	<u>54,653</u>	
<u>\$ 51,709</u>	<u>\$ 2,625</u>	<u>\$ (8,176)</u>	<u>\$ 46,158</u>	

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**NOTES  
TO THE  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**Discretely Presented Component Units**

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

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

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

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

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Related Organizations**

*Housing Authority of the City of Milwaukee*

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

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

*Milwaukee Area Workforce Investment Board*

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

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

**B. Basis of Presentation**

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

**C. Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2013 that will be collected in 2014 are recorded as receivable and deferred inflows of resources. Deferred inflows of resources 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.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

**D. Cash and Cash Equivalents**

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

**E. Investments**

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

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

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

**F. Property Taxes**

Property taxes are recorded as receivables and deferred inflows 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 inflows. Delinquent property taxes and related interest are recognized as revenues when collected.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

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

**G. Accounts Receivable**

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2013 is approximately \$1,966,000.

Delinquent accounts for business type activities are presented in accounts receivable net of allowances. The amounts of the Water, Sewer, and Non-major enterprise fund allowances as of December 31, 2013 were approximately \$783,000, \$545,000, and \$1,219,000 respectively.

**H. Unbilled Services**

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

**I. Special Assessments**

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

**J. Notes and Loan Receivables**

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is approximately \$27,154,000 as of December 31, 2013.

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 inflows in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

**K. Inventories**

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013

**L. Prepaid Items**

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

**M. Capital Assets**

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

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

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

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

**N. Pension Contributions**

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

**O. Compensated Absences**

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

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

**P. Claims and Judgments**

The liability for claims and judgments is reported in the government-wide, proprietary, and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e., are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

**Q. Debt Premiums, Discounts, and Issuance Costs**

In the government-wide and proprietary fund financial statements, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Long-term debt payable are reported net of the applicable debt premium or discount. Debt issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt 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 premiums for governmental fund types in the General Obligation Debt Service Fund.

**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.

**R. Fund Balance-Governmental Funds**

The fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** – All other spendable amounts.

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

**S. Net Position**

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

**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 position.

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

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

**U. Use of Estimates**

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

**V. New Accounting Pronouncements**

During 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, or current period outflows and inflows. The implementation of this standard resulted in a retrospective expense to debt issuance cost resulting in a restatement of beginning net position. See note 14 for additional information.

In July 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The objective of this statement is to enhance note disclosures and RSI for both defined benefit and defined contribution pension plans. This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The City will implement this Statement beginning with the year ending December 31, 2015. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

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

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The City implemented this Statement for the year ending December 31, 2013. The implementation of the Statement did not have a significant impact on its financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. The City will implement this Statement beginning with the year ending December 31, 2014. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No 68*. The objective of this statement is to address an issue regarding the application of the transition provisions of Statement No. 68. The issue relates to contributions to a defined benefit plan after the measurement date of the government's beginning net pension liability. This Statement will eliminate the source of a potential significant understatement of restated net position and expense in the first year on implementation of Statement 68. The City will implement this Statement simultaneously with Statement 68 beginning with the year ending December 31, 2015. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. DEPOSITS AND INVESTMENTS**

**A. Primary Government**

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

As of December 31, 2013, the City's deposits and investments are as follows:

	Fair Value	Investment Maturities (in Years) (Thousands of Dollars)			Greater than 10	Credit Rating
		Less than 1	1-5	6-10		
<b>Governmental and Business-type activities:</b>						
<i>Investment type</i>						
Pooled Deposits and Investments .....	\$ 298,061	\$ 298,061	\$ -	\$ -	\$ -	see next page
Other Deposits .....	117	117	-	-	-	not rated
Segregated Deposits and Investments						
Interest Checking .....	6,006	6,006	-	-	-	not rated
Wisconsin Local Government						
Investment Pool .....	88,553	88,553	-	-	-	not rated
Municipal Bonds .....	11,782	-	8,573	2,329	880	see below
U.S. Agencies.....	7,878	-	-	183	7,695	Aaa
U.S. Treasury .....	637	-	637	-	-	Aaa
Money Market funds.....	12,814	12,814	-	-	-	not rated
Certificates of Deposits .....	1,424	1,424	-	-	-	not rated
	<u>\$ 427,272</u>	<u>\$ 406,975</u>	<u>\$ 9,210</u>	<u>\$ 2,512</u>	<u>\$ 8,575</u>	
<b>Fiduciary activities:</b>						
<i>Investment type</i>						
Investments in the Pool .....	\$ 285,220	\$ 285,220	\$ -	\$ -	\$ -	see next page
Other Deposits .....	170	170	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government						
Investment Pool .....	8	8	-	-	-	not rated
U.S. Treasury strips .....	1,280	425	855	-	-	AA+
	<u>\$ 286,678</u>	<u>\$ 285,823</u>	<u>\$ 855</u>	<u>\$ -</u>	<u>\$ -</u>	

**Security Ratings**

The Governmental and Business-type municipal bond holdings of \$11,782,000 were rated by Moody's as follows: Aaa (8.8%), Aa1 (25.5%), Aa2 (27.6%), Aa3 (7.4%), A1 (8.3%), with the remaining holdings unrated (22.4%).

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**Pooled Deposits and Investments**

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

As of December 31, 2013, the City had the following investments and maturities in the Pool:

	Fair Value	Investment Maturities (in Years)			Greater than 10	Credit Rating
		Less than 1	1-5	6-10		
<i>(Thousands of Dollars)</i>						
<b>Pooled Deposits and Investments</b>						
Bank Demand Deposits .....	\$ 72,991	\$ 72,991	\$ -	\$ -	\$ -	not rated
Other Deposits .....	3,352	3,352	-	-	-	not rated
<b>Deposits and Investments</b>						
Interest Checking .....	232,449	232,449	-	-	-	not rated
Wisconsin Local Government						
Investment Pool .....	183,375	183,375	-	-	-	not rated
<b>Investment Portfolio</b>						
Money Market Funds.....	4,022	4,022	-	-	-	not rated
U.S. Agencies.....	12,468	1,504	7,920	-	3,044	Aaa
U.S. Treasuries.....	26,283	5,757	20,526	-	-	Aaa
Corporate Bonds.....	22,242	1,351	17,649	880	2,362	see below
Foreign Corporate Bonds.....	6,933	-	6,933	-	-	see below
Municipal Bonds.....	3,604	325	3,279	-	-	see below
Certificates of Deposits .....	15,562	15,562	-	-	-	not rated
	<u>\$ 583,281</u>	<u>\$ 520,688</u>	<u>\$ 56,307</u>	<u>\$ 880</u>	<u>\$ 5,406</u>	

**Investment Portfolio Ratings**

Corporate bond holdings of \$22,242,000 were rated by Moody's as follows: Aaa (37.4%), Aa1 (7.4%), Aa2 (4.4%), Aa3 (17.1%), A1 (11.6%), A2 (4.0%), Baa1 (3.2%) with the remaining holdings unrated (14.9%).

Foreign corporate bond holdings of \$6,933,000 were rated by Moody's as follows: Aaa (12.5%), Aa1 (21.7%), Aa2 (45.3%), and Aa3 (20.5%). These holdings are not exposed to foreign currency risk.

Municipal bond holdings of \$3,604,000 were rated by Moody's as follows: Aa2 (46.5%), Aa3 (16.0%), A1 (6.2%), with the remaining holdings unrated (31.3%).

**Custodial Credit Risk – Deposits**

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council, the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. As of December 31, 2013, \$231,000 of the City's bank balances were subject to custodial credit risk as they were neither insured nor collateralized.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs.

CITY OF MILWAUKEE  
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**Credit risk**

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

**B. Component Units**

**Deposits and Investments**

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

**Interest Rate Risk**

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

**Credit Risk**

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

The Component Units have the following deposits and investments on December 31, 2013:

	Fair value	Investment Maturities (in Years) (Thousands of Dollars)				10 and greater	Moody's Credit Rating
		Less than 1	1-5	6-10			
<b>Component Units:</b>							
Bank Demand Deposits.....	\$ 8,764	\$ 8,764	\$ -	\$ -	\$ -	-	not rated
Local Government Investment Pool.....	580	580	-	-	-	-	not rated
U.S. Treasury Money Market Fund.....	8,116	8,116	-	-	-	-	Aaa
U.S. Treasury Notes.....	1,023	26	997	-	-	-	Aaa
U.S. Agencies							
Government National Mortgage Association.....	952	287	665	-	-	-	Aaa
Municipal Bonds .....	1,010	132	878	-	-	-	Aa
Corporate Bonds .....	1,572	466	1,106	-	-	-	Aa
Certificates of Deposit.....	3,957	3,957	-	-	-	-	Aa
Money Market.....	1,752	1,752	-	-	-	-	N/A
	<u>\$ 27,726</u>	<u>\$ 24,080</u>	<u>\$ 3,646</u>	<u>\$ -</u>	<u>\$ -</u>		

**Custodial Credit Risk**

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

As of December 31, 2013 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	Uninsured and Uncollateralized
Redevelopment Authority.....	\$ 10,629,104	\$ 5,671,619
Neighborhood Improvement Development Corporation.....	3,009,140	2,178,224

CITY OF MILWAUKEE  
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For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2013, the Neighborhood Improvement Development Corporation had \$50,000 of investments exposed to custodial credit risk as uninsured and uncollateralized.

**3. PROPERTY TAXES**

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

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

At December 31, 2013, 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:

	<b>City Levy</b>	<b>Purchased Taxes Receivable</b>	<b>Total</b>
<i>(Thousands of Dollars)</i>			
2008 and prior .....	\$ 977	\$ 1,526	\$ 2,503
2009 .....	1,048	1,820	2,868
2010 .....	2,398	4,249	6,647
2011 .....	5,680	9,788	15,468
2012 .....	<u>11,211</u>	<u>19,506</u>	<u>30,717</u>
 Total delinquent property taxes receivable .....	 <u>\$ 21,314</u>	 <u>\$ 36,889</u>	 58,203
 Property taxes receivable on foreclosed property .....			 35,372
 Less: Allowance for uncollectible taxes .....			 <u>(30,091)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 63,484</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

	<b>Balance 01-01-13</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance 12-31-13</b>
<b>Governmental activities</b>					
<i>(Thousands of Dollars)</i>					
<i>Capital assets not being depreciated:</i>					
Land .....	\$ 164,628	\$ 79	\$ (47)	\$ -	\$ 164,660
Construction in progress .....	41,898	13,116	-	10,773	44,241
Intangible right of ways .....	<u>1,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,342</u>
Total capital assets not being depreciated .....	<u>207,868</u>	<u>13,195</u>	<u>(47)</u>	<u>10,773</u>	<u>210,243</u>
<i>Capital assets being depreciated:</i>					
Buildings .....	285,421	7,598	(350)	727	291,942
Infrastructure.....	1,503,036	42,701	-	4,811	1,540,926
Improvements other than buildings .....	11,891	18	-	-	11,909
Machinery and equipment .....	185,968	14,942	-	7,140	193,770
Intangible software.....	<u>2,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,605</u>
Total capital assets being depreciated .....	<u>1,988,921</u>	<u>65,259</u>	<u>(350)</u>	<u>12,678</u>	<u>2,041,152</u>
Less accumulated depreciation for:					
Buildings .....	90,849	7,430	(233)	661	97,385
Infrastructure .....	978,760	29,846	-	4,812	1,003,794
Improvements other than buildings .....	8,587	307	-	-	8,894
Machinery and equipment .....	114,914	13,681	-	6,958	121,637
Intangible software .....	<u>760</u>	<u>437</u>	<u>-</u>	<u>-</u>	<u>1,197</u>
Total accumulated depreciation .....	<u>1,193,870</u>	<u>51,701</u>	<u>(233)</u>	<u>12,431</u>	<u>1,232,907</u>
Total capital assets being depreciated, net ...	<u>795,051</u>	<u>13,558</u>	<u>(117)</u>	<u>247</u>	<u>808,245</u>
<b>Government activity capital assets, net .....</b>	<b><u>\$ 1,002,919</u></b>	<b><u>\$ 26,753</u></b>	<b><u>\$ (164)</u></b>	<b><u>\$ 11,020</u></b>	<b><u>\$ 1,018,488</u></b>
Depreciation expense for governmental activities was charged to functions as follows:					
General government .....	\$ 649				
Public safety .....	9,411				
Public works .....	40,779				
Health .....	241				
Culture and recreation .....	<u>621</u>				
Total .....	<u>\$ 51,701</u>				

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Balance 01-01-13	Additions	Transfers	Deletions	Balance 12-31-13
<b>Business-type activities</b>					
<i>(Thousands of Dollars)</i>					
<b>Water Works</b>					
<i>Capital assets not being depreciated:</i>					
Land .....	\$ 2,018	\$ -	\$ 47	\$ -	\$ 2,065
Construction in progress .....	<u>9,416</u>	<u>22,565</u>	<u>-</u>	<u>24,234</u>	<u>7,747</u>
Total capital assets not being depreciated .....	<u>11,434</u>	<u>22,565</u>	<u>47</u>	<u>24,234</u>	<u>9,812</u>
<i>Capital assets being depreciated:</i>					
Buildings .....	27,268	1,815	350	378	29,055
Infrastructure .....	359,862	7,637	-	602	366,897
Machinery and equipment .....	214,764	14,781	-	4,407	225,138
Nonutility property .....	<u>3,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,654</u>
Total capital assets being depreciated .....	<u>605,548</u>	<u>24,233</u>	<u>350</u>	<u>5,387</u>	<u>624,744</u>
Less accumulated depreciation for:					
Buildings .....	17,152	885	233	520	17,750
Infrastructure .....	90,742	4,864	-	616	94,990
Machinery and equipment .....	104,891	8,734	-	4,604	109,021
Nonutility property .....	<u>362</u>	<u>138</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total accumulated depreciation .....	<u>213,147</u>	<u>14,621</u>	<u>233</u>	<u>5,740</u>	<u>222,261</u>
Total capital assets being depreciated, net ...	<u>392,401</u>	<u>9,612</u>	<u>117</u>	<u>(353)</u>	<u>402,483</u>
Water Works capital assets, net .....	<u>403,835</u>	<u>32,177</u>	<u>164</u>	<u>23,881</u>	<u>412,295</u>
<b>Sewer Maintenance</b>					
<i>Capital assets not being depreciated:</i>					
Construction in progress .....	<u>181</u>	<u>-</u>	<u>-</u>	<u>181</u>	<u>-</u>
Total capital assets not being depreciated .....	<u>181</u>	<u>-</u>	<u>-</u>	<u>181</u>	<u>-</u>
<i>Capital assets being depreciated:</i>					
Infrastructure .....	547,875	35,164	-	174	582,865
Machinery and equipment .....	<u>4,643</u>	<u>237</u>	<u>-</u>	<u>-</u>	<u>4,880</u>
Total capital assets being depreciated .....	<u>552,518</u>	<u>35,401</u>	<u>-</u>	<u>174</u>	<u>587,745</u>
Less accumulated depreciation for:					
Infrastructure .....	126,060	6,535	-	174	132,421
Machinery and equipment .....	<u>2,776</u>	<u>65</u>	<u>-</u>	<u>-</u>	<u>2,841</u>
Total accumulated depreciation .....	<u>128,836</u>	<u>6,600</u>	<u>-</u>	<u>174</u>	<u>135,262</u>
Total capital assets being depreciated, net ...	<u>423,682</u>	<u>28,801</u>	<u>-</u>	<u>-</u>	<u>452,483</u>
Sewer Maintenance capital assets, net .....	<u>423,863</u>	<u>28,801</u>	<u>-</u>	<u>181</u>	<u>452,483</u>



CITY OF MILWAUKEE  
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**5. DEFERRED INFLOWS OF RESOURCES**

Unavailable 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 inflows of resources in the governmental funds as of December 31, 2013 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>				
Current property taxes .....	\$ 186,711	\$ 92,300	\$ 8,655	\$ -	\$ 287,666
Delinquent property taxes .....	8,881	-	-	7,027	15,908
Unavailable grant revenue .....	-	-	5,740	2,185	7,925
Long-term receivables .....	-	90,724	2,635	-	93,359
Unbilled special assessments .....	-	-	6,607	-	6,607
 Total .....	 <u>\$ 195,592</u>	 <u>\$ 183,024</u>	 <u>\$ 23,637</u>	 <u>\$ 9,212</u>	 <u>\$ 411,465</u>

**6. SHORT-TERM DEBT**

During 2013, the City issued and repaid \$100,000,000 of General Obligation Cash Flow Promissory Notes, Series 2013 R1 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November 2013.

As of December 31, 2012, the City had outstanding \$120,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2013, the City repaid the outstanding balance and issued \$130,000,000 short-term RANs for the same purpose. The new notes of \$130,000,000 bear an interest rate of 2.0% and will mature on June 30, 2014. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE  
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**7. LONG-TERM OBLIGATIONS**

**A. Changes in Long-Term Obligations**

Changes in long-term obligations for the year ended December 31, 2013 were as follows:

	Balance 01-01-13	Additions	Deductions	Balance 12-31-13	Amounts Due within One Year
		<i>(Thousands of Dollars)</i>			
<b>Governmental activities:</b>					
General obligation bonds and notes					
City .....	\$ 679,991	\$ 254,038	\$ 210,946	\$ 723,083	\$ 102,246
Milwaukee Public Schools .....	105,876	4,848	11,761	98,963	8,657
Unamortized premiums .....	51,972	14,345	11,167	55,150	-
Extendable Municipal Commercial Paper					
City .....	20,536	234,400	208,536	46,400	46,400
Milwaukee Public Schools .....	-	100,000	100,000	-	-
Compensated absences .....	48,405	3,773	1,717	50,461	2,398
Net other postemployment benefits obligation .....	246,172	68,686	35,488	279,370	-
Claims and judgments .....	23,784	5,118	3,098	25,804	4,457
Total governmental activities .....	<u>\$ 1,176,287</u>	<u>\$ 685,208</u>	<u>\$ 582,713</u>	<u>\$ 1,279,231</u>	<u>\$ 164,158</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
General obligation bonds and notes .....	\$ 18,727	\$ -	\$ 2,936	\$ 15,791	\$ 3,121
Unamortized premiums.....	166	-	75	91	-
Extendable Municipal Commercial Paper .....	4,000	-	4,000	-	-
Revenue bonds .....	6,509	5,342	1,015	10,836	1,264
Compensated absences .....	1,135	587	471	1,251	1,251
Net other postemployment benefits obligation .....	4,234	1,614	1,189	4,659	-
Total Water Works .....	<u>34,760</u>	<u>7,543</u>	<u>9,686</u>	<u>32,628</u>	<u>5,636</u>
<b>Sewer Maintenance</b>					
General obligation bonds and notes .....	10,085	-	697	9,388	701
State Loans .....	77,083	9,500	3,847	82,736	4,308
Revenue bonds .....	59,070	37,000	8,035	88,035	4,295
Unamortized premiums .....	4,469	3,256	977	6,748	-
Extendable Municipal Commercial Paper .....	67,000	24,850	47,850	44,000	44,000
Compensated absences .....	169	260	208	221	221
Net other postemployment benefits obligation .....	1,646	617	454	1,809	-
Total Sewer Maintenance .....	<u>218,300</u>	<u>75,483</u>	<u>62,068</u>	<u>232,937</u>	<u>53,525</u>
<b>Other Enterprise Funds</b>					
General obligation bonds and notes .....	14,506	1,808	2,159	14,155	2,030
Unamortized premiums .....	59	-	26	33	-
Extendable Municipal Commercial Paper .....	1,464	1,600	1,464	1,600	1,600
Compensated absences .....	284	383	352	315	315
Net other postemployment benefits obligation .....	1,471	572	421	1,622	-
Total Other Enterprise .....	<u>17,468</u>	<u>4,363</u>	<u>4,422</u>	<u>17,725</u>	<u>3,945</u>
Total business-type activities .....	<u>\$ 270,528</u>	<u>\$ 87,389</u>	<u>\$ 76,176</u>	<u>\$ 283,290</u>	<u>\$ 63,106</u>

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	Balance 01-01-13	New Issues	Repayments	Balance 12-31-13	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
<b>Component Units</b>					
Notes payable .....	\$ 20,380	\$ -	\$ -	\$ 20,380	\$ -
Revenue bonds .....	74,615	-	13,330	61,285	565
Unamortized discounts .....	(78)	-	(78)	-	-
Net other postemployment benefits.....	366	83	30	419	-
Total component units .....	<u>\$ 95,283</u>	<u>\$ 83</u>	<u>\$ 13,282</u>	<u>\$ 82,084</u>	<u>\$ 565</u>

**B. General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies.

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

As of December 31, 2013, \$179,474,700 is outstanding for Tax Incremental District purposes. Total remaining debt service requirements associated with the debt is \$234,432,047. 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, under the School's 2% debt limit, to finance purchases of school sites and to construct or remodel school buildings, and without referendum for certain pension obligations. As of December 31, 2013, there was \$14,774,150 of debt outstanding. There is \$98,963,000 of debt for school purposes issued under the City's 5% debt limit. 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, 2013, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately \$1,052,908,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**C. Revenue Bonds and State Loans**

The City issues revenue bonds to provide funds for water and sewer improvements. The revenue bonds do not have a General Obligation pledge of the City. During 2013, the City issued \$37,000,000 of Sewer Revenue Bonds, \$4,850,000 of which were to refund long-term sewer revenue bonds. During 2013, the City also received loans from the State's Safe Drinking Water Loan Program for Water Works Fund projects for a total of \$5,342,796, and from the State's Clean Water Fund Program for Sewer Maintenance Enterprise Fund projects for a total of \$10,000,000 with \$500,000 of the loan immediately forgiven. The revenue bonds and State loans will be repaid from revenues of the Water Works and Sewer Maintenance Enterprise Funds.

**D. Letter of Credit**

On April 25, 2013, the City entered into a taxable line of credit (the "Line") with PNC Bank, National Association (the "Bank") in the amount of \$50,000,000. The Line is secured by a General Obligation pledge of the City, and may be drawn upon at any time for any public purpose. The Line has an initial maturity date of April 25, 2016, and may be extended by mutual consent until April 25, 2023. Interest on the line is based upon the Daily LIBOR rate. The Line may be terminated at any time by the City for any reason, and by the Bank for certain events, including downgrade of the City below "BBB+".

During 2013, \$7,188,672 was drawn on the Line of which \$3,776,672 were for fiscal purposes, and \$3,412,000 was issued to finance capital expenditures. Following is a summary of the Line draws (in thousands), which are in the totals in the long-term obligation table in footnote 7(A) above:

**Line of Credit**

Balance 01-01-13	Additions	Deletions	Balance 12-31-13
\$ -	\$ 7,189	\$ 5,129	\$ 2,060

Of the \$2,060,000 outstanding on December 31, 2013, all of it is anticipated to be repaid in the next year from cash on hand.

**E. Extendable Municipal Commercial Paper**

During 2013, the City continued to issue Extendable Municipal Commercial Paper Promissory Notes (the "EMCP"), which are not general obligations of the City. The EMCP are limited obligations of the City payable from proceeds of the sale refunding notes or bonds issued to refinance the EMCP. The EMCP do not represent or constitute a debt of the City within the meaning of any constitutional or statutory limitation. During 2013, \$360,850,000 of EMCP were issued of which \$125,000,000 were for cash flow needs of the City, \$48,000,000 was issued to finance capital expenditures, \$63,000,000 for fiscal purposes, \$24,850,000 for Sewer purposes pending borrowing with sewer revenue bonds, and \$100,000,000 for cash flow needs of the schools. Following is a summary of the EMCP issued (in thousands), which are in the totals in the long-term obligation table in footnote 7(a) above:

**Extendable Municipal Commercial Paper**

Balance 01-01-13	Additions	Deletions	Balance 12-31-13
\$ 93,000	\$ 360,850	\$ 361,850	\$ 92,000

The principal amount outstanding at any one time may not exceed \$200,000,000 with the maturity of each note ranging from 1 to 90 days and may be extended up to 180 days from the original maturity date not to exceed the final maturity date of May 22, 2017. Of the \$92,000,000 outstanding on December 31, 2013, \$44,000,000 is planned to be financed on a long term basis with revenue bonds, and \$48,000,000 with long-term general obligation debt.

CITY OF MILWAUKEE  
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**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>					
<b>Governmental activities</b>					
2014 .....	\$ 110,903	\$ 33,847	\$ -	\$ -	\$ 144,750
2015 .....	84,004	29,217	-	-	113,221
2016 .....	75,781	25,257	-	-	101,038
2017 .....	68,056	21,684	-	-	89,740
2018 .....	122,794	17,875	-	-	140,669
2019-2023 .....	205,025	50,025	-	-	255,050
2024-2028 .....	123,028	14,674	-	-	137,702
2029-2033 .....	32,455	477	-	-	32,932
Total .....	<u>\$ 822,046</u>	<u>\$ 193,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015,102</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
2014 .....	\$ 3,121	\$ 769	\$ 1,264	\$ 216	\$ 5,370
2015 .....	2,512	617	1,295	200	4,624
2016 .....	1,817	487	1,328	167	3,799
2017 .....	856	395	1,362	133	2,746
2018 .....	857	353	1,396	98	2,704
2019-2023 .....	4,198	1,129	1,266	344	6,937
2024-2028 .....	2,430	180	1,393	216	4,219
2029-2033.....	-	-	1,532	74	1,606
Total .....	<u>\$ 15,791</u>	<u>\$ 3,930</u>	<u>\$ 10,836</u>	<u>\$ 1,448</u>	<u>\$ 32,005</u>
<b>Sewer Maintenance</b>					
2014 .....	\$ 701	\$ 448	\$ 8,603	\$ 5,726	\$ 15,478
2015 .....	703	414	8,834	5,537	15,488
2016 .....	706	380	9,072	5,299	15,457
2017 .....	681	346	9,328	5,029	15,384
2018 .....	681	313	9,642	4,709	15,345
2019-2023 .....	4,316	971	52,947	17,777	76,011
2024-2028 .....	1,600	80	46,985	8,805	57,470
2029-2033.....	-	-	25,360	2,010	27,370
Total .....	<u>\$ 9,388</u>	<u>\$ 2,952</u>	<u>\$ 170,771</u>	<u>\$ 54,892</u>	<u>\$ 238,003</u>
<b>Other Enterprise</b>					
2014 .....	\$ 2,030	\$ 649	\$ -	\$ -	\$ 2,679
2015 .....	1,821	556	-	-	2,377
2016 .....	1,496	469	-	-	1,965
2017 .....	1,227	396	-	-	1,623
2018 .....	1,133	339	-	-	1,472
2019-2023 .....	4,621	958	-	-	5,579
2024-2028 .....	1,827	143	-	-	1,970
Total .....	<u>\$ 14,155</u>	<u>\$ 3,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,665</u>

CITY OF MILWAUKEE  
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	<u>General Obligation Debt</u>		<u>Revenue Bonds Payable</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
	<i>(Thousands of Dollars)</i>				
<b>Total Component Units</b>					
2014 .....	\$ -	\$ 248	\$ 565	\$ 37	\$ 850
2015 .....	1,500	249	755	36	2,540
2016 .....	-	211	965	36	1,212
2017 .....	-	210	1,190	35	1,435
2018 .....	-	193	1,435	34	1,662
2019-2023 .....	3,697	960	11,600	155	16,412
2024-2028 .....	3,909	749	21,425	107	26,190
2029-2033 .....	4,133	525	23,350	29	28,037
2034-2038 .....	4,369	288	-	-	4,657
2039-2043 .....	2,742	54	-	-	2,796
Total .....	<u>\$ 20,350</u>	<u>\$ 3,687</u>	<u>\$ 61,285</u>	<u>\$ 469</u>	<u>\$ 85,791</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, 2013, the City's legal debt limit was \$1,849,535,000. Of this amount, \$1,321,096,000 was for City purposes and \$528,439,000 was for school purposes.

**H. Refundings**

In May 2013, the City issued General Obligation Promissory Notes, Series 2013 N2 with a par amount of \$76,285,000 and Corporate Purpose Bonds, Series 2013 B3 with a par amount of \$15,320,000. A portion of these issues were for refunding purposes to provide long-term financing for interim debt, and to reduce the interest cost of long-term debt. The City used \$7,271,529 of the proceeds to refund \$7,150,000 par value of long-term bonds. The result of the refundings will reduce interest costs by decreasing future debt service payments by \$340,150, and result in a present value economic benefit of \$337,250.

In June, 2013, the City issued Sewerage System Revenue Bonds, Series 2013 S5 with a par amount of \$37,000,000. A portion of the issue was for refunding purposes to provide long-term financing for interim debt, and to reduce the interest cost of long-term debt. The City used \$4,850,000 of the proceeds to refund \$4,850,000 par value of long-term bonds. The result of the refundings will reduce interest costs by decreasing future debt service payments by \$955,033, and result in a present value economic benefit of \$755,831.

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, 2013, \$36,685,000 of City bonds are considered defeased.

**I. Conduit Debt**

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2013 is approximately \$17,866,000 for the City and \$550,000,000 for RACM.

CITY OF MILWAUKEE  
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## 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, 789 North Water Street, Suite 300, Milwaukee, WI 53202, or may be found by visiting ERS' website [www.cmers.com](http://www.cmers.com), by clicking on "Library" and then "Reports".

*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%, for general City employees enrolled prior to January 1, 2014, 4% for general City employees enrolled on or after January 1, 2014, 7%, police officers, firefighters, 7% for elected officials enrolled prior to January 1, 2014, and 4% for elected officials enrolled on or after January 1, 2014. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute a percentage of their earnable compensation for pension benefits as described above. A general City employee who enrolls as a member in the Employees' Retirement System on or after January 1, 2014 has the following: a minimum service retirement age of 65 and a service retirement allowance equal to 1.6% of the members final average salary times the total number of years of all creditable service; eligibility for a service retirement allowance when attaining the age of 60 years and the completion of 30 years of creditable service. Additionally, they are eligible for a pension escalator of 2% annually after the fifth anniversary of their service retirement, with spouse survivors of service retirees also eligible for the escalator. All new city employees enrolled on or after January 1, 2014, are required to contribute 4% of their earnable compensation to the retirement system. The City's employer contributions to the System for the plan year 2013 was \$70,607,000, equal to the required contributions on behalf of the plan members for the year. This amount consisted of \$45,970,000 from the employer and \$24,637,000 from employees. Total contributions for the years ended December 31, 2012 and 2011 were \$80,324,000 and \$30,446,000, respectively, equal to the required contribution for each year. In 2013 the funding policy changed and the City went to a "stable contribution" policy. The actuarial contribution shall be based on separate calculated rates for police officers, firefighters and general City employees and shall be applicable for a 5-year period. The actuary shall, consistent with actuarial standards of practice, set the actuarial contribution rate at a percentage of covered compensation sufficient to fund the entire amount of the employers' share of the normal cost, and to amortize any unfunded past service liability.

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**Other Postemployment Benefits**

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

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

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

In addition to medical insurance, before 2014 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 covered under the City's Life Insurance plan until December 31, 2013 was 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 after 2013 must have purchased before retirement at least 50% of their annual base salary in voluntary life insurance coverage to be able to continue their enrollment in the City's General Life Insurance program. Premiums are paid at age banded rates that are in effect at that time. Employees maintaining a minimum of 50% of their annual base salary at the time of retirement in voluntary coverage until age 65, upon attaining age 65, have \$10,000 of coverage paid for by the City.

General City employees retiring at age 55 or older with 30 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible prior to 2014 continue coverage at the level on the date prior to their date of retirement. Firefighters retiring at age 49 with 22 years of service, or at age 57 regardless of service, and police officers retiring with 25 years of service regardless of age, or at age 57 regardless of service and who have coverage under the group life insurance plan at the time of retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends.

The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

*Funding Policy.* The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2013, the City paid approximately \$36,191,000 and \$1,361,000, respectively, toward medical and life insurance for retirees.

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

**Funding Status and Funding Progress**

ARC.....	\$ 70,422,000
Interest on Net OPEB Obligation.....	11,408,000
Adjustment to ARC.....	<u>(10,341,000)</u>
Annual OPEB Cost.....	71,489,000
Contribution made.....	<u>37,552,000</u>
Increase in net OPEB Obligation.....	33,937,000
Net OPEB Obligation - Beginning of year.....	<u>253,523,000</u>
Net OPEB Obligation - End of year.....	<u>\$ 287,460,000</u>

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

**Annual Cost and Net OPEB Liability**

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 73,071,000	47.30%	\$ 212,886,000
12/31/2012	76,156,000	46.60%	253,523,000
12/31/2013	71,489,000	52.53%	287,460,000

*Funded Status and Funding Progress.* Actuarial liabilities decreased from \$916.4 million as of January 1, 2011, to \$888.9 million as of January 1, 2013. Factors contributing to the decrease in actuarial liabilities were favorable healthcare claims experience, favorable demographic experience and changes in plan provisions including increasing the portion of premium paid by certain retirees. As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$888,982,700, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$888,982,700. The covered payroll (annual payroll of active employees covered by the plan) was \$382,794,900 and the ratio of the UAAL to the covered payroll was 218 percent.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 8.0% initially, and reduced by decrements to the ultimate rate of 4.5% after 9 years.

CITY OF MILWAUKEE  
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The actuarial assumption for wage inflation is 3%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

**Terminal Leave Payments**

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2013, approximately \$7,187,761 was paid for sick leave from all funds. At December 31, 2013, accumulated sick leave earned but not taken totaled approximately \$161,979,166 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 2013, terminal leave payments totaled \$1,717,000 to employees retiring during the year. As of December 31, 2013, the City has accrued approximately \$32,774,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$50,461,000 with the remainder accrued vacation leave of \$17,687,000.

CITY OF MILWAUKEE  
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**9. FUND BALANCE**

The constraints placed on fund balance for the governmental funds at December 31, 2013 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>					
<b>Nonspendable</b>						
Loans receivable.....	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 10
Advances.....	6,715	-	-	-	-	6,715
Inventory.....	7,919	-	-	-	-	7,919
Inventory of property for resale.....	26	-	-	-	-	26
Prepaid items.....	602	-	-	254	-	856
Investment-Targeted Mortgage.....	117	-	-	-	-	117
<b>Spendable</b>						
Restricted for:						
Future debt payments.....	-	142,138	62,940	-	-	205,078
Capital projects.....	-	-	-	14,328	-	14,328
Grants.....	-	-	-	-	4,821	4,821
Economic Development.....	-	-	-	-	6,415	6,415
Committed to:						
Contributions.....	1,741	-	-	-	-	1,741
Debt.....	-	-	-	-	-	-
Delinquent taxes.....	-	-	-	-	21,249	21,249
Assigned to:						
Conservation and development.....	213	-	-	-	-	213
General government.....	19,831	-	-	-	-	19,831
Health.....	182	-	-	-	-	182
Library.....	230	-	-	-	-	230
Public safety.....	1,378	-	-	-	-	1,378
Public works.....	1,035	-	-	-	-	1,035
2014 budgetary financing.....	20,000	-	-	-	-	20,000
Environmental remediation.....	303	-	-	-	-	303
Unassigned	<u>43,232</u>	<u>-</u>	<u>-</u>	<u>(10,194)</u>	<u>-</u>	<u>33,038</u>
Total Fund Balance.....	<u>\$ 103,534</u>	<u>\$ 142,138</u>	<u>\$ 62,940</u>	<u>\$ 4,388</u>	<u>\$ 32,485</u>	<u>\$ 345,485</u>

**Tax Stabilization and Advances to Other Funds**

A tax stabilization arrangement is incorporated into the City's adopted *Reserve for Tax Stabilization Fund Balance Policy* and is governed by the City's Code of Ordinances. At December 31, 2013, the tax stabilization reserve was \$69,947,000. Of this amount, \$20,000,000 has been committed to the funding of the 2014 General Fund budget and \$49,947,000 is unassigned for 2015 and subsequent years' budgets. This Reserve includes an amount for advances of \$6,715,000 from the General Fund to the Capital Projects Fund. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the reserved for tax stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budgeted, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council prior to budget adoption.

CITY OF MILWAUKEE  
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**10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS**

The individual interfund receivable and payable balances at December 31, 2013 were as follows:

		Due From				
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
		<i>(Thousands of Dollars)</i>				
Due To	General Fund .....	\$ -	\$ 2,512	\$ -	\$ -	\$ 2,512
	General Obligation Debt .....	-	3,890	-	-	3,890
	Capital Projects .....	1,405	-	-	-	1,405
	Nonmajor Governmental Funds .....	8,308	-	-	-	8,308
	Water Works .....	14,690	-	1,118	877	16,685
	Nonmajor Enterprise Funds ...	<u>1,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,696</u>
	Totals .....	<u>\$ 26,099</u>	<u>\$ 6,402</u>	<u>\$ 1,118</u>	<u>\$ 877</u>	<u>\$ 34,496</u>

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

The City of Milwaukee General Fund advances funds to the Special Assessments Capital Projects fund periodically to finance cash flows. These advances are non-interest bearing and are repaid as collections from the receivables are obtained. At December 31, 2013 the outstanding balance was \$6,715,000.

The City of Milwaukee Water Fund advanced \$272,286 to the Parking Enterprise Fund in 2012. This advance is non-interest bearing and is due in annual installments from 2013 to 2021. At December 31, 2013 the outstanding balance was \$218,000

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013

Interfund transfers for the year ended December 31, 2013 were as follows:

Funds Transferred To	Fund Transferred From	Amount
<b>General Fund</b>	General Obligation Debt	\$ 1,360
	Nonmajor Governmental Funds	9,013
	Capital Projects	260
	Water Works	12,395
	Nonmajor Enterprise Funds	<u>23,219</u>
	<b>Subtotal General Fund</b>	<b><u>46,247</u></b>
<b>General Obligation Debt</b>	General	127,119
	Public Debt Amortization	12,247
	Capital Projects	4,010
	Nonmajor Governmental Funds	31,512
	Sewer Maintenance	6,228
	Nonmajor Enterprise Funds	<u>635</u>
	<b>Subtotal Debt Service</b>	<b><u>181,751</u></b>
<b>Public Debt Amortization</b>	General Obligation Debt	<u>2,454</u>
	<b>Subtotal Public Debt Amortization</b>	<b><u>2,454</u></b>
<b>Nonmajor Enterprise</b>	General Obligation Debt	<u>849</u>
	<b>Subtotal Nonmajor Proprietary</b>	<b><u>849</u></b>
	<b>Total Interfund Transfers</b>	<b><u>\$ 231,301</u></b>

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, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) for payment in lieu of taxes from enterprise funds and (5) certain non-major funds are required by statute to transfer funds to the General Fund.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013

**11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS**

Balances due to and due from component units as of December 31, 2013 were as follows:

<b>Component Unit Payable</b>	<b>Primary Government's Receivable</b> <i>(Thousands of Dollars)</i>
Due from RACM for reimbursable expenditures .....	\$ 2,634
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate .....	22,661
Due from NIDC for home and Community Development Block grants .....	<u>22</u>
<b>Total .....</b>	<b><u>\$ 25,317</u></b>

<b>Component Unit Receivable</b>	<b>Primary Government's Payable</b> <i>(Thousands of Dollars)</i>
Due to NIDC for reimbursable expenditures .....	\$ 10
Due to RACM for reimbursable expenditures .....	39
Due to RACM for home and Community Development Block grants .....	<u>110</u>
<b>Total .....</b>	<b><u>\$ 159</u></b>

**12. OPERATING LEASES**

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2014 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:

<b>Year</b>	<b>Amount</b> <i>(Thousands of Dollars)</i>
2014	\$ 5,081
2015	5,283
2016	4,249
2017	3,891
2018	3,693
2019-2023	18,266
2024-2028	18,556
2029-2033	20,212
2034 and beyond	<u>2,235</u>
<b>Total</b>	<b><u>\$ 81,466</u></b>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013

**13. COMMITMENTS AND CONTINGENCIES**

**Claims and Other Legal Proceedings**

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

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

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

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2013 were as follows:

General liability claims .....	\$ 8,233,000
Workers' compensation claims .....	12,985,000
Unemployment claims .....	617,000
Health insurance claims .....	2,616,000
Pollution remediation obligation.....	1,353,000

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

	<b>2012</b>	<b>2013</b>
Beginning of year liability .....	\$ 23,879,000	\$ 23,784,000
Current year claims and changes in estimates .....	4,702,000	5,118,000
Claim payments .....	<u>(4,797,000)</u>	<u>(3,098,000)</u>
End of year liability .....	<u>\$ 23,784,000</u>	<u>\$ 25,804,000</u>

Beginning in 2013 the City is also self insured for active retiree health insurance, which is recorded in accounts payable within the General Fund. Changes in the balance of this claim liability during the past year is as follows:

	<b>2013</b>
Beginning of year liability .....	\$ -
Current year claims and changes in estimates .....	62,530,000
Claim payments .....	<u>(55,432,000)</u>
End of year liability .....	<u>\$ 7,098,000</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The Circuit Court branches have begun to schedule trials in the last half of 2014.

A plaintiff has challenged the assessment of its billboards in a section 74.37 action. The Wisconsin Supreme Court decided in 2006 that the economic scarcity value of the city-issue billboard permit has value that can be assessed as real property. The Joint Finance Committee of the Wisconsin Legislature recently approved a new property tax exemption for these permits that would end this assessment as of January 1, 2014, if adopted by the full Legislature and signed by the Governor. This would effectively reverse the Supreme Court decision, leaving the taxes the City collected in 2009, 2010, 2011 and 2012 still at issue in the court. The circuit court branches have begun to scheduling trials in the last half of 2014.

Several Plaintiffs are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessment is consistent with the law because they run with the property. The four separate cases have been consolidated in court for a trail in early 2015.

The Circuit Court issued the warrant, and the plaintiff was shot by a police officer who was part of the team of officers who executed that warrant. Plaintiff also claimed that the officer who shot him violated his civil rights by using excessive force against him. On November 22, 2013, the Court entered judgment against police officer and awarded to the plaintiff \$750,000 in compensatory damages and \$250,000 in punitive damages. Post-verdict motions, including a motion for a new trial, are pending. There are several other plaintiff claims against police officers that are pending.

In 2009, negligence action in state court, approximately 181 city residents claim that their homes and personal property were damaged in a sewer backup that occurred during a large rainstorms in June 2008. The case was tried to a jury in September 2013 and the jury returned a verdict assigning part of the blame to the City, part to the Sewage Commission, and part to Veolia, the Commission's private operator. Settlement damages paid by the City in July 2014 are \$935,000.

#### **Environmental Liabilities**

The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PCB pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of \$700,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, cleanup is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

During 2013, the City spent \$231,000 in pollution remediation-related activities. At December 31, 2013, the City has an outstanding liability of \$1,353,000 related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Four of the seven landfills have been closed. The remaining three landfills are no longer accepting waste. The Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The City has accrued \$233,000 in the government-wide financial statement, as part of general liability claims for landfill closure related to the three sites. The City spent \$117,000 in post-closure care of solid waste landfills during 2013. Actual future costs may be higher due to inflation, changes in technology, or changes in regulations.

#### **Intergovernmental grants**

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013.

**Commitments**

The following is a list of encumbrances by function at December 31, 2013:

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Water Works</b>	<b>Total</b>
		<i>(Thousands of Dollars)</i>		
General government.....	\$ 13,831	\$ 13	\$ -	\$ 13,844
Conservation and development.....	213	7,040	-	7,253
Health.....	182	-	-	182
Library.....	230	3,219	-	3,449
Public safety.....	1,378	1,537	-	2,915
Public works.....	1,035	-	-	1,035
Infrastructures.....	<u>-</u>	<u>35,281</u>	<u>9,086</u>	<u>44,367</u>
Total.....	<u>\$ 16,869</u>	<u>\$ 47,090</u>	<u>\$ 9,086</u>	<u>\$ 73,045</u>

**14. RESTATEMENT**

The City of Milwaukee adopted GASB Statement No. 65 Items Previously Recognized as Assets and Liabilities as of January 1, 2013. GASB Statement No. 65 impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The standard eliminates the provision for capitalizing and amortizing debt issue costs. Debt issue costs are considered expense at the time the debt is issued. The beginning net position has been restated.

Additionally the City has restated beginning net position to reflect revenues for prior year long-term receivables of \$19,770,000 and unavailable grant funds of \$12,807,000 that were previously reported as deferred revenue.

The impact of the restatements described above is as follows:

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Component Units</b>	<b>Sewer Maintenance Fund</b>
		<i>(Thousands of Dollars)</i>		
Net Position December 31, 2012, as previously reported.....	\$ 251,707	\$ 711,646	\$ 55,617	\$ 252,757
Adjustment for debt issuance costs.....	(2,463)	(302)	(964)	(302)
Adjustment for deferred revenue recognized as revenues.....	<u>32,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position December 31, 2012 as restated.....	<u>\$ 281,821</u>	<u>\$ 711,344</u>	<u>\$ 54,653</u>	<u>\$ 252,455</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2013

**15. Subsequent Events**

On January 8, 2014, the City was advanced \$14,207,264 on the 2013 Clean Water Fund loan from the State for sewer purposes. The maturity date is May 1, 2013.

On March 12, 2014, the City was advanced \$15,000 on the 2013 Clean Water Fund loan from the State for sewer purposes. The maturity date is May 1, 2013.

On May 5, 2014, the City issued \$37,000,000 of Extendable Municipal Commercial Paper for City cash flow purposes, capital projects, and fiscal purposes. \$12,000,000 of the issuance was paid off on May 16, 2014. The final maturity date is May 22, 2017. The remainder of the issuance is anticipated to be repaid by December 31, 2014 from the receipt of State shared revenues.

On May 16, 2014, the City issued \$110,000,000 of general obligation cash flow promissory notes for cash flow purposes. The maturity date is December 23, 2014, and is anticipated to be repaid from the receipt of State shared revenues.

On May 16, 2014, the City issued \$83,645,000 of general obligation promissory notes for capital projects, fiscal, and refunding purposes. The notes mature in each of the years 2015 through 2024.

On May 16, 2014, the City issued \$21,500,000 of general obligation corporate purpose bonds for capital projects and refunding purposes. The bonds mature in each of the years 2025 through 2029.

On July 24, 2014, the City issued \$7,800,000 of Extendable Municipal Commercial Paper for City capital projects and tax incremental district purposes. The final maturity date is May 22, 2017. The issuance is anticipated to be repaid by October 24, 2014 from cash on hand and reimbursements.

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 (Thousands of Dollars)

Exhibit E-1

	<u>Budgeted Amounts</u>		<b>Actual - Amounts Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Property taxes .....	\$ 181,569	\$ 181,569	\$ 172,594	\$ (8,975)
Other taxes .....	3,870	3,870	3,544	(326)
Licenses and permits .....	13,799	13,800	15,030	1,230
Intergovernmental .....	259,576	259,576	259,735	159
Charges for services .....	109,088	109,550	111,881	2,331
Fines and forfeits .....	5,129	5,137	4,492	(645)
Other .....	<u>33,913</u>	<u>33,914</u>	<u>35,378</u>	<u>1,464</u>
<b>Total Revenues</b> .....	<u>606,944</u>	<u>607,416</u>	<u>602,654</u>	<u>(4,762)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government .....	267,522	323,015	313,667	9,348
Public safety .....	267,267	270,798	270,680	118
Public works .....	92,804	99,943	99,907	36
Health .....	9,174	9,455	9,147	308
Culture and recreation .....	15,914	16,085	15,900	185
Conservation and development .....	<u>3,060</u>	<u>3,396</u>	<u>3,379</u>	<u>17</u>
<b>Total Expenditures</b> .....	<u>655,741</u>	<u>722,692</u>	<u>712,680</u>	<u>10,012</u>
<b>Deficiency of Revenues over Expenditures</b> .....	<u>(48,797)</u>	<u>(115,276)</u>	<u>(110,026)</u>	<u>5,250</u>
<b>Other Financing Sources (Uses):</b>				
General obligation bonds and notes issued .....	-	61,860	188,860	127,000
Transfers in .....	33,436	34,795	46,247	11,452
Transfers out .....	-	-	(127,119)	(127,119)
Contributions received .....	28,400	28,400	21,871	(6,529)
Contributions used .....	(28,341)	(28,616)	(22,089)	6,527
Use of fund balance - reserved for tax stabilization ..	<u>14,900</u>	<u>14,900</u>	<u>14,900</u>	<u>-</u>
<b>Total Other Financing Sources and Uses</b> .....	<u>48,395</u>	<u>111,339</u>	<u>122,670</u>	<u>11,331</u>
<b>Net Change in Fund Balance</b> .....	(402)	(3,937)	12,644	16,581
<b>Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)</b> .....	<u>90,890</u>	<u>90,890</u>	<u>90,890</u>	<u>-</u>
<b>Fund Balance - Ending</b> .....	<u>\$ 90,488</u>	<u>\$ 86,953</u>	<u>\$ 103,534</u>	<u>\$ 16,581</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 with budget basis is \$14.9 million at January 1, 2013.

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

The City budgets for pension contributions to paid from the Employees' Retirement System reserve fund as revenues and expenditures which are netted for GAAP basis fund presentation. In 2013, this amount was \$18.4 million.

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
*(unaudited)*

Exhibit E-2

**Retiree Health and Life Insurance**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2011	-	916,383,400	916,383,400	0.0%	407,839,733	224.70%
1/1/2012	-	946,857,500	946,857,500	0.0%	409,571,707	231.20%
1/1/2013	-	888,982,700	888,982,700	0.0%	382,794,900	232.23%

*See accompanying independent auditors' report.*

CITY OF MILWAUKEE  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2013

**Budgets and Budgetary Accounting**

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

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

**Schedule of Funding Progress – Actuarial Methods and Assumptions**

Valuation date	January 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.0%
Health care inflation rate	8.0% per year graded down to 4.5% per year ultimate trend in 0.5% increments.

**REMAINDER OF FINANCIAL SECTION**  
Combined and Individual Fund Statements and Schedules  
Miscellaneous Financial Data

**STATISTICAL SECTION**

Pages 99-160 Omitted

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## **APPENDIX B**

### **Draft Form of Legal Opinions**

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May 28, 2015

The City Comptroller and the Commissioners  
of the Public Debt of the City of Milwaukee,  
Wisconsin

We have examined a record of proceedings relating to the issuance of \$125,000,000 aggregate principal amount of Revenue Anticipation Notes, Series 2015 R1 (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on January 21, 2015.

The Notes constitute an issue of "revenue anticipation notes" under Section 67.12(1) of the Wisconsin Statutes and are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Notes are dated May 28, 2015, mature (without option of prior redemption) on December 23, 2015 and bear interest from their date at the rate of one per centum (1.00%) per annum payable at maturity.

In our opinion, the Notes are valid and legally binding limited obligations of the City; payment of the principal of and interest on the Notes is secured by an irrevocable pledge of State of Wisconsin aid payments to be received by the City and by a pledge of all other general fund revenues included in the City budget for the current calendar year, which are due to the City and have not yet been received as of the date of issuance of the Notes and which are not otherwise pledged or assigned. The Notes are not general obligations of the City and neither the full faith and credit nor the general taxing power of the City is pledged as security for the payment of the principal of or interest on the Notes. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Notes. These requirements relate to the use and investment of the proceeds of the Notes, the payment of certain amounts to the United States, the security and source of payment of the Notes and the use of the property financed with the proceeds of the Notes. The City has covenanted to comply with these requirements.

Interest on the Notes is not exempt from Wisconsin income taxes.

Respectfully submitted,

May 28, 2015

The City Comptroller and the Commissioners  
of the Public Debt of the City of Milwaukee,  
Wisconsin

We have examined a record of proceedings relating to the issuance of \$131,270,000 aggregate principal amount of General Obligation Promissory Notes, Series 2015 N2 (the “Notes”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on January 21, 2015.

The Notes constitute an issue of “promissory notes” under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Notes are dated as of May 28, 2015, mature (without option of prior redemption) on March 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on September 15, 2015 and semiannually thereafter on March 15 and September 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$31,885,000	2.00%
2017	24,935,000	3.00
2018	15,085,000	4.00
2019	10,990,000	4.00
2020	10,930,000	4.00
2021	8,395,000	4.00
2022	7,420,000	4.00
2023	7,460,000	4.00
2024	7,490,000	4.00
2025	6,680,000	4.00

In our opinion, the Notes are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Notes and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes, however, may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Notes are not “private activity bonds” within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Notes. These requirements relate to the use and investment of the proceeds of the Notes, the payment of certain amounts to the United States, the security and source of payment of the Notes and the use of the property financed with the proceeds of the Notes. The City has covenanted to comply with these requirements.

Interest on the Notes is not exempt from Wisconsin income taxes.

Respectfully submitted,

May 28, 2015

The City Comptroller and the Commissioners  
of the Public Debt of the City of Milwaukee,  
Wisconsin

We have examined a record of proceedings relating to the issuance of \$27,565,000 aggregate principal amount of General Obligation Corporate Purpose Bonds, Series 2015 B3 (the “Bonds”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on January 19, 2011, December 20, 2011, February 5, 2013, January 22, 2014, April 22, 2014 and January 21, 2015.

The Bonds constitute an issue of “corporate purpose bonds” under Section 67.05 of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Bonds are dated as of May 28, 2015 and bear interest from their date at the rate of four percentum (4.00%) per annum, payable on September 15, 2015 and semiannually thereafter on March 15 and September 15 of each year. The Bonds mature on March 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table:

<u>Year</u>	<u>Principal Amount</u>
2026	\$5,330,000
2027	5,340,000
2028	5,355,000
2029	5,370,000
2030	5,385,000
2031	385,000
2032	400,000

The Bonds are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on March 15, 2025 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

In our opinion, the Bonds are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds, however, may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not “private activity bonds” within the meaning of Section 141(a) of the Code; accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Bonds, however, is includable in earnings and profits of a

corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted to comply with these requirements.

Interest on the Bonds is not exempt from Wisconsin income taxes.

Respectfully submitted,

May 28, 2015

The City Comptroller and the Commissioners  
of the Public Debt of the City of Milwaukee,  
Wisconsin

We have examined a record of proceedings relating to the issuance of \$21,490,000 aggregate principal amount of Taxable General Obligation Corporate Purpose Bonds, Series 2015 T4 (the “Bonds”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on January 19, 2011, December 20, 2011, February 5, 2013, January 22, 2014 and January 21, 2015.

The Bonds constitute an issue of “corporate purpose bonds” under Section 67.05 of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Bonds are dated as of May 28, 2015, mature on March 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on September 15, 2015 and semiannually thereafter on March 15 and September 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$1,295,000	2.50%
2017	1,295,000	2.50
2018	1,295,000	2.50
2019	1,295,000	2.50
2020	1,855,000	2.50
2021	1,865,000	2.50
2022	1,880,000	2.50
2023	1,890,000	2.60
2024	1,905,000	2.80
2025	1,925,000	3.00
2026	645,000	3.20
2027	665,000	3.40
2028	685,000	3.60
2029	710,000	3.70
2030	735,000	3.80
2031	760,000	3.90
2032	790,000	4.00

The Bonds maturing on or after March 15, 2026 are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on March 15, 2025 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

In our opinion, the Bonds are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. The

enforceability of rights or remedies with respect to the Bonds, however, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

Interest on the Bonds is not exempt from Federal or Wisconsin income taxes.

Respectfully submitted,

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## **APPENDIX C**

**Form of Continuing Disclosure Certificate  
and list of EMMA filings for the past 5 years**

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## MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the “Certificate”) dated as of December 1, 2010 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 100846 duly adopted by the Common Council of the City on November 23, 2010 (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 the Repository, 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:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Offered Obligations, or other events affecting the tax-exempt status of the Offered Obligations;
- (vii) modifications to rights of Security Holders, if material;
- (viii) bond calls, if material;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations, if material;
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Obligor (as specified in the Addendum Describing Annual Report).

The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligor in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligor, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligor.

- (xiv) the consummation of a merger, consolidation, or acquisition involving the Obligor or the sale of substantially all of the assets of the Obligor, other than pursuant to its terms, if material; and
- (xv) appointment of a success or additional trustee or the change of name of a trustee, if material.

(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) “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).

(10) “Official Statement” means the “final official statement” as defined in paragraph (f)(3) of the Rule.

(11) “Repository” means the SID and repository(ies), as designated from time to time by the SEC to receive continuing disclosure filings. The SID, repository(ies), and filing information are set forth in the Addendum Describing Repository and SID (Exhibit A) as may be revised from time to time.

(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 the Repository.

(b) The City shall provide, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to the Repository.

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 the Repository.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, a Material Event Notice to the Repository.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to the Repository, 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.

#### 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 the Repository existing at the time of such reference, 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. Transmission of information and notices shall be as prescribed by the SEC and the Repository. The transmission requirements are described in the Addendum Describing Repository.

#### 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 the Repository.

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 the Repository.

(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 the Repository.

(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 the Repository.

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 1<sup>st</sup> day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: \_\_\_\_\_  
Comptroller

**ADDENDUM DESCRIBING REPOSITORY AND SID**

This Addendum Describing Repository (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 December 1, 2010. This Addendum describes the filing information as specified by the Securities and Exchange Commission.

**Repositories**

In December, 2008, the Securities and Exchange Commission modified Exchange Act Rule 15c2-12 to require that Continuing Disclosure shall be made to the Electronic Municipal Market Access system administered by the MSRB (“EMMA”). Pursuant to that modification, continuing disclosure filings will be provided to the Municipal Securities Rulemaking Board for disclosure on the EMMA system.

Information submitted to the MSRB for disclosure on the EMMA shall be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

**SID (State Information Depository)**

None.

IN WITNESS WHEREOF, this Addendum is executed this 1<sup>st</sup> day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: \_\_\_\_\_  
Comptroller

**ADDENDUM DESCRIBING ANNUAL REPORT  
FOR GENERAL OBLIGATION DEBT**

This Addendum Describing Annual Report for General Obligation Debt (the “Addendum”) is delivered by the City of Milwaukee, Wisconsin (the “City”) pursuant to the Master Continuing Disclosure Certificate (the “Certificate”), executed and delivered by the Issuer and dated December 1, 2010. 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.

Obligor: The City of Milwaukee, Wisconsin

Content of Annual Financial Information for Issuer:

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

IN WITNESS WHEREOF, this Addendum is executed this 1<sup>st</sup> day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: \_\_\_\_\_  
Comptroller

WMM:RL

**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 December 1, 2010. 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:

- \$125,000,000 Revenue Anticipation Notes, Series 2015 R1
- 131,270,000 General Obligation Promissory Notes, Series 2015 N2
- 27,565,000 General Obligation Corporate Purpose Bonds, Series 2015 B3
- 21,490,000 Taxable General Obligation Corporate Purpose Bonds, Series 2015 T4

Addendum Describing Annual Report:

**ADDENDUM DESCRIBING ANNUAL REPORT  
FOR GENERAL OBLIGATION DEBT**

Date of Issues:

May 28, 2015

No Previous Non-Compliance. The Issuer represents that for the period beginning 6 years prior to the date hereof, 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.

IN WITNESS WHEREOF, this Supplemental Certificate is executed this 28<sup>th</sup> day of May, 2015.

CITY OF MILWAUKEE, WISCONSIN

By: \_\_\_\_\_  
Comptroller

**City of Milwaukee, Wisconsin  
Continuing Disclosure Filings on the EMMA  
Since April 1, 2010**

Date	Submission ID	Description of Filing	CAFRF (1)	
			City	MPS
4/7/2010	EA346910	Bond Call: RACM 2003 (MPS 2430 W Wisc Ave)		
5/21/2010	EP386958	Rating Change: Fitch on City to "AA+"		
6/2/2010	EP392963	Official Statement with updated financial information		
7/14/2010	EA358934	Bond Call: Series R		
8/5/2010	EA367280	CAFR, City, 12/31/09	2009	
9/29/2010	EA381222	Rating Change: Moody's on RACM (MPS) to "Aa3"		
11/4/2010	EP417832	Rating Change: Fitch on RACM 2003 C & D (MPS) to "AA-"		
11/9/2010	EP419899	Rating Change: S&P on Assured Guarantee/FSA to "AA+"		
12/22/2010	ER389042	CAFR, MPS, 6/30/10		2010
6/9/2011	ER414894	Failure to file CAFR, City by June 30		
6/9/2011	ER414892	Official Statement with updated financial information		
6/9/2011	ER414891	Official Statement with updated financial information		
6/9/2011	ER414890	Bond Call: Series U		
6/9/2011	ER414889	Bond Call: Series T		
6/9/2011	ER414887	Defeasance: Sewer 2001, Sewer 2003 S4		
6/20/2011	ER418455	Modification of Rights: Sewer 2001, Sewer 2003 S4		
7/7/2011	ER426014	Bond Call: Series T		
7/18/2011	EP459500	Bond Call: Series T		
7/18/2011	EP459484	Bond Call: Series U		
8/29/2011	EP470073	CAFR, City, 12/31/10	2010	
10/3/2011	EP491777	Bond Call: Series 2005 V8		
12/9/2011	ER460717	Rating Change: S&P on Assured Guarantee to "AA-"		
12/29/2011	ER471009	CAFR, MPS, 6/30/11		2011
2/1/2012	ER486957	Bond Call: Series W		
2/7/2012	ER488520	Bond Call: Series W		
4/16/2012	ER496146	Rating Change: Moody's on City to "Aa2"		
4/18/2012	ER496979	Bond Call: Sewer 2001		
4/23/2012	ER498389	Bond Call: Series 2005 V8		
5/4/2012	EP532107	Official Statement with updated financial information		
5/4/2012	EP532139	Defeasance: Series Y, 2003 B1, 2004 B1, 2005 B2, 2005 B10		
6/27/2012	ER506658	Failure to file CAFR, City by June 30		
7/24/2012	ER513579	Bond Call: Series Y		
8/1/2012	ER517058	CAFR, City, 12/31/11 (black and white)	2011	
8/4/2012	EP555645	City Pension Actuarial Valuation Report, 1/1/12		
8/9/2012	EP557070	Bond Call: Series Y		
10/3/2012	EP573117	Rating Change: Fitch on City to "AA"		
12/28/2012	ER529554	CAFR, MPS, 6/30/12		2012
2/6/2013	EA440349	Bond Call: 2003 B1		

(1) The current requirement for the City's audit to be filed is by June 30<sup>th</sup>. In 2018, or when the 2001-A Bonds are defeased, the new requirement will be by September 30<sup>th</sup>. MPS's audit is required to be filed by March 31<sup>st</sup>.

**City of Milwaukee, Wisconsin  
Continuing Disclosure Filings on the EMMA  
Since April 1, 2010**

Date	Submission ID	Description of Filing	CAFRF (1)	
			City	MPS
2/18/2013	EA438554	CAFR, MPS, 6/30/12 (Revised)		
4/2/2013	EP608693	Bond Call: Sewer 2003 S4		
4/11/2013	EP612596	Bond Call: RACM 2002A (MPS NSI)		
5/1/2013	EP614626	Bond Call: Sewer 2003		
5/15/2013	EA454755	Bond Call: 2004 B1		
5/15/2013	EA454753	Bond Call: 2003 B6		
5/15/2013	EA454742	Refunding: 2003 B6, 2004 B1, RACM 2005A		
6/17/2013	EA457491	Bond Call: RACM 2005A (MPS Congress Craig Fratney)		
6/26/2013	EA461298	Failure to file CAFR, City by June 30		
6/26/2013	EA461481	Bond Call: RACM 2003A (MPS NSI)		
8/20/2013	EA472095	CAFR, City, 12/31/12	2012	
9/13/2013	ER570974	CAFR, City, 12/31/11 (color)		
9/13/2013	ER570972	Official Statement with updated financial information		
10/18/2013	ER579753	Official Statement with updated financial information		
12/29/2013	ER598943	CAFR, MPS, 6/30/13		2013
1/30/2014	ER606473	Bond Call: Series 2004 B1		
4/11/2014	EP645783	Rating Change: Moody's on City to "Aa3"		
5/9/2014	EA508249	Official Statement with updated financial information		
5/9/2014	EA508254	Official Statement with updated financial information		
5/9/2014	EA508256	Official Statement with updated financial information		
6/3/2014	ER626851	Failure to file CAFR, City by June 30		
7/14/2014	EA521008	Bank Loan, Series 2013 T4, PNC Line		
7/18/2014	ER635579	Successor Trustee, 2003 RACM Pension Bonds		
7/29/2014	ER637373	Pension Actuarial Valuation Report, 1/1/13		
7/29/2014	ER637379	Pension Actuarial Valuation Report, 1/1/14		
7/31/2014	ER639237	CAFR, City, 12/31/13	2013	
10/1/2014	EP666595	POS Series 2014 M4		
10/7/2014	EA472095	2012 CAFR, City updated to also be the AFI filing		
10/14/2014	EA543863	OS Series 2014 M4		
10/23/2014	ER645647	Successor Trustee: 2009 M6, and 2010 M6 QSCB		
12/31/2014	ER667442	Bond Call: 2005 B2		
1/8/2015	ER670752	Bond Call: 2005 B2, 2018-2022 maturities		
1/20/2015	EA564896	Bond Call: 2005 A5		
1/23/2015	EA566970	Bond Call: 2005 B2, 2018-2022 maturities		
1/30/2015	EA572313	CAFR, MPS, 6/30/14		2014
5/1/2015	ER697247	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		

(1) The current requirement for the City's audit to be filed is by June 30<sup>th</sup>. In 2018, or when the 2001-A Bonds are defeased, the new requirement will be by September 30<sup>th</sup>. MPS's audit is required to be filed by March 31<sup>st</sup>.

**APPENDIX D**

**BOOK-ENTRY-ONLY SYSTEM**

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## BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s book-entry-only system has been obtained from DTC, and the City and the Underwriter take no responsibility for the accuracy thereof.*

The Depository Trust Company (“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 Note certificate will be issued for each maturity of the Offered Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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 3.5 million issues of U. S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor’s rating of AA+. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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 Note (“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 Securities 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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Offered Obligations 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 MMI 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, 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 Issuer 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.

A Beneficial Owner shall give notice to elect to have its Offered Obligations purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Offered Obligations by causing the Direct Participant to transfer the Participant's interest in the Offered Obligations, on DTC's records, to Agent. The requirement for physical delivery of Offered Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Offered Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Offered Obligations to Agent's DTC account.

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.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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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